

Housing Trust Funds and Wisconsin: Funding for Lead Hazard Control

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Workshop in Public Affairs, Domestic Issues
Public Affairs 869
Spring 2008



**Robert M. La Follette School of Public Affairs
University of Wisconsin–Madison**

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Foreword

Replacement and rehabilitation of older housing stock has reduced the threat of lead poisoning in children in Wisconsin. Yet lead poisoning continues to be a serious public health issue because of childhood ingestion of lead-based paint chips and dust and because it can lead to serious cognitive impairments. Data presented in this report indicate that lead poisoning is increasingly concentrated among low-income people since they are most likely to live in older housing units and have limited resources to improve their housing conditions. This report represents one among many steps that the Wisconsin Department of Health and Family Services has taken to understand and address the issue of housing rehabilitation.

Some states and municipalities have established Housing Trust Funds (HTFs) to provide financial resources for housing rehabilitation. While these HTFs are not typically set up with lead poisoning as a motivator, rehabilitation of older housing reduces that danger and HTFs can specify that as one criterion for grants. In Wisconsin, establishing a HTF, as well as other avenues for state funding of housing rehabilitation, are severely restricted by the Wisconsin Constitution's Internal Improvement clause, which limits the use of state funds to specific purposes. This report addresses ways in which the Department of Health and Family Services could pursue housing rehabilitation within this provision's boundaries, and it explores legislation that would be necessary for HTFs to be funded at the municipal or state level.

This report is the product of a semester-long collaboration between the Robert M. La Follette School of Public Affairs at the University of Wisconsin–Madison and Wisconsin's Department of Health and Family Services. The La Follette School of Public Affairs offers a two-year program leading to a master's degree in public affairs. Students study policy analysis and public management and pursue a concentration in a public policy area of their choice. They spend the first year and a half taking courses that provide them with the tools needed to analyze public policies.

Although acquiring a set of policy analysis skills is important, there is no substitute for doing policy analysis as a means of learning policy analysis. Public Affairs 869, required in the program's final semester, provides graduate students that opportunity. The authors of this report were all enrolled in Public Affairs 869, Workshop in Public Affairs, Domestic Issues (section 2). Workshop students collaborate to improve their policy analysis skills while contributing to the capacity of public agencies to analyze and develop policies on issues of concern to residents of the state.

The students in this workshop section were assigned to one of five project teams. One team worked on this report, while the others worked on projects with the Wisconsin Joint Legislative Council, the U.S. Government Accountability Office, the

Wisconsin Department of Natural Resources, and the Office of Policy Initiatives and Budget in the Wisconsin Department of Health and Family Services.

Joseph Schirmer, Epidemiologist in the Bureau of Environmental and Occupational Health, Division of Public Health, first suggested the topic of this report. He generously gave his time, first to me in discussing potential topics for the workshop and then to students who met with him regularly throughout the semester. This report would not have been possible without his support and encouragement. I also thank Secretary Karen Timberlake for her support, through her direct participation and her support of staff spending time to discuss key issues with the project team. The acknowledgments section lists the many people in the Department of Health and Family Services who supported the students as they pursued data and policy documents. I add my gratitude to the appreciation expressed there.

The report also benefited greatly from the support of faculty and the staff of the La Follette School of Public Affairs. This includes Outreach Director Terry Shelton, who made the initial contact with Joseph Schirmer, and Publications Director Karen Faster, who edited and managed production of the report.

I am very grateful to Wilbur R. Voigt whose generous gift to the La Follette School supports the public affairs workshop projects. With his contribution, we are able to finance the production of the final reports, plus other expenses associated with the projects.

There may be a time when lead poisoning is no longer a public policy issue in Wisconsin because housing stock has been fully rehabilitated with products that meet federal and state standards that were instituted to address lead poisoning. When that happens, this improvement likely will be due in part to DHFS's concern and action. We hope all interested parties review this report's findings and conclusions and find them to be valuable input into the development of public policies that continue to move Wisconsin closer to that goal.

This report cannot provide the final word on the complex housing and state fiscal issues the authors address, and the conclusions are those of the authors alone. They are graduate students constrained by the semester time frame, and the topic they address is large and complex. Nevertheless, much has been accomplished, and I trust that the students have learned a great deal, and that the Department of Health and Family Services will have been given valuable insight as its staff considers this intersection between housing and public health concerns.

Karen Holden
May 2008

Acknowledgments

Much of our research relied on personal contacts, and we are indebted to numerous people who offered their time and expertise to assist us:

- **Steve Anholt**, Public Health Educator, Division of Public Health, Wisconsin Department of Health and Family Services (DHFS)
- **Mary Brooks**, Housing Trust Fund Project, Center for Community Change
- **Margie Joosse Coons**, Program Manager, Wisconsin Childhood Lead Poisoning Prevention Program, Division of Public Health, DHFS
- **Dennis Dresang**, Professor of Political Science and Public Affairs at the University of Wisconsin-Madison
- **Darren Easton**, Senior Management Analyst, Wisconsin Housing and Economic Development Authority
- **Kristine Freundlich**, Wisconsin Childhood Lead Poisoning Elimination Implementation and Oversight Committee Facilitator, Division of Enterprise Services
- **Jeff Havlena**, Surveillance Manager, Wisconsin Childhood Lead Poisoning Prevention Program, Division of Public Health, Bureau of Environmental and Occupational Health, DHFS
- **Bob Jones**, Public Policy Director, Wisconsin Community Action Program Association
- **Meredith J. Lins**, Public Health Nurse Consultant, Environmental and Occupational Health, Division of Public Health, DHFS
- **Melissa Renzi**, Graduate Student, School of Social Work, University of Wisconsin-Madison
- **Thomas Sieger**, Deputy Administrator, Division of Public Health, DHFS
- **Mike Soika**, Executive Director, Milwaukee YMCA-CDC
- **William H. Otto, R.S.**, Chief of Health Hazard Evaluation Section, Environmental and Occupational Health, Division of Public Health, DHFS
- **Bill Perkins**, Executive Director, Wisconsin Partnership for Housing Development
- **Karen Timberlake**, Secretary, DHFS
- **Reghan O. Walsh**, Public Health Educator, Environmental and Occupational Health, Division of Public Health, DHFS
- **Charles Warzecha**, Director, Bureau of Environmental and Occupational Health, Division of Public Health, DHFS

We are *especially* indebted to **Joseph Schirmer**, Epidemiologist, Bureau of Environmental and Occupational Health, Division of Public Health, DHFS, who assisted us with information and support through every step of the process; **Karen Holden**, Professor of Public Affairs and Consumer Science at the University of Wisconsin-Madison who offered invaluable guidance, support and feedback throughout our project; and **Karen Faster**, Publications Director for the La Follette School of Public Affairs, who helped us create a professional finished product through her editing expertise.

Executive Summary

Lead poisoning is a serious public health issue affecting Wisconsin children. Wisconsin has the eighth highest rate of lead poisoning in the nation, and children suffering from lead poisoning can have behavioral problems, learning disabilities, and brain damage. Lead paint is most prevalent in homes built before 1950, and low-income families are more likely than those with higher incomes to occupy this older housing stock. Thus, children in low-income families are at greater risk for lead poisoning. In Wisconsin, the majority of children diagnosed with lead poisoning receive state-sponsored medical care through Medicaid. Additionally, the public carries the burden of educational failure, juvenile delinquency, and criminal justice system costs associated with lead poisoning.

To eliminate childhood lead poisoning, the Wisconsin Department of Health and Family Services seeks a method to provide funds for lead hazard control. Our analysis focuses on one option for funding lead hazard control: housing trust funds (HTFs). An HTF designed to provide funds for rehabilitation of pre-1950 housing would facilitate lead hazard control in the state. We evaluate and compare three policy options for the state:

- maintaining the current combination of housing programs,
- administering a statewide HTF, or
- creating enabling legislation for local or regional governments to develop their own HTFs.

For an HTF to be effective, we determine that it would require four elements:

- a sustainable, sufficient, and stable revenue source,
- cost effective administration,
- the ability to affect public health outcomes, and
- political support.

The Internal Improvements Clause of the Wisconsin Constitution is a critical roadblock that must be navigated for any statewide HTF to gain traction. The clause bans Wisconsin from using state money for private capital improvement projects and thus limits the role that state funding can play in low-income housing construction or rehabilitation. However, some projects have used state funds for construction when supporters have proven that the project promotes a government function, such as charity, crime prevention, or public health.

