MHP Capitol Update

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State Update

March 3-7: THE Week to Engage
Bonding, taxes, supplemental budget, foreclosure, there are plenty of topics in play this week that affect housing. Be sure to set aside time to weigh in early and often. You can count on receiving at least one Action Alert this week—please act on it as soon as possible. We have a very short window of opportunity this session.

Budget Deficit and Veto Override Take Center Stage
An almost $1 billion budget deficit dramatically changed the scene at the Capitol this week. We believe this bad news will lead to significant budget cuts during this funding cycle (2008-2009). Based on the new forecast, when session begins in 2009 the budget for the next biennium will be short about $2 billion. Legislators are required to balance the books so, unless there is a major upswing in the state's economy, there may be further budget cuts that could impact the base funding of many agencies.

One positive aspect of last week was that the transportation bill passed. This means legislators have more time and focus to work on other issues. The question remains, however, if Democrats will try to challenge the governor again this session. The House tax bill, which we expect to be debated on the floor this week, still contains the controversial utility class rate that was opposed by the administration last year. This provision threatens to derail the entire bill. Hopefully, the utility provision is taken out before the bill goes to the governor. If it isn't, we may find ourselves where we were at the end of last session: with a vetoed tax bill. Both the House and the Senate tax bills contain property tax relief for affordable housing property owners, an issue championed by MHP.

Bonding Bill Shrinks
The next battle on the horizon is determining the size of the bonding bill. The Finance Department indicates it should be no more than $825 million. At the beginning of session, the estimated size of the bonding bill was almost $1 billion, including bonds contained in transportation bill.

One reason the bonding bill is smaller is because of a conflict over the 3 percent rule, which sets the size of the bonding bill. The statute says that only 3 percent of the general fund may be used as debt service in any budget. Many legislators are insisting that the state has never reached that goal and that creating a larger bonding bill will be good to combat recession. The governor has indicated he will veto the entire bill if it is larger than the administration's recommendation. In order to pass, capital investment bills need "yea" votes from 60 percent of legislators in both bodies. Legislators must include a broad range of interests (and districts) in the final bonding proposal to ensure passage.

Senate Tax Bill Contains 4d

The Senate tax bill, which was introduced last week, closely mirrors the House tax bill. Both contain modifications to the Low Income Rental Classification property tax rate, 4d. Both also contain the utility class rate provision that the administration opposes (and it appears a veto show down could be in the works). Lastly, both bills contain the housing replacement district (TIF) expansion and the Brownfields cleanup mortgage and deed tax program expansion proposals. The House is expected to take up its tax bill today and we anticipate the Senate to follow course by the end of this week or early next week. When the bills are debated, all eyes will be on the utility class rate provisions to see if they are removed.

Senate Bonding Bill Moves to Finance Committee without Housing Provisions

Last Monday night, the Senate Capital Investment Committee presented, amended, and passed its $965 million bonding bill. The Senate Finance Committee will hear the bill today—we will watch to see if the bill is cut back to the $825 million recommended by the governor. Notably, the bill did not contain any housing related projects or Minnesota Housing 501(c)(3) bond authorization language. However, first thing this morning, Senator Cohen offered an amendment to include the nonprofit bonds, and the motion passed.

The House Capital Investment Committee today recommended 501(c)(3) nonprofit revenue bonds and $2 million in GO bonds for supportive, transitional, and public housing be included in the House's bonding bill.

Action Plan to Address Foreclosures Announced in House

In a press statement released today, Rep. Joe Mullery announced a mortgage foreclosure plan to help keep Minnesotans in their homes. Mullery was the convener of five work groups that met since last summer to research and create solutions to our pending foreclosure problems. Tonight, the House Public Safety and Civil Justice Committee will hold a hearing on foreclosure issues. The hearing will be held at Folwell Park, 1615 Dowling Ave. N., Minneapolis, starting at 6:30 p.m. For information on the specific bills included in the House foreclosure action plan, please visit MHP's bill tracking Web page http://www.mhponline.org/?q=node/244.

Bytes and Bits

State Economist Says Housing is the Main Drag on Economy

Tom Stinson, the state's economist, indicated in a presentation last week that the housing market is the major cause of the economic slowdown. He noted that last year Minnesota's construction industry lost 8,000 jobs and is expected to lose another 13,000 in 2008. Stinson continued that the forest products industry, another large component of Minnesota's economy, will lose an additional 2,200 jobs this year—this is after losing 2,500 in 2007. There is talk at the Capitol about creating jobs through the transportation and bonding bills, but no one is talking about the significant number of jobs that could be created by investing in affordable housing. Minnesota would be served well if its leaders noted that housing can and should be part of our economic solution. A few legislators are suggesting monies to purchase and rehab vacant houses, particularly those created by the foreclosure fiasco, which would quickly create a large number of jobs.

