



MHP Capitol Update

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State Update

- [State of the State - Cuts, Cuts, Cuts](#)
- [Bonding - Ace in the Hole?](#)
- [MHP Housing Policy Showcase Message: Show Up and Be Counted!](#)
- [Bits & Bytes](#)
- [Heard at the MHP Policy Showcase](#)

Federal Update

In addition to MHP Capitol Update, MHP also publishes *The MHP Bulletin*, a newsletter that follows housing trends that affect Minnesota. Click [here](#) to sign up for *The Bulletin*.

State Update

State of the State - Cuts, Cuts, Cuts

Despite the states massive \$5 billion budget deficit, the governors State of the State speech gave no indication that increased revenue would be part of his plan to balance the states deficit. As a matter of fact, Gov. Pawlenty proposed cutting corporate tax rates to help stimulate the economy and left out mention of any state sponsored stimulus package. He reiterated that he did not want to hurt education, veterans, and public safety funding. Yet simple math indicates that exempting education expenditures requires cutting all other spending by 17%. He pitched reform, removing mandates, and restructuring, but those moves will hardly closed the \$5 billion gap---a deficit number that's expected to grow.

Democratic leadership has been talking economic stimulus and jobs but staying away from the T-word. They seem to be positioning to match and leverage federal dollars to assist in budget balancing. No one expects \$5 billion of federal aid, but the hope is that leveraging federal stimulus dollars will help perk up our economy. Yet if the federal bill doesn't provide a significant infusion of dollars for safety net programs, those programs will again bear the brunt of budget cuts.

Housing should gain from the federal bill, but there is some concern that a large infusion would result in reallocation of the state's current housing dollars. A simple fact: the state's current allocation for housing and homeless programs is about \$136 million, which is less than one-half of one percent of the entire state budget. In addition to keeping people in homes, it is an important job creator.

Bonding - Ace in the Hole?

There has been a lot of talk at the Capitol on using the state's bonding authority to stimulate the economy, match federal dollars and create jobs. To effectively leverage this funding resource, housing advocates need to understand bonding and advocate for its use to support housing projects at the capitol.

The state uses its borrowing authority to fund a large number and variety of public goods in the state, such as colleges, schools, roads, recreational and agency buildings, waste water treatment facilities, and parks. It sells a variety of bonds backed and paid for by general tax dollars and other revenue sources. One type, general obligation (G.O.) bonds, can be used only on publicly owned projects, thus making public housing properties one of the few types of affordable housing properties that can benefit from G.O. bonds. This public ownership constraint motivated the MHFA to propose establishing non-profit (501c3) housing bonds last year, which were ultimately authorized for supportive housing projects only. We'll explain more about this next week.

Bonding is a complicated tool, in part because legislative decisions about bonding affect bond ratings, since these decisions are seen by bond rating agencies as a reflection of the state's ability to manage its finances. In Minnesota, debt level guidelines, rather than statute, govern the state's use of bonding instruments. Minnesota is one of only 9 AAA rated states in the nation and ranks 21st in both the amount of debt and per capita debt. Though the guideline that debt service should not exceed 3% of general fund appropriations gets the most attention, there are [four other guidelines](#) that are considered in decisions about overall bonding amounts. Normally, this year would see a bonding bill in the \$100 million range, but look for that number to creep up and for heated debate on the guidelines this session, as legislators look for mechanisms to help spur the economy. The Administration has remained relatively quiet on the topic, while legislators look for shovel ready projects that can be under construction within 60 days as candidates for bonding funds.

MHP Housing Policy Showcase Message: Show Up and Be Counted!

One of the more interesting aspects of last week's housing policy showcase was the uniform message from legislators that housing supporters need to push the legislature and administration. We were quite surprised that all the speakers - House and Senate leadership, Ds and Rs, legislative housing champions - acknowledged not only that housing was critical, but that it was an economic stimulator as well. The bigger surprise was the uniform pleading - imploring - that if the housing community doesn't actively engage at the Capitol it will be extremely difficult to push through the investments needed to keep people in their homes. All of these friends indicated that there needs to be a concerted push and that legislators need to hear from YOU - now and often during the next few months. Contact Julie Johnson at MHP at jjohnson@mhponline.org if you are willing to help with the push and deliver our message: "Fix Housing, Fix the Economy".