Three small HTFs exist in Wisconsin: the statewide Interest Bearing Real Estate Trust Accounts Program (IBRETA) and local efforts in Milwaukee and Madison. None has enough funding to significantly affect housing issues. Additionally, a complex mixture of housing programming is available in the state through various

agencies. Funding for the current program mix is at risk due to budget shortfalls, and lead poisoning continues to be a significant problem.

The state could pass enabling legislation that eliminates restrictions on raising local tax levies to fund local HTFs. The legislation could require a certain amount of funds be dedicated to pre-1950 housing rehabilitation and thus lead hazard control. Local HTFs would face challenges (as the Milwaukee and Madison HTFs exemplify) in identifying and maintaining funding sources. However, local HTFs would likely provide effective public health outcomes because services could be targeted specifically to community needs. A significant drawback to this option is that rural communities, with their smaller populations and smaller tax bases, would be less able to form effective HTFs than urban centers. Local HTFs are often more politically feasible than a statewide model because smaller coalitions can rally support around local problems.

We recommend that DHFS pursue a statewide HTF framed as the solution to a serious public health problem: childhood lead poisoning. A statewide HTF could provide significant funds to improve lead hazard control across the state and could make use of different revenue sources. Framing the issue as a public health issue would meet the constitutional requirements of the Internal Improvements Clause, so that an HTF targeting lead hazard control could avoid constitutional challenges. Marketing strategies should be developed accordingly. A strong, broad coalition would have to be established to bolster political support, and finding a secure, sufficient funding source would be imperative. A statewide HTF may take longer to implement, but we find it to be the best option for DHFS to improve the health and life outcomes of Wisconsin's low-income children.

Introduction

Childhood lead poisoning is a serious public health concern in the United States. The disease has few initial symptoms, but it can lead to brain damage, learning disabilities, behavioral problems, and, in some extreme instances, death (Centers for Disease Control and Prevention, 2007). Children are especially susceptible to lead poisoning because their growing bodies absorb more lead from their environment than those of adults, and their nervous systems are more sensitive to the poison. Children are specifically at risk from lead paint because they play in areas where the source of most lead poisoning — paint chips and dust — collects: the floor, soil in the yard, on windowsills, and similar areas (USEPA, n.d.). The U.S. Centers for Disease Control and Prevention and the Wisconsin Department of Health and Family Services set a target to eliminate childhood lead poisoning in the United States by 2010.

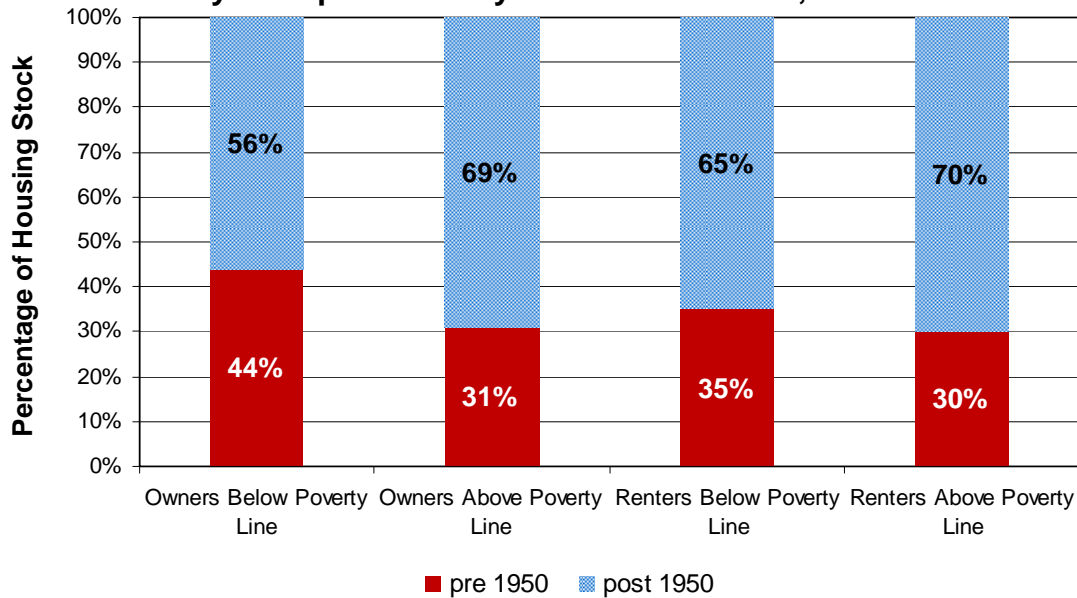
Lead poisoning is a serious concern in this state. Wisconsin had the eighth highest rate of childhood lead poisoning in the nation in 2005 (WDHFS, 2006). That year doctors identified 2,789 children with lead poisoning out of 82,000 children tested. These children lived in every county in the state, but 63 percent lived in Milwaukee (WDHFS, 2007b).

In 1978, the Consumer Product Safety Commission banned any use of lead-based paint. However, unless renovated with proper lead removal procedures, buildings erected before 1950 remain likely to contain lead, putting occupants at risk for poisoning. An estimated 25 percent of the housing stock in the United States contains lead paint hazards. The number is even higher in the Midwest, where an estimated 33 percent of the housing stock contains lead, 17 percent more homes than in the South or West (Jacobs et al., 2002).

The Wisconsin Childhood Lead Poisoning Prevention Project reports that 90 percent of children who suffer from lead poisoning in Wisconsin live in homes built before 1950 (WDHFS, 2007a). A disproportionate number of poor households occupy pre-1950 housing and are therefore at greater risk. Figure 1 uses income relative to the poverty line to identify low-income households.¹ Low-income homeowners are 13 percent more likely to live in pre-1950s homes than homeowners above the poverty line are. Low-income renters are five percent more likely to rent pre-1950s rental units.

¹ According to the 2000 U.S. Census, Wisconsin had 2,084,544 occupied housing units, 8.4 percent of which were occupied by individuals with incomes below the poverty line.

Figure 1: Percentage of Pre- and Post-1950 Housing Stock by Occupant Poverty Status: Wisconsin, 2000



Source: authors calculations from U.S. Census Bureau data, 2000

This figure shows that low-income households are at a higher risk for lead poisoning than high-income households, with low-income owners at particularly high risk. The federal government recognizes this increased risk and requires that all children 12 to 24 months old who receive Medicaid be tested for lead poisoning. Eighty-two percent of Wisconsin children diagnosed in 2005 with lead poisoning received Medicaid coverage (WDHFS, 2006). The Medicaid testing requirement may overstate the correlation between lead poisoning and poverty, given that the tests are not required for children Medicaid does not cover. Regardless, the majority of children diagnosed with lead poisoning relies on public dollars to cover their increased health-care needs. Not only are lead-poisoned children disproportionately concentrated among those who rely on public health-care coverage, the adverse effects of lead poisoning affect the entire community. Children with brain damage from lead poisoning face lost earnings over their lifetimes and the public carries the burden of educational failure, juvenile delinquency, and criminal justice system costs associated with lead poisoning (Miranda et al., 2007; Nevin, 2007).

