



# MHP Capitol Update

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## Federal Update and Briefing Event

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*.

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## State Update

### **Of Forecasts, Budgets and Tax Politics**

Depending on the headline, today's budget forecast was as bad as expected or not quite as bad as expected. The state's economic forecast released today estimates that the budget deficit will grow to \$4.57 billion, with the noteworthy caveat that this takes into account the one-time infusion of federal stimulus dollars totaling \$1.3 billion. Thus, the state's budget deficit is projected to reach \$6.4 billion for FY 2010-11, or about 17% of the state general fund budget. This is up from the \$4.8 billion predicted in the November Forecast.

Beyond the headlines, the forces that drive the deficit are an economy that continues to slide and unemployment on the rise. All together, the signs point to a recession that will last longer and go deeper than anticipated. While the federal stimulus package may have initially softened the blow of a deteriorating economy, our state faces difficult choices in order to address our economic challenges over the long term.

Based on the new forecast, including the federal stimulus dollars headed our way, the Governor will submit his supplemental budget in the next few weeks. Still, the state budget picture remains bleak, particularly if education is held harmless from cuts. The Governor continues his "no new taxes" mantra and criticizes proposals to extend the sales tax to clothing.

With the release of the supplemental budget, the ball game shifts back to the legislature, where leadership will have to decide within a few short weeks how to piece together a budget without new revenues. All of this will begin to take shape this month as targets are set for finance committees. We predict that the legislative majority will initially cobble together a public plan that will NOT include additional revenue. This would demonstrate the full range of cuts that would be needed to balance

the budget, and might even include a whack to education. Behind closed doors, though, legislators are likely entertaining scenarios that include various tax proposals. They could be banking on public outcry in response to the cuts—a response that would make it easier to force the Governor to accept some form of tax increase.

### **Budget Exercises: Adios Challenge Fund?**

In responding to the budget deficit, legislative budget chairs are prioritizing budget cuts within the context of no new revenue. It may seem counterintuitive during a housing crisis to cut a program that generates economic activity, tax revenues, and affordable housing units. But if the trim, cut, and slash approach continues without new revenues, the Challenge Fund, which finances the Community Revitalization Fund (CRV) and the Economic Development and Housing Challenge (EDHC) program, could be history. In choosing between keeping folks in their homes, preventing homelessness and supporting emergency shelters and services, legislators may well decide that building new housing just doesn't make the cut.

The initial proposal from the administration for MHFA's budget leaves about \$10 million in the Challenge Fund, down from \$35 million last session. If housing is subject to any new cuts, these could also come from Challenge.

In the legislative process, legislative leadership divides the money to be spent among finance and budget committee chairs in the form of "targets". The only way a committee chair can get an increase in a target is to obtain an allocation of additional money from leadership. It's usually at the expense of some other chair's budget, so strong political support is really important for upping targets.

Supportive legislators tell us they need more noise from housing supporters to help them advocate effectively for housing funds. Leadership is not expecting any significant change in allocations compared to the Administration's proposed budget. If you have a project on the line, your legislator and legislative leadership need to hear from you now if housing targets are to increase! Contact Julie Johnson at [jjohnson@mhponline.org](mailto:jjohnson@mhponline.org) if you'd like any support in talking to your legislators and making the case for housing.

### **Housing 101 Sessions Successful**

Over the last two weeks and with the endorsement of the legislative housing caucus, MHP hosted two housing education sessions for legislators. Between the two sessions, 22 different legislators and nearly 10 staffers showed up. The special topic of the first session was the economy and jobs with lead presentations by Michael Noonan of Rottlund homes and Warren Hanson of Greater Minnesota Housing Fund. The second session dealt with the mortgage and credit crunch with Karen Gajeski of Bremer Bank and Dave Mullen of Piper Jaffray informing legislators about the new mortgage environment. At both sessions, legislators and staff learned more about financing of affordable housing from Aeon's Gina Ciganik. Brief profiles of homelessness and housing alternatives were provided by Minnesota Coalition for the Homeless, Minnesota Community Land Trust Coalition, Twin Cities Habitat for Humanity, and Northcountry Cooperative Foundation.

### **Bits & Bytes**

Now is the time to show up at the Minnesota State Legislature so that those most in need do not bear the brunt of future budget cuts. There are several opportunities this month where you can join like minds at the Capitol to advocate for housing and the homeless. If you plan to go to one of these events, don't forget to meet with your representatives while you are there. Click [here](#) find out who represents you so you can schedule meetings around the event ahead of time.

