



MHP Capitol Update

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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

Add One More Billion to the Red

As the economy continues to head south, so does the state's budget deficit, which is expected to top \$6 billion when the next forecast is released the first week of March. It appears that the federal stimulus bill (see Federal Update below) will ship a fair amount of money to the state which should help fill some holes, particularly in the human services area. There is no easy solution to the deficit, especially with the Governor opposed to raising revenues. Cuts remain the first option of strategies on the table, and may make up the largest portion of balancing the budget. Housing is projected to see reductions of about 25% from the last round of appropriations in both the MHFA and DHS budgets. This will equate to a decrease in production of about 1200 rental units and 550 owner units of housing, and it threatens the development of any additional supportive housing projects.

Public Housing Bonding Request

Senator Mee Moua and Representative Mike Nelson will be introducing legislation this week that would provide \$20 million in capital improvements for public housing projects. MHP documented the backlog of deferred maintenance, energy efficiency upgrades and major system replacement needs at hundreds of millions of dollars. We expect the federal stimulus bill will direct \$56 million to Minnesota for the 124 agencies around the state, but it will be far less than needed to preserve this vital housing stock.

Public housing can use state general obligation bonds, a tool seldom used by housing because the bonds require public ownership. Since housing overall is facing cuts this year, it is a good time to access that area of the state budget. We expect a small bonding bill this

year that will focus on “shovel-ready” projects that will create jobs and economic activity. Public housing certainly fits the bill.

Long-term Homeless Supportive Housing on Rocky Ground

Legislators are beginning to scrutinize the state’s Long Term Homeless effort in light of the administration’s unwillingness to adequately fund supportive services. Representatives asked probing questions in last week’s House Housing Committee when DHS staff outlined the recommended cuts to the existing supportive services allocations under the Governor’s budget. Legislative supporters of the effort to restore funding for supportive services led the way, indicating that without adequate funding, it would be difficult to properly operate these programs. They also noted that state dollars were critical to securing matching funds from other private and public sources.

Other legislators are also expressing concern about continuing development of supportive housing without allotting money to pay for adequate services. Members worry that without these services the supportive housing projects in their communities will fail. Legislators expressed a good deal of frustration that this trademark effort of the agency and the governor is being abandoned, particularly on the services side, when the services are the key to success.

Bits & Bytes

Schools Really on the Block?

Senate leadership is at least talking as if they are willing to spread the pain across the board by including cuts to K-12 education. They have noted that by holding schools harmless, budget cuts for all other agencies and programs would need to be about 17%. We will see if this is serious or just positioning talk. If leadership decides to cut 17% from all other programs, you can kiss the Challenge Program good bye unless we fight for it.

Heard Under the Marble Dome

“I’m questioning whether we can or should call this housing ‘supportive’ if we aren’t providing services. Maybe we should just call it housing.”—South Minneapolis Representative commenting to DHS staff

“I’ve got a project in my district that is ready to go, but without state services dollars it can’t move forward when there’s a risk of failing to leverage other funds.” —Same South Minneapolis Representative

Federal Update

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

MHP calculates that Minnesota could receive about \$160 million in housing and community development funding out of the new federal economic stimulus package. These funds will support a wide variety of efforts including preventing homelessness, restoring public housing, addressing foreclosures, and spurring development of federal low income housing tax credit projects.

While much of the funding will be by competitive grant, Minnesota's track record is pretty good in getting at least the state's proportionate share of competitive funding. Click [here](#) for a table that outlines our best guess of the housing stimulus funds the state will receive.

Included in the stimulus legislation is funding for stalled housing tax credit projects and a provision that enables states to "cash in" up to 40 percent of their 2009 credits with the Treasury. If Minnesota Housing elects to do this, which is likely, the agency would receive an additional \$38 million for rental housing.

Additional money will come to the state through the Department of Energy's weatherization program, which was funded by Congress at \$5 billion in stimulus dollars. Minnesota typically receives just over four percent of federal weatherization funding, which amounted to about \$9 million in each of the last several years. Even if we don't receive a full 4% of the \$5 billion in stimulus, which would total \$200 million, the amount likely to come to the state will challenge the distribution systems for these funds.

Though these numbers appear to be a bonanza for the state's housing efforts they will not make a significant dent in the state's crisis in housing affordability and, except for the weatherization resource, the quality of our housing. The tax credit resources, for instance, basically offset the recent loss in value of the credits due to the weakened market for the credits. The new public housing resource of \$56 million must be seen in light of the \$317 million backlog of improvements needed in just the state's three largest public housing agencies.

MHP will continue to monitor the impact and implementation of the stimulus program in upcoming issues of Update.

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.

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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.