For these reasons, the presence of lead hazards in older homes is a *public* health issue, not only a housing issue, and the government should react accordingly. The renovation or replacement of homes built before 1950 would decrease incidences of lead poisoning among disadvantaged Wisconsin children. The Wisconsin Department of Health and Family Services (DHFS) seeks a method to provide funds for lead hazard control. Complicating this task is a Wisconsin constitutional prohibition against the use of state funds for “internal improvements” including private housing rehabilitation. Our analysis will focus on one option for funding

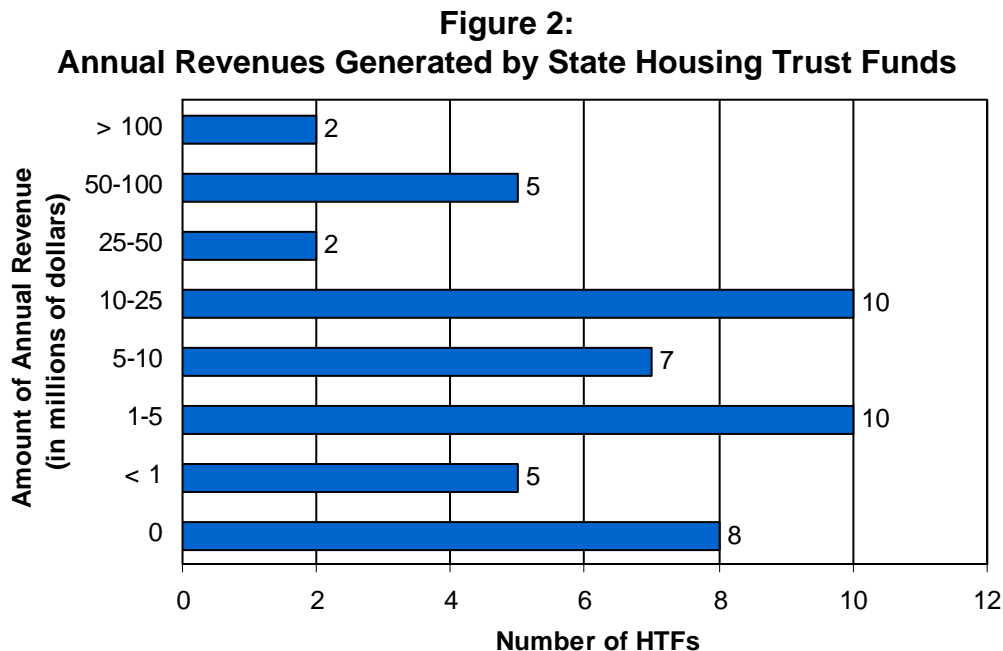
lead hazard control: housing trust funds (HTFs). HTFs distribute funds specifically for low- and moderate-income housing and homelessness abatement, funds that could be used safely to remove lead hazards. We will evaluate and compare three policy options for the state: administering a statewide HTF, creating enabling legislation for local or regional governments to develop their own HTFs, and maintaining the status quo combination of housing programs.

We first describe HTFs, then we examine current housing programs in Wisconsin. Next, we analyze how well the three policy options would achieve these four goals: availability of a sufficient and stable revenue source, cost efficiency, ability to achieve effective public health outcomes, and political feasibility. Finally, we offer our recommendation for Wisconsin to maximize lead hazard control.

Housing Trust Fund Background

More than 400 funding streams in the United States can be called “housing trust funds” (Brooks, 2008). At their most basic level, HTFs are dedicated public revenue sources intended for housing-related programs. Generally, these programs target low- and moderate-income households and community development programs. HTFs vary widely. Some are large, some small. Some fund programs to build homes, while others mainly finance efforts to reduce homelessness. Taxes support some HTFS, while fees finance others. After political negotiation and compromise, some end up with no income at all (Brooks, 2007).

According to the Center for Community Change, 38 states have created 49 state-wide HTFs (Brooks, 2007). However, the center’s definition of a trust fund is not very exact, and this count likely overestimates the actual number of HTFs with enough money to support programs. For instance, the Center counts Wisconsin’s Interest Bearing Real Estate Trust Account (IBRETA) in its tally. As we will discuss in the following section, that account is not managed like a typical HTF, nor does it contain sufficient funds to accomplish significant change. Figure 2 shows the annual revenue of the 49 HTFs. Eight of these funds have no annual income, while 19 bring in \$10 million or more. IBRETA falls into the second smallest category with less than \$1 million annually.



Source: Brooks, 2007

Five states—Iowa, Massachusetts, New Jersey, Pennsylvania, and Washington—have passed enabling legislation to encourage municipalities and regions to create local HTFs (Brooks, 2007). Local governments’ powers exist at the pleasure of the

state, so if municipalities want to raise tax levies, they need legislation from the state allowing them to do so. For example, state legislation was required to allow local Wisconsin governments to use tax increment financing to allocate funds for economic development (Sagalyn, 1990). In 2003, Iowa passed legislation to create a state HTF that provides matching grants to local government HTFs. New Jersey passed legislation in 1985 to allow local jurisdictions to levy fees on developers to fund local HTFs. Pennsylvania and Washington state passed legislation in 1992 and 2002 respectively to enable city and county governments to increase their document recording fees for the same purpose. Massachusetts' 2000 Community Preservation Act allows local governments to add a property tax surcharge of up to three percent to fund HTFs and thus receive matching state funds. At present, 33 counties and 432 cities in the United States have HTFs (Regulatory Barriers Clearinghouse, 2008).

Administration

Any HTF—state or local—requires an administrative framework to distribute the money. Generally, a legislative body creates an HTF, and a public agency or department administers it. Many HTFs have oversight boards to make decisions or to advise fund administrators. Most of these oversight boards include community members and government officials with housing expertise. The fund itself or an overseeing public agency pays the administrative costs for an HTF (Brooks, 2008).

When establishing a local or a state HTF, the legislation can dictate how the funds would be distributed among programs. At the state level, the administrative board could accept grant applications from localities and distribute the money based on its founding priorities. At the local level, funds could be allocated directly to specific projects, based on a combination of local circumstances and priorities laid out in the enabling legislation. The funds could be distributed as grants or as loans with low or no interest.

Funds

Revenue sources for HTFs vary widely. Some dedicate the money raised from certain fees to HTFs, through document recording fees, deed recordation, or eviction court fees. Other HTFs rely on interest earned from escrow accounts, grants, income tax check-offs, or program income. Real estate transfer fees and document recording fees are the most popular (Brooks, 2007). Appendix A summarizes the primary types of revenue sources for state HTFs.

HTFs provide revenue for an array of housing and homelessness abatement programs. Some HTFs solely and directly fund certain types of programs. For instance, Florida directs its trust fund to its Affordable Housing Catalyst Program. In other models, many programs receive funds through a request or

grant process. The Center for Community Change compiled the following list of common eligible uses for state HTF funds (Brooks, 2007):

- New construction
- Rehabilitation/preservation
- Acquisition
- Service for special populations
- Permanent, supportive housing
- Transitional housing
- Matching funds for federal or state programs
- Down payment assistance
- Predevelopment activities
- Emergency rental assistance
- Weatherization
- Green housing
- Education and counseling
- Tenant-based rental assistance
- Homeless services
- Housing-related services
- Project-based rental assistance
- Support for specific activities to build the capacity of non-profit development organizations

The center does not list lead hazard control as an HTF use. However, given the concentration of lead hazards in older homes, any HTF money used for rehabilitation or preservation of pre-1950 housing or for new low-income housing construction would ultimately reduce lead hazards.

Legislation creating an HTF could identify lead hazard control as a central issue and commit a portion of the fund's annual revenue to address the problem. Illinois, Iowa, and Missouri identify lead hazard control as an allowed use of home rehabilitation funds. Iowa's statewide HTF explicitly "encourages the awareness of life safety issues" (Iowa Finance Authority, 2008). That HTF also requires that all applicants who seek the fund's homeownership grants to renovate pre-1978 housing to detail their lead hazard control procedures. Iowa's approach would be effective in Wisconsin. The HTF legislation need not specify a lead hazard control *program*, but it could state that a decrease in childhood lead poisoning should be a direct secondary outcome of low-income housing rehabilitation.

Many advocates for HTFs argue that such funds would help promote economic development. We find little empirical support for this argument, though we agree that it makes sense. A decrease in the cost burden for renters and homeowners would increase the amount of disposable income available to spend on other goods. Low-income populations have a higher consumption ratio than high-income populations, meaning an increase in disposable income for low-income workers would have a relatively large effect on spending per household as compared to the same absolute increase in disposable income among high-income occupations (Mayer, 1966). The increase in local consumption would result in more local economic activity and a correlating increase in local employment.

HTF Creation Campaigns

Because the creation of an HTF requires the passage of legislation, supporters must launch campaigns to garner political support. Almost all new ideas have supporters and detractors. For HTFs, funding methods seem to be the most contentious issue (Brooks, 2008). For instance, a real estate interest group may support the idea of creating a fund until real estate transfer fees become a potential revenue source. The key to passing and implementing an HTF of any kind begins with a coalition of supporters and a solid campaign strategy.

HTFs across the United States found success using a variety of models to build support. Some communities built broad coalitions, while others gained support from individual leaders. HTF backers in Ohio, for example, developed a large coalition of more than 900 supporters to demonstrate the value of investing in affordable housing and thereby won legislative support. In contrast, Milwaukee gained the support of one key political leader early in the process and enlisted this individual's help throughout the process. Additionally, Seattle and King County used ballot initiatives to pass HTF legislation (Campaign for Affordable Housing, n.d.).

