



MHP Capitol Update

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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

Cuts for Housing Close to Final; Health and Human Services Budget on Tap

Last week, the House and Senate conference committee finalized the first of its supplemental budget cuts bills. The \$312 million cut was debated and passed the House and Senate on March 29. Governor Pawlenty has indicated a willingness to sign the bill, which includes housing cuts.

The bill's cuts to the Minnesota Housing budget total \$4.217 million in FY 2010-11, with a \$4.9 million permanent cut starting in FY 2012-13. This represents cuts of just under 5% for the FY2010-11 budget, and 5.6% starting in 2012-13. However, all cuts pertain to PARIF and the Rental Rehab Loan Program. PARIF takes a \$3.217 million hit (18% reduction) and the Rental Rehab Program loses \$1 million (12% reduction) this biennium. The conference committee agreement was somewhat closer to the original House position than the Senate position. Advocates had favored the Senate position due to lower permanent cuts in future budget cycles. For more detail on PARIF and Rental Rehab Program cuts, see the [MHP supplemental budget side-by-side](#).

Taxes and aids to local governments also took large hits, totaling a \$111 million reduction for FY 2010-11 and a \$186 million reduction in FY 2012-13. These cuts sit on top of the \$200 million unallotment in local government aid for the 2010 calendar year, for a total of over \$300 million.

On the up side, the Legislature rejected the Governor's proposal to cut \$106 million from the Renters' Credit. The bill also increases efforts to enforce tax compliance, which is expected to raise \$20 million.

For housing and homelessness-related items found in the Department of Health and Human Services, a budget bill has not yet been produced, as legislators await more information about the amount of federal support that will reach Minnesota. However, the Governor's proposal:

- Eliminates General Assistance (GA)
- Eliminates Emergency General Assistance (EGA)
- Eliminates income assistance and/or child care assistance for some families on Minnesota Family Investment Program (MFIP) by counting SSI benefits as income for determining eligibility
- Reduces the budget for supports for people with serious mental illness
- Eliminates a portion of enhanced funding for Group Residential Housing
- Reduces Group Residential Housing (GRH) supplementary service rates.

Advocates for low-income households such as the [MN Coalition for the Homeless](#), [Minnesota Budget Project](#), [Affirmative Options](#), and the [Corporation for Supportive Housing](#) have more information on these items.

Jobs Bill Passes; Housing Tax Credits Seek Other Vehicle

On March 29, the "Jobs Bill" passed off of the House and Senate floors. The bill, which comes out of the tax committees, includes the historic tax credit, which provides refundable tax credits to investors to rehabilitate historic structures. Housing advocates hoped to have the proposed [state housing tax credit](#) ([SF 3307](#) - Moua / [HF 3724](#) - Rukavina) included in the jobs bill, too, to incentivize private investment in affordable rental housing. However, the House, Senate, and Governor, in an effort to avoid a hung conference committee which could squash the bill, negotiated behind closed doors. This strategy circumvented a conference committee—and the opportunity to get the state housing tax credit included. The Governor is expected to sign the bill.

The final jobs bill mostly uses smoke and mirrors techniques involving cuts in one area to finance other areas. The only real revenue generator comes from the stepped up collections efforts in the supplemental budget bill, discussed above. Of concern to advocates, the bill eliminates the [lower income motor fuels tax credit](#), which generates \$30 million annually for the next three years. This funding made it possible to increase the size of the Angel Investment Credit and Historic Structure Credit.

Housing advocates may have another chance to move the state housing tax credit bill this year. On March 29, Sen. Bakk introduced [SF 3327](#), another big tax bill. However, locating a funding source remains a stumbling block for this bill, with Pawlenty unwilling to raise revenues.