*Youth Day & Rally at the Capitol - Thursday, March 5, 12:30 - 1:15 p.m.*

Join dozens of organizations and hundreds of youth at the Capitol Rotunda rallying around homelessness, mentoring, out-of-school time, workforce development and youth intervention.

[Rally for Residents' Rights - Friday, March 6, 10:00 a.m.](#)

Join All Parks Alliance for Change to fight for manufactured housing communities. Click [here](#) for more information.

[Clergy Speak Their Voices - Tuesday, March 10, 1:30 - 2:30 p.m.](#)

Join Catholic Charities, Lutheran Social Services, clergy and other faith leaders for one call - one day - one voice. Click [here](#) to go to the event's website.

[NAHRO Day at the Capitol - Tuesday, March 31, 8:30 a.m. - 12 p.m.](#)

Join NAHRO, MHP, League of MN Cities, Metro Cities, EDAM and other housing leaders for breakfast and a legislative briefing. Click [here](#) for a registration brochure with details.

### **Heard Under Marble Dome**

"You make a great case for funding housing. It's one of the few things we can do to create jobs, but I've heard nothing from folks in my district in support of it. I've got to go in and fight with other chairs for additional dollars. If they aren't hearing how cuts to the Challenge Fund will impact projects in their districts, there is no way I'll get any more dollars." *-Finance Chair and housing supporter laying out the facts*

## **Federal Update**

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

The outline of President Obama's 2010 budget was released last week, and it includes several net gains for housing. Foremost among the housing provisions is \$1 billion to provide initial funding for the National Housing Trust Fund. The Trust Fund, created to produce housing for extremely low income households, was authorized in the first federal economic recovery bill last summer, but its funding was linked to Fannie Mae and Freddie Mac. With those institutions in trouble, money for the Trust Fund never materialized. The \$1 billion will come from a yet-to-be-disclosed dedicated funding source. We expect to see the president's proposed source when budget details are released in early April.

Also in the budget is a substantial increase for Community Development Block Grants, with proposed funding of \$4.5 billion, up from the \$3.9 billion budgeted in 2009. Based on current formula allocations, this funding level would result in an additional \$10 million reaching Minnesota. However, the budget message also says that the allocations formula would be revamped to better target funds; past proposals along these lines would have substantially reduced funding for this state.

Congress begins work on the 2010 budget this week. Its goal is to set its budget parameters by mid-April, with the budget itself being passed by the end of the fiscal year on September 30<sup>th</sup>. Representative Betty McCollum is Minnesota's sole representative on the budget committees.

Meanwhile Congress is racing to meet the March 6<sup>th</sup> deadline when the continuing resolution allowing expenditures in the current year expires. The 2009 spending bill passed through the House on February 25<sup>th</sup>. The Senate is expected to take up the measure this week. The House bill includes an appropriations level for HUD that is 10 percent higher than appropriations in 2008. The increased appropriations include modest additions in Section 8 rent subsidy vouchers for family unification, veterans, and non-elderly disabled people. Another reform allows transfers of project-based Section 8 assistance among properties for preservation purposes. This measure allows subsidies that would otherwise be lost for other uses elsewhere within a jurisdiction.

## Sheila Crowley to Hold Briefing on Minnesota's Role in Federal Commitment to Affordable Housing

On Friday, March 13<sup>th</sup> from 1-3 p.m. there will be a Minnesota briefing on federal affordable housing campaigns and programs. National affordable housing expert Sheila Crowley (President, National Low Income Housing Coalition) will share new ideas for federal advocacy and the key role Minnesota plays in pushing a national affordable housing strategy. In this era of increasing homelessness and families struggling to pay their rent or mortgage, we are encouraged by early signs that the federal government seems to be recognizing a need to renew its commitment to affordable housing, but information about how we can move this forward will be essential.

The event will be held at Plymouth Congregational Church at 1900 Nicollet Avenue (at Franklin Avenue) in Minneapolis. Click [here](#) to register and for more information. The event is sponsored by the members of Minnesota Federal Housing Action Coalition (MNFHAC): Housing Preservation Project, MN Coalition for the Homeless, Metropolitan Consortium of Community Developers, Minnesota Tenants Alliance, HOME Line and MHP.

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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](mailto: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](mailto: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.