A strong coalition has the most impact on a campaign for an HTF. As constituents, coalition members can pressure political leaders to support the cause. Los Angeles used an upcoming mayoral election to pressure both candidates to make affordable housing and an HTF a key issue. A diverse coalition that includes the nonprofit and business communities can appeal to a wider audience and recruit even more support. Coalitions and their members help to craft and implement a campaign strategy that will win the support of additional stakeholders and politicians. Minnesota brought together stakeholders to create a business plan to address the state's housing problem through a plan that utilized the resources of different groups (Brooks, 2008).

Even large coalitions must have an organized, strategic plan. Successful HTF campaigns have included many of the following elements in their plans:

- public events to attract the attention of the media;
- grassroots organizing to attract more supporters;
- lobbying of elected officials by coalition members;
- paid media coverage including TV commercials, print, and radio ads; and
- earned media coverage including newspaper editorials, letters to the editor, radio and TV interviews of coalition members and political supporters (Brooks, 2008; Soika, 2008).

The most fundamental element of an HTF is the hardest to garner support for. An HTF must have a dedicated source of revenue, requiring the government to redirect funds from an existing project or to create a source of revenue devoted to the HTF. Both options require substantial support and political will on the part of elected officials.

The 2008 economic downturn and state budget shortfalls would make any Wisconsin HTF campaign more difficult. When programs face funding cuts, the idea of diverting funds to new uses is often difficult to sell. Additionally, few legislators may be eager to levy new taxes or fees when their constituents are already feeling increased financial stress. The most effective pitch in general, and especially during a recession, would be to propose an HTF as a catalyst for economic development. Milwaukee Housing Trust Fund advocate Mike Soika touted a \$19 economic impact for every \$1 spent by the Milwaukee HTF, an impressive number that probably attracted supporters (Soika, 2008). Framing the argument as a public health necessity that would reduce program costs could also be effective.

One Wisconsin advocacy group is pursuing a campaign for a statewide housing trust fund, though progress has been slow. Wisconsin Community Action Program Association (WISCAP) is a voluntary alliance of 16 community action agencies and three special purpose agencies. WISCAP promotes economic self-sufficiency for low-income families by providing training and development, mobilizing resources, and advocating for policy change. The organization has assembled a core group that advocates for a Wisconsin HTF. This group has developed a list of “key components” regarding the proposed fund’s size (\$80 million) and eligibility requirements for use of its funds. In April 2008, WISCAP’s campaign for a statewide HTF counted five organizations—Fox Cities Housing Coalition, Common Wealth Development, Wisconsin Partnership for Housing Development, Wisconsin Council of Churches, and WISCAP itself—as supporters of the principles laid out to guide the trust fund’s development.

An Effective HTF

No template exists for the requirements and features of a basic HTF. Therefore, we have identified the following necessary elements for an HTF to support DHFS’ mission of eliminating childhood lead poisoning:

- **The availability of a sufficient and stable revenue source.** Any HTF established in Wisconsin should have a revenue source that can generate sufficient funds. The source must be sustainable and protected from becoming part of the general revenue stream.
- **Cost effectiveness.** An HTF should be managed efficiently, minimizing administrative costs relative to program costs and outcomes.
- **The ability to affect public health outcomes.** The HTF should fund rehabilitation of pre-1950 housing as a method of lead hazard control.
- **Political feasibility.** An HTF is only useful if the government supports and approves it.

The Status Quo in Wisconsin

Many people in Wisconsin need decent, affordable housing. The National Low-Income Housing Council reports that 49.4 percent of Wisconsin households with incomes below 30 percent of the area median income pay more than half their income for housing. For households that earn 30 to 60 percent of the area median income, ten percent pay more than half their income for housing (Pelletiere, Treskon, & Crowley, 2005). U.S. Department of Housing and Urban Development (HUD) standards dictate that families should pay no more than 30 percent of their income for housing. HUD defines as “worst case need” households as those that pay 50 percent or more of their income for rent and earn 50 percent or less of the area median income (USDHUD, 2007).

Despite these statistics, housing advocates in Wisconsin have had a difficult time convincing stakeholders that the state needs more funding for affordable housing. Bill Perkins, executive director of the Wisconsin Partnership for Housing Development, has worked on housing policy in Wisconsin for 35 years. He observed that people in this state perceive less of a housing need here because they compare our smaller urban population to large cities such as New York, Chicago, and Philadelphia (Perkins, 2008). In actuality, Milwaukee is the 22nd largest city in the United States, but it has the eighth highest overall poverty rate and the fourth highest child poverty rate in the nation (WDHFS, 2006).

In the following sections, we summarize some of Wisconsin’s housing policies, identifying key programs and obstacles to establishing HTFs.

Internal Improvements Clause

A major roadblock for a statewide HTF is the Internal Improvements Clause of the Wisconsin Constitution. Article VIII Section 10 forbids lawmakers and state agencies from using state money for “internal improvements.” In the opinion of the Wisconsin Supreme Court, these improvements are

not merely the construction or improvement of channels of trade and commerce, but any kind of public works, except those used by and for the state in performance of its governmental functions, such as a state capitol, state university, penitentiaries, reformatories, asylums, quarantine buildings, and the like, for the purposes of education, the prevention of crime, charity, *the preservation of public health*, furnishing accommodations for the transaction of public business by state officers, and other like recognized functions of state government (*State ex rel. Owen v. Donald*, 1915; emphasis added).

The clause does not pertain to certain public construction projects—such as public highways and airports—but does limit the role that state funding can play in the

construction or rehabilitation of private residences. The clause is specific to state funds and does not affect funds spent by local governments on construction or renovation projects.

Exceptions to the Rule

Some projects have used state funds for construction. After losing a veterans housing legal case in *State ex rel. Thomson v. Giessel* (1955), the state amended the Constitution so that the Internal Improvements Clause no longer applies to state-funded veterans housing. For an internal improvements program to receive state funds, it must prove that the project promotes a government function, e.g. charity, crime prevention, or public health. Most notable for this discussion, the state's Well Abandonment Grant Program provides financial assistance to individuals for proper abandonment of unused private wells, which pose a public health threat (WDNR, 2007). The state's Contaminated Land and Brownfield Cleanup Programs and Environmental Improvement Fund are other programs that spend public dollars on private property to correct public health concerns (Bonderud, 2007a, 2007b). A campaign to authorize a statewide Wisconsin HTF could make a similar argument for the public health benefits of lead hazard control. Some exceptions to the Internal Improvements Clause such as veterans housing have gone through the constitutional amendment process. Others have utilized the court system. *State ex rel. LaFollette v. Reuter* (1966) found that matters pertaining to water pollution abatement are government functions of the state of Wisconsin and do not fall under the Internal Improvements Clause.

The Wisconsin Supreme Court ruled that a private developer could use some state funds to build Milwaukee's Miller Park because the stadium serves a *predominately* governmental purpose (*Libertarian Party v. State*, 1996). This recognition that public funds need not be used exclusively for governmental purposes is a much broader definition of the acceptable use of state funds than the court had previously identified. However, since then, the court has been reluctant to abandon the notion that funds should be used for "*essential* governmental purposes" as worded in the *Owen* case and in *State ex rel. Jones v Froehlich* (1902). The difference between a "predominantly governmental purpose" and an "essential government purpose" is significant. State funding could be available or not available for additional internal improvements programs depending on which phrase the court chooses in ruling on the constitutionality of a use of state funds. Notably, in *Development Department. v. Building Commission* (1987), the court used the "essential government services" test to rule unconstitutional the use of state funds as loans for the construction of low- and moderate-income housing.

Amending the Constitution

HTF supporters could constitutionally circumvent the Internal Improvements Clause in two ways: an incremental step specifically permitting HTFs or a more drastic measure entirely removing the clause from the Wisconsin Constitution.

Both approaches would require amending the constitution. According to Article XII of the Wisconsin Constitution, amendments must pass both houses of the legislature in two successive sessions and subsequently be approved through a statewide public referendum.

Independent Authorities

Before 1969, Wisconsin established dummy corporations to appropriate state funds for construction (Champagne & Kahler, 2002). In 1969, the state legislature amended the constitution to prevent that sort of scheme. Since then, the state has created independent public bodies to administer funds for private projects. In *State ex rel. Warren v. Nusbaum* (1973) and *Wisconsin Solid Waste Recycling Authority v. Earl* (1975), the State Supreme Court ruled that certain authorities could be independent of the state and thus not covered by the Internal Improvements Clause. In those instances, Wisconsin funds can be provided to the authorities with the understanding that money is for operating expenses and will be repaid to the state.