No Instant Replays This Session
As mentioned earlier, the session has become very contentious—think veto overrides, budget deficits, commissioner removal, and a shrinking bonding bill—leaving the outcome of this session pretty murky. House and Senate leadership have indicated a desire to vote on items and move on, suggesting that there will not be any replays on bills. The showdown looming over the current "non-money" tax bill, particularly if it is vetoed, will enlighten us as to the future path the Legislature will take. Will legislators be open to negotiating, or will they just blame the governor for not getting things done? Will the legislature forgo a second tax bill that could raise money to lessen the impact of the deficit? Given it's an election year for the House, they may try to create a veto proof majority by running against a "non-compromising" governor, even though he has a good approval rating. It's anyone's guess what will happen. We should get an idea what the rest of the session will look like, though, over the next few weeks as the tax bills move through the bill-making process.

Heard Under the Marble Dome
We have some concerns about how a supplemental budget bill might be received by legislators. Here is a sampling of their comments:

"Where do you think that money comes from?" *—Finance Chair's response to a statement that the proposed 501(c)(3) debt service would be in the supplemental budget bill.*

"It looks like what you are proposing is to fund jobs programs that we cut a few years ago. Where are you getting the money for this?"*—House Chair questioning a commissioner on new job creation proposals.*

"What you're proposing to use bonds for are the types of things cities could do if they had their LGA restored."*—Rural legislator commenting on bonding proposal for economic development.*

Federal Update

National Low Income Housing Coalition Conference Reaps Results
Last week, Minnesota members of the National Low Income Housing Coalition met in Washington for organization's annual conference and lobby day. Representatives from MHP, HOME Line, Elim, Minnesota Coalition for the Homeless, Metropolitan Consortium of Community Developers, and others met with all of Minnesota's Congress people and Senators to share vital information about our state's housing needs.

Since then, Senator Coleman has signed on to a letter urging the Senate Budget Committee to provide the Project-Based Section 8 program $2.8 billion in advance appropriations. This amount, advanced from fiscal year 2010's budget, would enable HUD to fully fund Project-Based Section 8 contracts being renewed in 2009.. The letter, penned by Chairman of the Senate Banking, Housing and Urban Affairs Committee Chris Dodd, notes that in 2007 and 2008 HUD failed to request enough funding to meet its contractual obligations to Project-Based Section 8 property owners.

The funding problem has resulted in property owner anxiety and reduced confidence in the program, leading many to believe owners will increasingly opt out of the federal program. According to the letter, "[A]pproximately 10,000 units of affordable Section 8 housing are lost annually as owners choose to terminate their participation in the program. As owners lose confidence in the financial stability and reliability of the program — and it becomes increasingly difficult for them to raise the funds they need to modernize their properties — many more will be encouraged to leave the program, putting hundreds of thousands of affordable homes at risk."

Low Income Housing Tax Credit Legislation Introduced
Senator Cantwell (D-WA) introduced S. 2666, a bill to update the low income housing tax credit program. Among its many reforms, the bill would allow a higher income standard in many rural areas (enabling developers to use 60% of national non-metro income) and set the value of the credits at a full 9% and 4%, instead of an amount tied to a discount rate that caused the credits to have a substantially lower value. Senator Coleman is a co-sponsor of the legislation.

Important Dates

March 14
First committee deadline. On or before this date, bills must pass through all policy committees in one body (House or Senate) to remain viable. This deadline is barely a month after the beginning of session.

March 18
MHP, MN NAHRO, League of MN Cities, Metro Cities, and Edam Day at the Capitol, 8:00 a.m. to 12:00 p.m., Best Western Kelley Inn, 161 St. Anthony Avenue, St. Paul, MN 55103. Join the Minnesota Chapter of the National Association of Housing and Redevelopment Officials, The League of Minnesota Cities, Metro Cities, Edam, and Minnesota Housing Partnership and get involved in the state legislative process. Influence the legislative impact to your community, services, and funding. Breakfast will be served at 8:30 a.m. and followed by a legislative briefing by Minnesota's House and Senate leadership. Learn more at MHP's Web site, or call MN NAHRO at 651-675-4490.

March 19
Second committee deadline. In order to remain viable, policy bills must be passed out of all policy committees in the other body.

March 28
Third committee deadline. This is the last chance for committees to act favorably on major appropriation and finance bills.

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 Barb Jacobs at bjacobs@mhponline.org or 651-649-1710 ext. 117.

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 contact Barb Jacobs at (651) 649-1710 ext. 117, email bjacobs@mhponline.org, to subscribe to **The Bulletin.**

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.