Bits & Bytes

Projections Heading South (not because its winter)

State revenues decreased again in November and December. More alarming is that national Gross Domestic Product (GDP) is projected to drop by 2.5% in 2009. The November forecast was predicated on a 1% decline in GDP, but job losses continue to

outpace previous predictions. A large infusion of federal funds in aggregate may, at best, prevent the state from falling even further in the hole than the current \$5 billion deficit. But it could help to alleviate some of the pain for those at the bottom rung of the economic ladder since it appears that a portion of the funds will be directed at health care, unemployment, and safety net programs.

Adios Barb Jacobs, Editor Extraordinaire

Barb Jacobs - the silent, steady, guiding hand behind the Capitol Update and all of MHP's publications has moved on, and we already miss her presence. Some folks though might say she jumped from the frying pan into the fire. She's now working for Senator John Marty, where she will continue to keep an eye out for housing matters.

Michael Dahl - Heading over to HOME Line

After 11 years at the Minnesota Coalition for the Homeless, Michael Dahl has shifted gears a bit and joined HOME Line's staff, where he'll be heading up their federal and state public policy efforts. Renters can be assured that Michael will bring his well honed skills and dogged determination to DC and St. Paul. We're glad he'll still be around as a voice for housing at the Capitol.

Heard at the MHP Policy Showcase

"I'm not sure what comes first - a roof over your head or food" and "Housing is economic development" -- Senator Dave Senjem, Minority Leader

"There is no more low hanging fruit" and "we have a jobs problem not a revenue or spending problem" -- Senator Dave Tomassoni, Chair Economic Development and Housing Budget Finance Committee

"Housing provides community and family stability" and "we currently have a 15% problem, but if we keep seeing layoffs at Best Buy and Andersen Windows, we will have a 20% problem" -- Rep Tony Sertich, Majority Leader commenting on the size of the deficit relative to the state budget

"You need to be there [at the Capitol] - there is nothing left to cut" and "We've got a revenue problem" -- Senator Tarryl Clark, Senate Assistant Majority Leader

"There will be a lot of tension among members regarding cuts. Everything should be on table, even education" -- Rep Jeff Hayden, housing committee member

Federal Update

(Compiled from material provided by National Low Income Housing Coalition)

The House Appropriations and Ways and Means committees released their economic recovery proposals this past week. On the appropriations side, about \$25 billion was proposed for housing and housing-related expenditures. This is six times the amount of funds distributed by Congress in last year's recovery package for the Neighborhood Stabilization Program (NSP). The new proposed funding is also targeted to a much broader range of housing expenditures than the NSP, which has a foreclosure focus.

Here is a brief rundown of the programs and amounts being proposed by the House: Emergency Shelter Grants (\$1.5 billion); public housing repairs (\$5 billion); repairs to privately owned, federally assisted housing (\$2.5 billion); Neighborhood Stabilization Program (\$4.19 billion); Native American Housing Block Grants (\$500 million); HOME program (\$1.5 billion); FEMA emergency food and shelter program (\$200 million); CDBG (\$1 billion); Rural Housing Insurance Fund (\$500 million); Weatherization Assistance Program (\$6.2 billion); LIHEAP energy assistance (\$1 billion); Community Services Block Grant (\$1 billion); and \$10 million to regional or national nonprofits to develop or rehab ownership housing.

From the Ways and Means Committee there were several housing-related tax incentives proposed. To expedite rental projects stalled because of the inability to market low income housing tax credits, the Committee proposed awarding grants to states in lieu of a portion of the states' 2009 tax credits. The portion of the tax credits awarded as a grant would be elected by the state. The grant money would be used to fund stalled rental projects in the 2007-08 pipeline. The supported projects would not have to have received tax credit commitments. As presented, this would be a one-time fix and would not help projects awarded credits in 2009 or later.

Also from Ways and Means the \$7,500 repayable tax credit passed last year for first time homebuyers would be made a grant, with no repayment requirement. Homes would have to be purchased between January 1 and June 30, 2009 to qualify. In addition, the Committee proposal includes a variety of other tax incentives including a recovery zone allocation of tax exempt bonds and tax credits to stimulate economic activity in areas of high unemployment.

Distributed weekly during the Minnesota legislative session and monthly outside of session, the **MHP Capitol Update** provides information about state and national housing policy and politics that affect Minnesota. *MHP Capitol Update* is published by Minnesota Housing Partnership. To share ideas for future issues, to ask questions, or to [Unsubscribe](#), please contact MHP at info@mhponline.org or 651-649-1710.

Minnesota Housing Partnership also publishes *The MHP Bulletin*. *The Bulletin* is distributed monthly, and includes affordable housing news and trend information, new research, publications, and upcoming events. Please [click here to subscribe](#) *The Bulletin*, or contact MHP at (651) 649-1710 or email info@mhponline.org.

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.