An independent authority and Wisconsin's largest housing program is the Wisconsin Housing and Economic Development Authority (WHEDA). The authority "offers innovative products and services in partnership with others to link Wisconsin residents and communities with affordable housing and economic development opportunities" (WHEDA, n.d.). The legislature authorized the Wisconsin Housing Finance Authority in 1971 as a way to increase the stock of safe and affordable housing in the state. The legislators considered the costs of this housing too high to fund through state appropriations, so they created an independent authority that could finance itself through bond revenues (Pollek, 2007). Table 1 summarizes WHEDA's offering of programs.

Table 1:
Wisconsin Housing and Economic Development Authority Programs

Program	Purpose	Funding Source	Expenditures
Home Ownership Mortgage Loan Program (Home)	Mortgage loans for purchase of homes by low- and moderate-income households.	Revenue bond proceeds	5,226 loans totaling \$566 million in 2005
Home Improvement Loan Program	Housing rehabilitation loans to low- and moderate-income households.	Revenue bond proceeds	94 loans totaling \$1 million in 2005
Multifamily Loan Program	Financing to developers of multifamily projects for low- and moderate-income households.	Revenue bond proceeds	In 2005, loans of \$75 million, representing 47 projects and 2,600 units
HOME Plus Program	Deferred loans of up to \$10,000 for home mortgage closing costs.	WHEDA unencumbered reserves and revenue bond proceeds.	In 2005, 1,284 loans totaling \$16.3 million
Lease Purchase Program	Loans to local sponsors for purchase of single-family homes to be leased (with option to buy) to low-income households.	WHEDA unencumbered reserves	In fiscal year 2005, one loan totaling \$87,000
WHEDA Foundation Grant Program	Grants to nonprofit organizations for housing-related purposes.	WHEDA unencumbered reserves	WHEDA earmarked \$800,000 in 2006 for foundation grants to 44 organizations.
Property Tax Deferral Loan	Loans to low-income elderly homeowners for payment of property taxes.	WHEDA unencumbered reserves	\$247,600 in loans made to 117 homeowners in 2005.
Low-Income Housing Tax Credit Programs	Federal tax credits to developers of low-income rental housing.	Federal tax credits	\$9.1 million worth of 2005 tax credits approved in 2005.
Housing Choice Voucher Program	Federal housing vouchers to low-income households that agree to develop financial plans leading to economic independence.	Federal funds	In 2006, WHEDA allocated 1,263 vouchers for \$4.7 million

Source: Bonderud, Pollek, & Renner, 2007

WHEDA funds its own programs by issuing bonds to investors and then repaying them with the interest collected on its loans, returns to investment of its assets, and administrative fees (Pollek, 2007). WHEDA is a private corporation, and though authorized by the state legislature, it is not subject to legislative control. The authority does receive some federal funds from the U.S. Department of Housing and Urban Development, which it administers through Section 8 assistance and HOME loan programs.

State Housing Trust Fund — IBRETA

Wisconsin has a fund that the Center for Community Change designated as the state's "HTF." That sufficient and stable revenue source is the Interest Bearing Real Estate Trust Accounts Program (IBRETA), administered by the state Department of Commerce. Established in 1993, IBRETA partially funds grants to support programs for homeless people. Wisconsin statute requires real estate brokers to deposit any down payments or other money paid to the broker into an interest-bearing account. The state collects the interest from these accounts, with revenue totaling \$200,000 to \$300,000 each year (WDOC, n.d.).

While IBRETA is a dedicated public revenue source for housing needs, its revenue stream is not large enough to be useful in meeting DHFS lead hazard control goals. It collects little money and has little potential to generate more.

Milwaukee Housing Trust Fund

Milwaukee formed a substantial HTF in November 2006, with a \$2.5 million bond issue, without state assistance or legislation. The fund's purpose, according to City Ordinance §316-1, is to support private and government developers in providing affordable and accessible housing for low-income households (Housing Trust Fund ordinance, 2007). The Community Development Grants Administration division of the Milwaukee Department of Administration makes decisions related to the HTF, with the advice of an advisory board that includes community members and organizations.

To create its HTF, the city of Milwaukee undertook a large, multi-faceted campaign. Appendix B details the three-year process. Through the efforts of the Milwaukee HTF campaign staff, a coalition of more than 50 community organizations formed and lobbied for funding (Soika, n.d.). In addition to the large coalition, Alderman Michael Murphy championed the cause (CCC, 2007). The city pledged funds from four sources: a) \$2.5 million in bonds from the 2007 city budget, b) half of any Potawatomi casino payments to the city above \$3.38 million, c) half the tax revenue equal to the city share of expired tax incremental financing funding for two years from the close of each tax incremental financing district, and d) any "new payments in Lieu of Taxes if so designated" (MHTFC, 2006). This mix of funding was legal without

enabling legislation because none of the money is related to property taxes. The combination of all of these elements helped Milwaukee create and pass a funded HTF.

The success was short-lived, however. In 2007, the city government slowly eroded the funding sources it had only recently signed into law. On August 6, 2007, the mayor removed the requirement for payment to the HTF from the Potawatomi Casino funds. In September, the mayor proposed that only \$400,000 be allocated to the fund, most of which would be used to service debt. In the end, just \$160,000 remained available for HTF-funded projects (MHTFC, 2007).

Madison Affordable Housing Trust Fund

Madison created its small HTF in 2003. The Madison Affordable Housing Trust Fund was established and authorized through Madison Government Ordinance 4.22, without needing enabling legislation. The fund provides “loans and grants to for-profit and non-profit housing developers for the acquisition, capital and soft costs necessary for the creation of new affordable rental and owner-occupied housing.” The fund is intended to help ensure that the housing units created remain affordable. The city government is also concerned that the funds be distributed so that no single neighborhood experiences a “disproportionate concentration” of low- or very low-income housing units (Madison Affordable Housing Trust Fund ordinance, 2003).

The City of Madison Community Development Block Grant Commission oversees the HTF. The fund contains \$4 million. The revenue comes from six dedicated sources and three discretionary ones, as shown in Table 2. Not all of the money is available for distribution though. According to the ordinance, in any year that the HTF contains less than \$10 million, no more than 25 percent of the funds deposited in the account the previous year may be distributed. In 2007, only \$26,250 of the almost \$3 million balance could be distributed (City of Madison, 2008).

Table 2:
Madison's Affordable Housing Trust Fund
Adopted Operating Budget 2008

	2006 Actual	2007 Budget	2007 Projected	2008 Adopted
Balance January 1	\$2,470,160	\$2,490,160	\$2,508,868	\$3,913,648
Sources				
Dedicated:				
Private Contributions	0	0	0	0
Payments in Lieu of Program Participation	0	0	0	0
Matching Funds from Federal Trust	0	0	0	0
Loan Repayment Principal	0	0	0	0
Loan Repayment Interest	0	0	0	0
Investment Revenue	113,708	110,000	170,000	195,000
Discretionary:				
Equity Participation Payments	0	0	0	0
Proceeds from Sale of Surplus Property	0	0	944,780	0
Transfer from General Fund (a)	0	300,000	300,000	0
Total Sources	113,708	410,000	1,414,780	195,000
Uses				
Loans to Create Affordable Housing	75,000	26,250	10,000	0
Allied Drive Redevelopment	0	0	0	0
Total Uses	75,000	26,250	10,000	0
Fund Balance, December 31	2,508,868	2,873,910	3,913,648	4,108,648

Source: City of Madison, 2008

Wisconsin Department of Commerce Programs

The Wisconsin Department of Commerce administers most state housing programs. The department funds seven housing programs: Housing Cost Reduction Initiative, Homeless Prevention Program, Critical Assistance Grant, IBRETA, Transitional Housing Grants, State Shelter Subsidy Grants, and Wisconsin Fresh Start. In total, the Department of Commerce spends about \$7.8 million annually in state funds on these programs. None specifically addresses lead hazard control, though any low-income housing assistance may have a positive effect on lead poisoning rates. In addition, the department distributes federal housing funds (\$26.3 million in 2005). Under federal rules, all these funds must address lead hazards (WDOC, n.d.).

