



MHP Capitol Update

Volume 2, Issue 18 May 7, 2007



Capitol Notes

Jobs and Economic Development Omnibus Bill Vetoed

This afternoon, the governor vetoed the jobs and economic development bill. He indicated that the price tag for the bill is too high plus some policy items he does not like. The bill is approximately \$52 million higher than recommended by the administration. House and Senate leadership insist that the budget is balanced when all spending bills are combined (excluding K-12, higher education, and taxes which are all tied to tax increases).

The bigger picture is that the administration opts not to be politically or fiscally boxed in by agreeing to all the spending bills. They have agreed on agriculture, energy and the environment, veterans, and public safety spending bills. This means that funding for housing may end up being part of final negotiations. If budget allocations are not increased, housing programs could get cut. To ensure passage of the best budget for housing in over a decade, we need you to be on message and active when we send out our next alert.

The good news is the governor did not mention any problem with the housing portion of the bill. The Minnesota Housing appropriations levels in the budget bill are very good news for affordable housing supporters. Our late session advocacy increased funding in the House which allowed targets to be set higher for the conference committee. Nearly every housing program in the bill sees a significant funding increase for the next two-year cycle, with base increases for the following biennium. The bill also gives the agency over \$118 million for the 2008-2009 biennium, a 60 percent increase in funding, and \$91 million for the 2010-2011 base budget. Within these increases, the Challenge Program receives \$34 million, a \$15 million increase, and funding for Homeownership Counseling (HECAT) goes up by \$800,000 in recognition of the foreclosure crisis occurring around the state. Contact Warren Clafin at wclafin@mhponline.org for more specific information on housing and homeless expenditures.

Agreement Reached on Health and Human Services Bill

There was a sigh of relief late Saturday when the Health and Human Services Conference Committee finally adopted an agreement on funding for homeless services for the next biennium. (For your convenience, we've listed the approximate numbers below.) Although, we hoped this bill would eliminate the MFIP penalty, it was merely reduced from \$50 to \$25. As with other major omnibus bills containing funding for housing and homelessness, the biggest challenge is yet to come—the bill is \$200 million over the spending recommended by the governor and scheduled for a veto. Advocates need to be on their toes and vigorously guard this funding proposal to guarantee these numbers are passed into law. Contact Warren at wclafin@mhponline.org for information on how you can help protect funding for homelessness programs.

Housing and Homelessness Funding in Health and Human Services

<i>Long Term Homelessness Services Grants</i>	<i>\$13,920,000</i>
<i>Emergency Services Grants</i>	<i>\$ 1,165,000</i>
<i>Transitional Housing Grants</i>	<i>\$6,241,000</i>
<i>Runaway and Homeless Youth Act</i>	<i>\$3,264,000</i>
Total	\$24,590,000

Taxes: Slow Start, But Full Throttle This Week

Finally, on Saturday, the Tax Conference Committee agreed to a number of provisions. They have been painfully tedious in reviewing the House and Senate bills. The entire end game between the House, Senate, and governor will revolve around the tax bill. The Tax Committee pace will certainly quicken this week and we expect a final tax bill by the end of week.

Low Income Rental Classification (LIRC)/4d Modifications—the “crime free” requirement added on to this proposal generated a significant amount of discussion. There seems to be a lot of concern regarding the appropriateness of tying a tax rate to an external factor, like crime rates. Senate conferees, in particular, seem very skeptical of this approach. We expect the threshold reduction and local government funding modifications to be included in the final bill, but are not sure what will happen with the “crime free” provision. Please contact House conferees if you would like to see the “crime free” requirement taken out of this bill. Please contact Warren at wclafin@mhponline.org with questions.

Construction Materials Sales Tax Exemption—this item has a good shot at being included in the final bill, but Senate conferees need to be pushed. Although we expect the tax bill to be vetoed if it contains income tax increases, it becomes a bit of a crap shoot whether, or not, there is a final tax bill. It is important that the conferenced bill contain our provisions. This will make the provisions an easier sell for the final version, if a final version is passed at all. *Remember, a tax bill does not need to be passed.*

Tax Credits Get Berating By Tax Chairs

MHP, with a lot of help from other housing advocates, led a push for the creation of a Housing Donor Tax Credit designed to increase private sector investment in housing. This provision was not included in either tax bill this session, but a historic rehab tax credit did make it into the House bill. During a discussion of that provision, both the House and Senate Tax Chairs raised numerous concerns about tax credits saying that they are really appropriations in wolves clothing. We still believe that there are a good number of solid reasons to establish a housing tax credit, but our work will be cut out for us on this issue. Building a broad base of support statewide will be critical to this effort next year.

Two Weeks and Counting: What’s the End Game?

With so many vetoes and so little time left, the biggest question swirling through the marble dome these days is what will happen in the last few weeks. We have never been certain whether the House and Senate coordinate agendas and the Senate has nothing to lose from a special session. (They don’t have to run again for another three years.) As the new majority, the House Democrats have to demonstrate that they can make good on campaign promises and get things done because they have to run for office again next year. So how does session end? Perhaps the Majority Leader holds the key...there is still time to pass omnibus bills that can be signed, but it’s running out fast.

Affordable Housing in the Media

Recently, MHP has been blessed by the media gods. Both the **Pioneer Press** and **Star Tribune** printed commentary pieces co-authored by Joe Errigo and MHP regarding the brilliant return on investment from creating affordable housing. [Click here to read the Pioneer Press article.](#) [Click here to read the Star Tribune article.](#) Shannon Guernsey, MHP’s new vice president of programs, penned an article regarding the need for affordable housing in the Suburban Metro that ran in Bloomington, Eden Prairie, Edina, and Richfield editions of the **Sun-Current**. [Click here to read the Sun-Current article.](#)

Although not directly related to our state legislative agenda, MHP’s recent media work on Section 8 waiting list openings underscores the huge gap between the supply and demand of affordable housing in Minnesota. [Click here to hear MPR interview with Jon Gutzmann, executive director of St. Paul PHA.](#) [Click here to view WCCO TV story on Section 8.](#) Contact Barb Jacobs at bjacobs@mhponline.org if you would like to receive copies of the Pioneer Press’ or the Star Tribune’s stories on Section 8 waiting list openings.

Bits and Bytes

Working on the Weekend (again)

Even though there was no agreement on what to include in the first tax bill to be sent to the governor, House and Senate leadership told conferees to show up for work on Friday night and Saturday morning. Needless to say, not much happened; tempers were a bit short and there were no decisions made on the offer by the time they left on Saturday. One of the big problems is that the House uses an increase in income taxes to fund a substantial property tax relief effort while the Senate focuses the proceeds from its tax increase primarily on supporting both K-12 and higher education.

Heard Under the Marble Dome

“Enjoy yourself tomorrow (Sunday), as next week we will have to really get to work,” commented a Senate Tax committee member before adjourning on Saturday.

“I’m basically opposed to tax credits. They are really just dressed-up appropriations. I do understand, though, that this is a political process,” said the House Tax Chair during a pre-session discussion.

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 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.