During Recess, Ask Your Legislators to Sign-on

Last week, the *Capitol Update* encouraged readers to connect with legislators while they are home for Spring recess, March 29 through April 6. Specifically, this week please ask legislators to sign on as a co-sponsor of the bill to increase funding for housing by [capturing new growth in mortgage registry and deed tax revenues](#) ([HF 3725](#) - Marquart / [SF 3304](#) - Cohen). Starting in 2012, the provisions will generate an additional \$19-39 million annually for Minnesota Housing's budget.

So far this session, housing has taken a hit. \$10 million in bonds for public housing was line-item vetoed. Over \$4 million more in funding for Minnesota Housing's budget will be cut once the

Governor signs the supplemental budget bill passed by the Legislature. Faced with dire budget circumstances, legislators are looking under every rock for money. This bill represents a creative solution that helps legislators address the housing crisis during a budget deficit, without raising taxes; in fact, it will return up to half of the state's investment in the first year. It also puts housing construction workers back to work – in an industry that has lost over 10,000 jobs since 2005.

Bill sponsors already include: Senators Cohen, Tomassoni, Dibble, Senjem, and Marty; and Representatives Marquart, McFarlane, Davnie, Clark, Carlson, Champion, Mariani, Sailer, and Hayden. We need your help in getting more sponsors over break! You can connect with them over the phone, email or at community events. Some legislators organize town hall forums during break.

Town hall forum and contact information can be found on member pages via the [state legislature's website](#). To find your legislators, click [here](#). For help in making the best case for housing or connecting with your legislator, please contact Julie Johnson at jjohnson@mhponline.org.

Bits & Bytes

Challenge Bonds Amended, Head to Bonding Committee

Last week, Rep. Clark's bill authorizing \$30 million in "Challenge Bonds" ([HF 3678](#)) passed out of the House housing committee. Before passage, the bill was amended to allow, but not require, Minnesota Housing to issue the bonds financed by up to \$2.4 million from Challenge Program funds for debt service. The amendment also stipulates that any remaining debt service for unsold bonds would revert to the Agency for any other purpose. Challenge bonds, if sold, would be used for projects eligible under the Challenge Program. The House bill has now been re-referred to Rep. Hausman's Capital Investment (bonding) Committee. The companion bill in the Senate ([SF 3273 - Tomassoni](#)) is yet to be heard in committee.

Major Victories Continue for Renters

Last week, the Minnesota House of Representatives voted unanimously (133-0) to support the [Tenant Bill of Rights](#). The bill will be taken up after recess in the Senate. Meanwhile, as reported above, the final supplemental budget passed out of both the House and the Senate without the \$106 million proposed cut to the [Renters' Credit](#) by the Governor. Advocates and renters can be proud of their efforts. If signed by the Governor, these bills will make Minnesota friendlier to renters and will save tenants millions of dollars.

FEDERAL UPDATE

The federal low income housing tax credit (LIHTC) is poised for action before Congress. According to the National Low Income Housing Coalition, on March 24, the House passed HR 4849, the Small Business and Infrastructure Jobs Tax Act of 2010. This bill includes a number of measures to shore up the ailing low income housing tax credit market until the housing market and economy stabilize. If passed, this bill will make it easier to finance development of affordable rental properties. For those who can appreciate the nuances of the federal low-income housing tax credit, HR 4849:

- Provides a one-year exchange of the 9 percent housing tax credit, and

- Enables developers receiving allocations of tax exempt bonds to get a rebate for the amount of the 4 percent credit for which they qualify, once a qualifying property is placed in service. (Advocates hope to get this provision modified to enable the funding in lieu of the credit to come earlier in the development process.)

Congress is on Spring recess until April 12, and the Senate is expected to take up this bill when back in session.

Distributed weekly during the Minnesota legislative session and periodically 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 Rick Bernardo at Rick.Bernardo@mhponline.org or 651-925-5549.

Minnesota Housing Partnership also publishes and distributes *The MHP Bulletin* monthly, which includes affordable housing news and trend information, new research, publications, and upcoming events. Please [click here to subscribe](#) *The Bulletin*, or contact Rick Bernardo at (651) 925-5549 or email Rick.Bernardo@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.