Department of Veterans Affairs Programs

The Department of Veterans Affairs administers two programs: the Primary Mortgage Loan Program, which provides loans to purchase or construct homes, and the Home Improvement Loan Program, which provides loans for home improvements, repairs, and rehabilitation. In 2005, these programs provided \$13.5 million and \$2.1 million respectively to the state's veterans (Bonderud et al., 2007).

Department of Housing and Urban Development Funding

The U.S. Department of Housing and Urban Development provided \$41.55 per capita to Wisconsin in 2004. Wisconsin ranks 46th out of 50 states in per-capita funds from the federal government for housing and community development. In 2004, the United States provided on average \$115 in housing and community development funds for every person in the nation, while Wisconsin received less than half of that amount (Cashin, Gerenrot & Paulson, 2007).

Current DHFS Lead Hazard Control Strategies

DHFS uses five methods to support lead hazard control:

- **Seek HUD Funds for Wisconsin for lead hazard control whenever Wisconsin is eligible to apply.** Since 1994 when HUD lead funds first became available, Wisconsin has applied to HUD seven times for funds and been awarded six grants.
- **Support local agencies to seek their own HUD grants.** DHFS has assisted local agencies in applying directly for HUD funds. DHFS staff provide data, strategic planning, writing, and editing for local agencies seeking HUD lead funds. More often than not, these grant applications have been successful, as in Milwaukee, Sheboygan, Kenosha-Racine, and Rock County.
- **Support other agencies to make lead poisoning prevention a priority.** DHFS awards \$1 million per year to local health agencies for lead poisoning prevention programs. The department also provides information to all agencies seeking support for a lead hazard control agenda.
- **Support agencies seeking funds for lead hazard control from non-federal agencies.** DHFS staff works with other partners interested in lead hazard control, such as the WISCAP, the March of Dimes, Head Start, University of Wisconsin Pharmacy School, and the U.S. Conference of Mayors, to share data and grant writing expertise.
- **Seek grants from the U.S. Centers for Disease Control and Prevention, U.S. Environmental Protection Agency, and other organizations for activities that strengthen lead poisoning prevention efforts.** For example, DHFS regularly seeks funds from the National Painting and Coatings Association to support training contractors in lead safe work practices. The agency has also obtained EPA support to purchase special vacuums for local health and weatherization agencies to lend to owners and occupants to clean up lead paint chips, dust, and debris safely (Schirmer, 2008).

Policy Alternatives and Goals

We identify three policy options involving HTFs in Wisconsin: 1) maintaining the status quo, 2) creating a statewide HTF, or 3) passing legislation to enable local and regional HTFs. A fourth option would be a combination of state and local trust funds, but we do not see a benefit to combination beyond the aggregation of the benefits of state and local HTFs, and therefore, we do not explore that option.

The three policy options would have varying impacts on the four key goals of our effective HTF: ability to identify a sufficient and stable revenue source, cost efficiency, effective public health outcomes, and political feasibility. Appendix C lays out the policy goals and alternatives in a matrix. By examining those impacts separately and systematically, we can form a clearer picture of the effectiveness of each option.

Maintaining the Status Quo

The previous section details Wisconsin's housing programs and three existing, though small, HTFs. The status quo option would continue these state and local housing policies with localities able to create their own limited HTFs. Analyses could explore alterations to state programs, including increased funding, but this report will not.

Ability to Identify a Sufficient and Stable Revenue Source

This option would create no new state programs, so no new dedicated funding sources would need to be identified at the state level. Funding for status quo programs relies on state and federal dollars, which are not immune from political and budgetary discretion, especially as the state faces increasing budget shortfalls. For the 2007-2009 budget cycle, Wisconsin faces a \$652.3 million budget shortfall, which has put a strain on department budgets (Lang, 2008). All state programs are at risk of budget cuts. Localities could still appropriate funds for their own HTFs, but levy increase restrictions and their own budget woes would restrict their ability to raise money.

Cost Efficiency

The status quo would incur no new costs, as it would create no new programs. The cost of current programs is irrelevant because those programs would continue whether or not an HTF is created.

Effective Public Health Outcomes

As the previous section detailed, Wisconsin does have a variety of programs that assist low- and moderate-income households with housing needs, yet lead poisoning remains a public health problem. The state constitution's Internal Improvements Clause prevents the state from doing much more to control lead hazards.

Political Feasibility

The most feasible political option is always the status quo. The incremental and punctuated equilibrium theories of policy change recognize that “policy changes very gradually, in small steps,” and that “people are sometimes reluctant to take big steps” (Kingdon, 2003, 79-80). Making change requires effort, time, and public will. Maintaining the status quo requires none of these, so it is far more palatable.

Creating a Statewide HTF

A statewide HTF would require identifying a dedicated public revenue source. This could be accomplished by isolating and possibly increasing a current funding stream or by instituting a new tax or fee. To administer the HTF, the state would need to a) pass a constitutional amendment repealing the Internal Improvements Clause and allowing the state to create a public body, b) direct HTF revenue to an existing independent authority, c) create a new independent authority to distribute HTF revenues, or d) convince lawmakers that an HTF would fund the solution to a public health problem, namely childhood lead poisoning.

Ability to Identify a Sufficient and Stable Revenue Source

No one most appropriate funding stream for an HTF exists. State HTFs across the nation use a variety of funding sources ranging from real estate taxes to interest from market-based accounts, and they collect annual revenues that range from \$300 million to less than \$10,000 (Reid, 2005). See Appendix A for a summary of these revenue sources. Wisconsin has the power to raise funds to use at its discretion, so it has several available options and could select the most applicable funding source.

In general, state revenues are susceptible to raiding to pay for debts or other programs. An effective HTF funding source would replenish itself automatically and provide a steady stream of revenue. Other states have developed sufficient and stable revenue sources (Connerly, 1993). States that have designed legislation with funds that are automatically considered HTF revenue seem to be safer from political pressure. With the William Sadowski Act, Florida raised the documentary stamp tax paid on the transfer of real estate by 10 cents and reallocated an additional 10 cents of existing documentary stamp tax revenues from general revenue three years later. The funding stream has remained secure, and in fiscal year 2000-2001, Florida raised \$184 million for its HTF (Florida Housing Finance Corporation, n.d.). Since 1989, Illinois’ HTF has received half of the annual revenue raised from its real estate transfer tax, resulting in approximately \$20 million to \$22 million each year (Illinois Housing Development Authority, n.d.).

Cost Efficiency

At this time, we do not have a method to estimate the costs that a statewide program would incur. Addressing this issue would require additional data and time. We assume the cost of a statewide HTF would be less than the aggregate costs of many local and regional HTFs. Creation of administrative structures for each local fund would cost more than creating one large structure for the state.

Effective Public Health Outcomes

Of all three policy options, a state HTF likely would have the greatest impact on public health if lead hazard control were among its priorities. Lead paint poisoning is a problem that affects the entire state, making a state approach the most effective. Though lead hazards are concentrated in cities, they exist in rural areas too. This option would ensure that funds for low-income housing are distributed equitably across the state and control lead hazards in the widest possible area. Even if a locality has just one pre-1950 home in need of rehabilitation, a statewide HTF could target funding for that project.

Political Feasibility

The likelihood of creating a new and robust Wisconsin HTF is very low due to a number of factors. Most importantly, Wisconsin faces a huge budget shortfall in 2008, forcing budget cuts across many levels of government. Finding money for a new program or fund is a difficult task.

The Internal Improvements Clause severely limits state spending on issues integral to an HTF. To pass any of the legislation to create a statewide HTF—and especially to pass a constitutional amendment—would take a great deal of time and effort. To create a fund large enough to fund significant change, Wisconsin's very small coalition that supports a statewide HTF would need to become much larger and exert the political force necessary to address the constitutional issue.

Successful HTF campaigns have taken many forms but have these common elements: extensive political and community support, a strategic plan for organizing supporters and the community, and an aggressive marketing campaign (Campaign for Affordable Housing, n.d.). Without a long-term campaign strategy, building a strong coalition would be difficult. Conversely, without a strong coalition, implementation of a long-term campaign strategy would be challenging. Wisconsin's coalition, WISCAP, would need to find more members and intensify its efforts significantly if it chooses to pursue this option.

One policy window is open for a statewide HTF. Governor Jim Doyle and members of the state legislature recognize the detrimental effects of lead poisoning on Wisconsin's youth and have pledged to eliminate the disease. In the governor's *Kids First* agenda released in May 2004, one of his priorities is "Healthy Kids."

