



# MHP Capitol Update

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## Capitol Notes

### Time to Challenge House is Now

As we said last week, the House appropriations bill that is funding housing and homeless programs looks good on the surface, but has significant problems, especially in regards to on-going funding. The House's proposed base budget for the next biennium is \$14 million less than the Senate and governor's proposals. At the same time, the House's proposes more short-term funding, but relies on an infusion of Temporary Assistance for Needy Families, or TANF, funds, which come with significant service restrictions. You could call it a shell game—all it does is pass the buck. Regardless, the problem remains how to attack it and get housing a better deal. MHP Board has decided to focus on Minnesota Housing's Challenge Program and direct a concerted advocacy effort at the House Finance committee.

The Challenge Program is the primary generator of new affordable housing production in every region across the state. Because there is some much demand for affordable housing production, in each funding cycle about 50 percent of the submitted Challenge Program proposals are not funded. Notably, the program is also well-suited for the use of one-time funds as it doesn't establish on-going tails or funding obligations. If we are ever going to seriously address the affordable housing shortage—30,000 units by 2010—housing production must be increased significantly. MHP estimates that a \$10 million infusion of funds into the Challenge Program will assist in the production of approximately 1000 units of housing.

### House Finance Committee to Hear Housing Bill Wednesday

The Omnibus Housing and Public Health Bill, **HF 2241 (Clark)**, is going to be heard by the House Finance Committee on Wednesday at 9 a.m. It is important that the Finance Committee and House Leadership hear from you that this bill needs an additional infusion of funding. The message is simple: the Challenge Program needs an increase of \$15 million in *base funding* for the next biennium. This will help Minnesota address its affordable housing shortage by helping create 1000 units of housing.

Please contact your legislator as soon as possible if he or she serves on the Finance committee, with special focus on **Rep. Sertich, Rep. L. Carlson, Rep. Solberg, and Rep. Severson**. [Click here to view Finance Committee list and contact information](#). Also, we ask that you send a message to the Speaker of the House, **Rep. Margaret Anderson Kelliher**. If you send an email, make sure to name your request in the subject line (i.e. \$15M for Challenge and \$15M for MHFA base). And, as always, please let us know what action you take so we can follow up with legislators and track progress.

### House Tax Bill – A week to get a few Housing Items

It appears that the House Tax Committee will be assembling the Omnibus Tax bill over the next ten days. If you support the Low Income Rental Classification/4d modifications proposal, sales tax exemption on constructions materials, or the Housing Donor Tax Credit you should let your legislator and House Tax committee members know this week.

As noted, it appears that the LIRC/4d proposal will be included in the House's tax bill, but will contain a "crime free" qualifier. In order to keep the sales tax exemption and the Donor Credit alive we need to get them into the

House bill, too, since those two proposals weren't included in the Senate's tax bill. The tax expenditure amounts associated with these provisions are rather minimal at about \$6 million, so budget implications are basically non-existent in the context of billion dollar tax proposals. If enough legislators indicate to the House Tax Committee Chair, Rep. Lenczewski, we need to do something for affordable housing, these items will be considered seriously. Contact Warren Clafin at [wclafin@mhponline.org](mailto:wclafin@mhponline.org), or 651-649-1710 ext. 121, if you want some advice for how to get involved, help, or background info.

### **A Closer Look at House Funding Bill Reveals Shortcomings**

As mentioned above, House funding proposal for the Challenge Program is about as strange and confusing as it could be. The House, unlike the Senate's and the Governor's proposals, infuses the program with \$18.5 million in one-time funding, then in financial year 2010-2011, the base funding level drops to \$12.4 million (this is \$7 million below the current funding level). This is not an isolated funding scenario, either. The Family Homeless Prevention grant program (FHPAP) is slated to receive \$14.9 in base funding for 2010-2011 in both the governor's and Senate's budgets. In the House's budget, FHPAP receives \$7.5 in base funding for 2010-2011 and \$7.6 in one-time funding. We see it happen again with the HECAT, or housing counseling, program (which, by the way, helps combat foreclosures among other things). The governor and the Senate each propose \$1.7 in base funding for HECAT while the House proposes \$2.9 million in one-time money and \$1.3 in base budget appropriations. While the House's budget with its big one-time infusions of money may seem appealing (and really pump up the total funding numbers), substituting one-time money for base funding leaves these programs susceptible to under-funding in the near future and is very bad policy. For your convenience, we have attached a side-by-side comparison of the House's, Senate's, and governor's budgets. Please let us know if you have any questions.

### **Committee and Floor Action**

Nothing of substance to report as there was little action in committees or on the floor of the House or Senate last week.

### **Committee Hearings**

Schedules for the upcoming week are rather skimpy in details, but much will happen as the House moves finance bills to the floor where we expect long sessions. The Senate should be hopping as policy bills need to meet their second deadline by the end of the week.

[Click here for updated House Committee information.](#)

[Click here for updated Senate Committee information.](#)

### **Bits and Bytes**

#### **Words Not Heard: Special Session**

Usually by this time, the dreaded words "special session" show up, if nowhere else than among insiders claiming that heard so-and-so talking about it. It may be that everyone is too busy trying to make deadlines that there has been no time to stir up the pot, but these words have been non-existent. This week, though, the rhetoric over taxes will intensify as legislators return from visits to their hometowns, so maybe these words will leak out. Capitol watchers view a special session as a no-win for everyone, but agree that the governor tends to come out better than the rest, since there is an apparent "surplus." Also, with both bodies controlled by Democrats who ran on getting things done, sending the game into overtime would be no-win proposition for the House and Senate. Be assured though, there will be some major stalls during the next six weeks.

## **Housing Conference Committee(s)**

There is a significant amount of guessing going on when it comes to how the housing and homeless funding provisions will be worked out between the House and Senate. The House has these programs in one bill in a stand-alone committee called the Housing and Public Health Finance. However, there isn't a corresponding budget committee in the Senate where housing and homeless funding provisions are divided between the Economic Development Division and Health and Human Services Division. Adding to the complications is the fact that the Senate included all of its one-time money in a single bill. Stay tuned as the linking or unlinking of these two areas will have a significant impact on the final outcome of these budget items beginning with the conferees and their knowledge and support for the programs. Needless to say, housing supporters would prefer to have legislators familiar with these concerns work out the final deal.

Distributed weekly during the legislative session and periodically outside of session, the MHP Capitol Update provides information about bill introductions, committee hearings, policy analysis, and political chatter in St. Paul. MHP Capitol Update is published by Minnesota Housing Partnership, and content is provided by MHP's lobbying team, Cindy Jepson and Julian Loscalzo. To share ideas for future issues, to ask questions, or to unsubscribe, please contact Barb Jacobs at [bjacobs@mhponline.org](mailto:bjacobs@mhponline.org) or 651-649-1710 ext. 117.

Minnesota Housing Partnership's mission is to promote homes for all Minnesotans and to assist Minnesota communities in the creation and preservation of housing affordable to low- and moderate-income people.