



# MHP Capitol Update

Volume 4, Issue 22 | 13 May 2009



*We invite you to forward, quote, or cite anything within the MHP Capitol Update, as long as you reference it as the source. Thank you!*

## STATE UPDATE

- [Conf Housing Budget Goes to Governor, and Back Again](#)
- [Public Housing Gets \\$2 Million in Bonding Bill](#)
- [The Late Night Tax Cabaret](#)
- [Bits & Bytes](#)
- [Heard Under the Marble Dome](#)

## 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

### **Housing Budget Goes to Governor, and Back Again**

The economic development omnibus bill, which includes the budget for the Minnesota Housing Finance Agency, has seen plenty of action over the last week. After the House and Senate passed the bill coming out of the conference committee, it was sent to the Governor, who vetoed it. The primary issue was the “Hockey Pond” provision to forgive the City of St. Paul of almost \$33 million in state loans, which would then help finance a new ice arena. However, his veto letter indicated that most provisions in the bill were acceptable to him. After the veto, the conference committee stripped out the provisions the Governor disliked and submitted a new bill. Both chambers passed the new bill, which now awaits the Governor’s signature. Unless he vetoes it, the new bill will become law.

Housing portions of the economic development omnibus bill were left untouched during the re-working of the bill. The bill appropriates \$86.7 million budgeted for the Minnesota Housing Finance Agency over the biennium, which is \$1.3 million above the Agency’s/Governor’s recommendation. The Challenge Fund, a flexible fund to create and preserve affordable renter and owner housing, received a total of \$14.7 million for the 2010-11 biennium, including \$2.8 million for Urban and Tribal Indian programs. The base budget for Challenge will increase to \$18 million for the 2012-13 biennium. The side-by-side comparison budget for Minnesota Housing appropriations recommended by the Governor, House, Senate, and conference committee can be found [here](#).

### **Public Housing Gets \$2 Million in Bonding Bill**

The omnibus bonding bill (H.F. 855) passed out of conference committee this week. When it emerged, it included a \$2 million bonding provision for public housing rehabilitation. The provision

instructs MHFA to prioritize public housing rehab proposals that maximize federal or local resources to finance capital costs. Any public housing authority with a standard or higher assessment rating will be eligible if this bill becomes law.

The bill was adopted by both chambers on Wednesday, with 109 votes in the House and 56 in the Senate. In total, the omnibus bonding bill authorizes about \$295 million in general obligation (G.O.) bonds. When debt service is included, the bill totals about \$343 million. Overall, the bill has a limited number of projects. Some of the larger provisions include bonding for the Bell Museum of Natural History, rehab and preservation of state college and university buildings, flood hazard mitigation, and transportation projects. Job creation is also a stated goal of DFL supporters of the bill.

The big unknown is the Governor's response. He has asked for a much smaller bonding bill, but he can line item veto what he objects to in lieu of a veto of the full bill. Right now Governor Pawlenty needs to hear how important public housing is! MHP is encouraging letters to the editor and op-eds- contact Julie at [jjohnson@mhponline.org](mailto:jjohnson@mhponline.org) or 651-925-5548 for support. Meanwhile a few legislative heroes deserve a resounding thank you for their unflagging support for bonding for public housing. Kudos to Rep. Alice Hausman and Rep. Mike Nelson for keeping the public housing bonding proposal alive!

## **The Late Night Tax Cabaret**

There are those of us who avoid tax policy, and those of us who love it. Regardless of which describes you, the most interesting committee this past week has been taxes, and for good reason – stark differences of opinion on how to close budget gaps. Advocates have been wondering how the stars, committee chairs Rep. Lenczewski and Sen. Bakk, will dance in the next act of this show. Will they pontificate for hours about tax credits versus appropriations? Will they reveal a controversial bill just as Pawlenty yells “Cut!” from the box seat? Will the show end with an on-time finale, or will they re-emerge for an encore?

This week the tax conference committee started off discussing particular tax credits in the session's omnibus tax bill, H.F. 2323. One can only speculate why, but the committee temporarily stopped work on H.F. 2323. A new tax conference committee was assigned, which then emerged with a revenue raising bill, H.F. 885. H.F. 885 was chock full of provisions such as sin tax increases, a new tax bracket for the highest earners, and a credit card interest levy. Regarding this bill, Pawlenty asked leadership in a letter to “send it to me today so I can veto it immediately.” Once H.F. 885 was vetoed as promised, tax members cobbled together a non-controversial tax bill (H.F. 1298) on Monday with only provisions with no fiscal impact. But questions remain. Will Lenczewski and Bakk be able to finish the hard work of ironing out differences in H.F. 2323 before session is legally adjourned? Will Pawlenty entertain anything that raises revenues? And if a bill gets vetoed, will there be an override? Stay tuned for the next act!