He calls on the state to “reduce children’s exposure to lead paint and [support] prevention efforts and [screen] homes for exposed lead as ways to eliminate risks before they can cause harm” (Office of Wisconsin Governor Jim Doyle, 2004). There is also bipartisan support and interest in the legislature to devote more resources to lead hazard control. A coalition could use this position to gain the support of the administration and key legislators and find a place in the state policy agenda.

Finding a politically feasible funding source is always difficult. The most likely acceptable way to create a statewide HTF would be to use the existing independent authority: WHEDA. Authorizing the authority to administer the HTF would require the least change in funding and administration. However, this strategy still presents a problem. WHEDA raises the majority of its own funds through loans and does not participate in the sort of housing activity typically associated with an HTF (WHEDA, n.d.). As a private corporation, WHEDA may not be interested in taking on this project and may not support the coalition’s efforts.

One outlying factor could make this option highly politically feasible: a national HTF. Many interest groups have been lobbying for the creation of a national HTF, and it has received support from senators including John Kerry. In late 2007, a federal HTF bill was making headway in Congress, but with the housing crisis and President Bush’s focus on Federal Housing Administration solutions, the bill was tabled. A more detailed discussion of the proposal can be found in Appendix D. If a federal HTF was created, it would require states to create their own HTFs in order to receive matching federal funds. Forty percent of the federal funds would be allocated to state HTFs and 60 percent to municipalities (USHCFS, 2007). If legislators want to receive those funds, they would likely pass an amendment authorizing a statewide HTF with little opposition.

Passing Enabling Legislation for Local and Regional HTFs

A final option would encourage local authorities to find their own dedicated funding streams for housing issues. Enabling legislation would eliminate any restrictions on spending capacity for local affordable housing programs, including the amount by which the tax levy could be increased each year. The legislation would allow municipalities to raise and dedicate funds specifically for an HTF, keeping the funds safe from becoming general revenue. An HTF coalition could make sure the legislation includes language requiring localities to use a certain amount of funds for pre-1950 housing rehabilitation and lead hazard control.

Ability to Identify a Sufficient and Stable Revenue Source

Wisconsin localities are limited in their ability to raise funds. Finding new revenue sources is difficult, and existing local funding measures—like property taxes—are already being used for programs such as local schools (Huddleston,

1981). Wisconsin localities do *not* have limitations on spending funds for internal improvements like the state; however, since they are creatures of the state, the state must give permission to increase tax levies for HTF activities. Lawmakers have proposed enabling legislation that would allow localities to fund HTFs with tax increment financing revenues through 2007 Wisconsin Senate Bill 426. With such financial tools, local municipalities would have the ability to raise the funds necessary for an HTF.

The sustainability of each local HTF would depend on the support of a broad, active coalition. The biggest challenge for a local HTF, as demonstrated in Milwaukee and Madison, is to find or establish a dedicated funding source. Once that happens, the sustainability of that funding source depends on ensuring that the funding would be available in the near future, and then that the HTF has enough support to keep politicians from canceling it.

Cost Efficiency

Again, we have no method of determining the actual cost of administering local HTFs. We also have no way to predict how many localities would adopt HTFs. Despite these shortcomings, we assume that the duplicate administrative structures in each community would cost more in aggregate than one statewide structure. On the other hand, each city or region in Wisconsin has some mechanism in place to distribute state funds for community development. If these mechanisms could be expanded to distribute HTF funds too, rather than having to create structures, the costs would be significantly less. An additional consideration is the aggregate cost of launching campaigns for each local HTF, which would almost certainly total more than a single statewide campaign.

From a state budget perspective, the administrative costs would be zero.

Effective Public Health Outcomes

In their own jurisdictions, local HTFs would be more effective than a statewide HTF in targeting lead hazard control. Local governments could more easily target issues and meet needs that vary from city to city. If funding can be appropriated, localities have the greatest capacity to change quickly the way funds are spent in order to face new and evolving challenges. This flexibility comes from a smaller local bureaucracy and the ability to make sudden changes as new opportunities present themselves. Furthermore, the process for distributing funds would probably take less time than a statewide allocation process, and money would reach needy households more quickly. For these reasons, this option has high potential to help families and reduce lead hazards.

A major concern with the effectiveness of this option is that larger cities are far more likely to create and adequately fund HTFs than smaller cities or rural regions. We assume that for rural regions of Wisconsin to create solvent HTFs they would

have to combine as counties to generate and distribute revenue. Cities such as Milwaukee, Madison and Green Bay have denser populations and larger tax bases than counties, which could lead to a disparity of funds compared to rural areas. Rural cities, towns, and counties are less able to collect funds, and their sprawling jurisdictions could make it difficult for residents to recognize the physical results of the HTF. These reasons make it less likely that an HTF would be established in these rural regions, and therefore less likely that lead hazards would be controlled there. While most lead hazards are concentrated in large cities, some do exist in rural areas. However, the option of passing legislation to enable local and regional HTFs would not be efficient in achieving DHFS' goal of eliminating childhood lead poisoning throughout the state.

Political Feasibility

Fewer secure revenue sources exist for local HTFs, and without money, these HTFs are useless and politically infeasible. Milwaukee and Madison both established HTFs, proving that success can be achieved. While both face implementation challenges, both garnered the necessary political and community support to overcome opposition to their creation. These two communities have built the groundwork for additional local HTFs in Wisconsin.

The establishment of local HTFs requires many more campaigns, but smaller, more targeted local campaigns would be more manageable than a broad statewide campaign. A coalition would first have to lobby on the state level for the enabling legislation, but as a zero-cost measure, it would likely face little resistance. Once that passed, coalitions would be necessary in each locality to lobby for local HTFs. While each small campaign would be an easier battle, many campaigns would be necessary. The work would be difficult, but rallying a community together around a local problem is easier than trying to convince the heterogeneous residents of all the corners of the state to agree to one solution to their varied problems.

Inter-jurisdictional HTFs—which would be necessary to achieve sufficient funding in rural areas—are rare. Only three exist in the United States, and they typically involve a combination of one large metropolitan area and the surrounding cities and/or counties. Most attempts at creating regional HTFs are thwarted by the inability of jurisdictions to agree on equitable contributions and disbursement of funds. Constituents want to see the results of their taxes or fees in their own community rather than in a neighboring town (Brooks, 2008). Lack of money and political will could make these rural battles especially difficult.

Creation of the National Housing Trust Fund (the current status of the proposal is outlined in Appendix D) would pressure the state to create enabling legislation, as well as provide even stronger incentives to localities to create HTFs. Sixty percent of the proposed federal funding would be allocated to municipalities, and the same

criteria would apply for federal funding disbursement as for state matching dollars (USHCFS, 2007). Assuming the funds would be distributed by population size, we estimate Wisconsin municipalities would qualify for \$24 million in federal matching dollars to address their housing needs. Local HTFs would need to raise an aggregate of \$3 million at a 12.5 percent matching level to obtain federal dollars. The availability of federal funds would provide a strong incentive and political pressure for Wisconsin cities and counties to address their low-income housing needs through HTFs.

Recommendation

Creating a statewide HTF is a feasible lead hazard control strategy in Wisconsin, but doing so would require a considerable amount of coalition building. This option has the potential to provide a significant amount of money for low-income housing rehabilitation, and thus for lead hazard control. From a broader perspective, a statewide HTF could support a variety of low- and moderate-income housing programs and solutions. However, this option should not be undertaken lightly because success would require a substantial amount of long-term planning, a dedicated coalition of stakeholders, and time. While this option would probably provide the most funding for low-income housing, Wisconsin's constitutional ban on "internal improvements" would make the campaign for a statewide HTF difficult. By framing the issue as a public health problem, a statewide HTF would avoid constitutional challenge.

Passing enabling legislation to encourage the formation of local HTFs is a feasible option but would not allow much state oversight. The political feasibility is high at the state level because it would require no state funds and thus the Internal Improvements Clause would not be a hindrance. Cities that form HTFs would have the flexibility to fund the most appropriate programs for their specific needs. Of major concern, only the largest cities in the state would likely be able to find both political will and viable funding. While these cities also have the highest concentration of known lead hazards, this method would not allow DHFS to reach its goal of eliminating lead poisoning in all areas of the state.

To best fulfill the goals of sufficient and stable revenue, cost efficiency, ability to achieve effective public health outcomes, and political feasibility, we recommend pursuing a statewide HTF framed as the solution to a serious public health problem. A long-term funding stream dedicated to improving and increasing the stock of decent, affordable housing has great potential to reduce childhood lead poisoning. Though it would require a significant investment of time and resources, if implemented, an HTF would be a long-term solution to a variety of public health and housing issues. However, if DHFS chooses to pursue this option, it would not be able to reach its goal of eliminating lead poisoning by 2010; the campaign would likely take months—if not years—as would the legislative process and implementation.

No matter which option DHFS chooses based on its priorities, we cannot emphasize enough the need for a strong coalition and a well-coordinated, long-term campaign strategy to support its efforts.

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Appendix A – State HTFs and Revenue Sources

Thirty-eight states and the District of Columbia have formed dedicated revenue streams that can be called housing trust funds. The following table lists the funding sources for these HTFs, delineated by type.

Twelve states and the District of Columbia use fees generated by administrative services or penalties to provide dedicated revenues	Document Recording Fee	Connecticut, Delaware, Illinois, Massachusetts, Missouri, Ohio, Washington
	Deed Recordation Fee	District of Columbia
	Failure to Pay Transfer Tax (Penalty)	Washington
	Mobile Home Park Fees	Nevada
	Revenue Bond Application Fees	Minnesota
	Bond and Fee Revenues	Kansas
	Public Purpose Charge	Oregon
	Eviction Court Fees	Oregon
Eighteen states and the District of Columbia use dedicated taxes	Real Estate Transfer Tax	District of Columbia, Florida, Hawaii, Illinois, Maine, Nebraska, Nevada, New Jersey, South Carolina, Vermont
	General Fund Revenues	Delaware, Georgia, Kentucky, Minnesota, North Carolina, Oklahoma, Texas, Utah, Vermont, Washington
	Capital Budget	Washington
	Income Tax Checkoff	Louisiana
Nine states use non-fee/tax derived funding sources	Escrow Account Interest	Connecticut, Minnesota, Washington, Wisconsin, Maryland
	Security Deposit Interest	Oregon
	General Obligation Bonds	Massachusetts, Connecticut, New Jersey
	Unnamed Unclaimed Property Fund	Arizona
Five states fund housing trust funds with independent revenue sources	Finance Authority Revenue	Iowa, Missouri
	Program Income	Indiana
	Grants	West Virginia
	Capital Outlay Fund	New Mexico

Source: Brooks, 2007

Appendix B – Milwaukee’s Campaign for a Housing Trust Fund: Campaign Elements and Influence

The Milwaukee Housing Trust Fund Coalition conducted a three-year campaign that included getting media publicity, demonstrating and building support of the coalition, and exerting political pressure.

Media/Publicity	Coalition/Individual Support	Political Support/Pressure
Produced a seven-minute video on the need for and benefits of a Milwaukee Housing Trust Fund		
	125 people gathered for the premiere of the HTF video	
Distributed more than 100 DVDs of the HTF video throughout the community and posted it online		
		Held a press conference and testified at a county board hearing calling for a portion of any dollars raised through a new sales tax referendum to go for affordable housing
		HTF supporters testified on need for more affordable housing at county and state hearings called in wake of <i>Milwaukee Journal Sentinel</i> series
Hosted Mary Brooks, a national HTF expert, who spoke to the city’s Housing Trust Fund task force and received attention from media outlets		

Media/Publicity	Coalition/Individual Support	Political Support/Pressure
100 people participated in building a "Cardboard Condo Development"		
	150 people attended event kicking off "Key to Healthy Neighborhoods" Campaign	
		Constituent meetings with mayor and every Common Council member
Together with St. Vincent de Paul held a "Tent City" action at one of the meal programs		
Declared a weekend as Affordable Housing Sabbath when congregations and groups collected 2000 house keys and 500 postcards with messages for elected officials		
	Held nearly 70 informational sessions with a variety of groups, including a meeting for bankers, bringing coalition to 132 endorsers of the Milwaukee HTF.	
		100 people attended Common Council Zoning and Neighborhood Development committee meeting when it voted unanimously for a resolution supporting the HTF

Source: Interfaith Conference of Greater Milwaukee, n.d.

Appendix C – Policy Goals and Alternatives Matrix

Goals		Policy Alternatives and Effectiveness for Goals		
		Status Quo	Statewide	Local
Sufficient and Stable Revenue Source	Availability of funding options	Low. Budget shortfall means few funds available.	Medium. Variety of current taxes and fees, but budget shortfall limits.	Low. Would be able to raise taxes, but have few options.
	Flexibility	Very low. Funds are already allocated.	Low. Harder to modify state legislation.	High. Able to react more quickly to local issues.
	Sustainability	High. WHEDA is independent. Other funds are too small to garner notice.	Low. State money is always vulnerable. Potential to protect in Constitution.	High. Enabling legislation would allow funds to be protected.
Cost Efficiency	Minimal Administrative Costs	Zero. No new costs.	Medium. Less than local because only creating one structure.	High. Duplicates administration in each city. Once established, can work more efficiently than large state structure.
Effective Outcomes	Lead Hazard Control	Low. At current rehab rate, elimination will take 40 years.	High. Money could be distributed wherever needed. Legislation could specify use for pre-1950 rehabilitation.	Medium. Zero in communities without HTFs. Possible to write lead funds into legislation.
Political Feasibility	Passage in legislature	High. Always easy to maintain status quo.	Low. Difficult to pass legislation, especially constitutional amendment. Imperative to have strong supportive coalition.	Medium. Smaller, more homogeneous constituency easier to win over. Requires strong coalition in each locality.

Appendix D – The Proposed (and Tabled) National Housing Trust Fund

The National Affordable Housing Trust Fund Act of 2007 passed in the U.S. House on October 10, 2007, without amendment. The bill's goal was "producing, rehabilitating, and preserving 1.5 million housing units over the next 10 years" (USHCFS, 2007). The funds for a federal HTF would accrue from Federal Housing Administration (FHA) savings resulting from the enactment of the Expanding American Homeownership Act or any other source of funding. The HTF would combine dedicated funding through the FHA savings account with additional appropriations given on an annual basis. The legislation assumes minimum funding of \$2 billion per year, with 60 percent of funds set aside for local jurisdictions and 40 percent allocated to states, Indian tribes, and other insular areas. All trust fund money would go toward households below 80 percent of state or local area median income. Should funding fall below \$2 billion in a given year, only households at 60 percent of area median income may receive funding. At least 75 percent of funds would go to families at or below 30 percent of area median income with at least 10 percent of funding assisting families above 50 percent of the median.

State, local, or private entities would have to raise funds to match 12.5 percent of funds received from a national HTF. Should the matching funds come from another federal source, the fund would have required 25 percent matching funds. Wisconsin has an estimated population of 5.5 million people, representing approximately two percent of the overall U.S. population. Assuming the fund would appropriate money based on population, Wisconsin would have been eligible to receive approximately \$40 million per year (assuming only \$2 billion would have been available in a given year). Of this money, \$24 million would have been allocated to local jurisdictions, with \$16 million allocated to a state HTF. This money would have required the 12.5 percent—about \$2 million—in matching funds from the Wisconsin government and \$3 million total from local jurisdictions to receive the full \$40 million, for a total of \$45 million from all levels of government.

The \$45 million raised through federal and local matching money would have been more than half of the \$80 million WISCAP hopes to generate for a Wisconsin HTF. A national HTF would encourage the state to take advantage of these funds and put strong pressure on Wisconsin lawmakers to change the Internal Improvements Clause in the constitution, or reinterpret it to allow the creation of a Wisconsin HTF. The federal bill was tabled, however, as a political compromise between Democrats and Republicans to alleviate other problems associated with the 2008 housing crisis.

This most recent bill was the sixth to pass the U.S. House or Senate. Senator John Kerry (D-Mass.) has proposed the creation of a national HTF in the 106th, 107th, and 108th Congresses, proposing the use of FHA Mutual Mortgage Insurance Fund excess and Government National Mortgage Administration excess revenue to raise \$5 billion per year. Representative Bernard Sanders (D-Vermont) has two bills in the U.S. House in the 107th and 108th Congress using the same funding source to raise \$8 billion per year for a national HTF. Legislators raise the issue annually, and likely would continue do so in the future, since the national HTF coalition has 5,720 supporters pressuring Congress to pass this legislation.