## **Bits & Bytes**

### *Health and Human Services Bill Goes to Governor*

On Monday, the House and Senate passed a Health and Human Services omnibus bill, with substantial cuts over current funding: \$489,000 million in cuts for the coming biennium and \$742 million for the 2012-13 biennium. In this bill there were a few bright spots for housing. Supportive housing services received \$3 million in one-time resources for FY 2010-11. The Homeless and Runaway Youth Act was funded at \$218,000 for the coming biennium, and \$238,000 is slated for base funding for the next biennium. \$2.5 million is set aside from federal stimulus funds for homeless youth. Youth aging out of foster care get automatic enrollment and health coverage to age 21 unless they are coming out of a corrections facility. The bill now sits on the Governor's desk awaiting a signature . . . or veto. To complicate matters, a tax bill that would have raised \$1 billion

in revenues to fund a number of health, human services, and education activities was vetoed by Pawlenty. Unless another revenue raising bill can be passed, additional cuts will be forthcoming, and health and human services will be a key target. The health and human services conference committee is now hammering out how cuts will be made in a new bill (H.F. 1988) if this scenario comes to pass.

### Foreclosure Prevention's Final Hurdle

The Homeowner-Mediation bill which allows homeowners working with a foreclosure counselor to call upon a mediator if they reach impasse during the loan modification process, is close to a floor vote. The bill faced problems earlier this session because its activities were being funded by a controversial revenue source. Though the new source of funding, a \$125 fee payable by the prevailing party, is not the most desirable, advocates reluctantly agreed to it. It is unclear if the Governor will sign the bill, which will potentially help thousands of Minnesota homeowners at risk of foreclosure to keep their homes.

### **Heard Under the Marble Dome**

"It's not much money, but it sets the stage for next year. If housing supporters can help their legislators understand the need, we'll be able to do more in the future." --*Bonding conference committee member on the bonding provision for public housing*

"The housing community works in too many silos. To be successful, they'll need a unified plan to get the funding they need across the housing continuum." --*House housing committee member*

## FEDERAL UPDATE

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

### HUD Budget

On May 7<sup>th</sup>, HUD Secretary Donovan released details on the 2010 housing budget proposed by President Obama. Under this budget, HUD funding would increase 11% over 2009. A federal commitment to programs housing the lowest income people is evident in the budget details. For public housing, the budget proposes fully funding operations for housing authorities. This would be the first time since 2002 that HUD would provide the amount actually needed to operate the nation's 1.1 million public housing units. In addition, the proposed budget fully funds both tenant- and project-based Section 8 programs. While incremental Section 8 certificates are not included in the proposal, the budget could ultimately lead to assistance for more households because it removes caps on the number of households that a given agency can assist.

The Community Development Block Grant (CDBG) program also fares well under the new budget, with a proposed 14% increase over 2009. This increase would enable HUD to restructure the funding distribution formula without cutting funding to current recipients. Since Minnesota is likely to lose money under a new CDBG formula, this "hold harmless" approach is very important to maintaining funding levels in our state. The CDBG budget also includes new set-aside programs, including a \$25 million set-aside to revitalize rural communities, and a \$150 million set-aside to link housing and transportation in comprehensive land use planning in rural and urban areas.

Finally, the budget includes the "Choice Neighborhoods Initiative", a new \$250 million program to preserve the nation's public and other federally assisted housing. This program would replace the controversial HOPE VI program for public housing. The Choice Neighborhoods Initiative is linked to school reform efforts, and is intended to help revitalize high poverty neighborhoods. The Obama administration's budget proposals now head to Congress for deliberation. The President hopes for passage by October 1<sup>st</sup>, the start of the 2010 fiscal year.

### Foreclosure Legislation

Federal foreclosure legislation, including provisions to help tenants renting foreclosed homes, progressed further over the past week. On May 6<sup>th</sup>, the Senate passed the “Helping Families Save Their Homes Act of 2009.” This bill includes liability protections for mortgage servicers negotiating work out agreements for owners at risk for foreclosure. For tenants, the bill enables continued occupancy for the duration of a lease term. However, if the home is sold to an intended owner-occupant, the tenant’s right of occupancy is limited to 90 days. Tenants without leases also have a 90-day right of occupancy. The House bill with similar provisions (H.R. 1728) was passed earlier. The major difference between the two bills is that the House’s version, unlike the Senate’s, allows bankruptcy judges to modify mortgage terms. To resolve this and other differences, each bill will visit the other chamber.

---

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 Rick Bernardo at [Rick.Bernardo@mhponline.org](mailto: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](mailto: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.