



# MHP Capitol Update

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## State Update

### **Session Starts January 6<sup>th</sup> – More Bad News to Come**

If a \$4.8B deficit isn't a bad enough way to start off the legislative session, fiscal insiders tell us that the February forecast will make the situation worse. The first round of \$400M+ unallotments for the current budget year will set the stage for the next go round. The Administration has directed agencies to prepare budgets reflecting 10% cuts in funding. If K-12 education funding is left untouched, then 17% budget reductions will be needed to balance the books without additional revenue. No agency or program will escape the ax this year. Even if a federal stimulus bill directs money to states and local governments, it will not be nearly enough to offset significant budget shortfalls. It appears that the Health & Human Services budget will experience the most pain. The largest budget driver has been the rising costs of health care, exacerbated by large numbers of newly unemployed individuals. Programs serving Minnesota's most needy, including a variety of programs serving homeless, will be hard pressed to maintain current funding levels – let alone expand to meet increased demand in light of economic woes.

### **MHFA Budget - \$4M Reduction Now – 30% Cut Projected**

It may seem counter intuitive to cut funding to Minnesota Housing when it provides housing during a housing crisis, but all agencies are in the same boat this session. Minnesota Housing's current budget has been reduced by \$4 million through the governor's unallotment. The cut will eliminate \$2.6M from the Challenge/CRV program

(leading to the cancellation of the Spring funding round), \$1.3M from an account for flood recovery, and provide for other miscellaneous reductions.

The agency received approximately \$114M in state appropriations for the 2008-09 budget cycle, of which \$25M was in one-time money – the majority of those funds went to the Challenge Grant (\$15M) and the Housing Trust Fund (\$5M). The base budget established for 2010-11 was nearly \$90M, but as mentioned, the agency is directed to cut that by 10% to about \$81M. This level of funding would represent a nearly 30% reduction in appropriations for the coming biennium.

The agency has indicated to legislators that it will prioritize protecting the most vulnerable people and leveraging federal dollars. Given the current budget situation, the agency may recalibrate the plan to end long term homeless which has reached its mid-point in the development of approximately 2,000 units of permanent housing. The lack of adequate funding for supportive services in the 2010-11 Health & Human Services budget will be a significant constraint on the plan to end long term homelessness.

The cancelation of the spring funding round may be a harbinger of things to come – the Challenge Grant program, the agency's primary housing development tool, may be at risk. Housing advocates will have their hands full convincing their legislators to protect funding for Minnesota Housing this session, amidst so many worthy causes.

### **Legislative Housing Caucus to Convene**

In collaboration with Senator Mee Moua and Representative Karen Clark, MHP has spearheaded an effort to engage more legislators in the housing debate. Early in session, the legislative housing caucus will convene for the first time to focus on housing needs statewide. This bipartisan, bicameral entity will meet regularly and hopefully develop a consensus agenda focusing on a broad range of housing initiatives.

Over the course of the summer, Clark and Moua convened a series of meetings with various housing advocates, developers, local governments, realtors and builders. This 'working group' has monitored and commented on federal activities and is working on developing a broad based housing agenda. The legislators, with the support of individuals and organizations sitting at the table, decided to prioritize broadening support for housing through the creation of a caucus. All parties actively recruited legislators to participate. We expect over thirty senators and representatives to participate and look forward to reporting on the caucus membership within a few weeks.

It should be clearly noted that the caucus leaders expect the housing community to be very actively engaged over the long term, as they expect this to be a multi-year endeavor. In light of the present budget situation, it will be considered a win just to maintain existing housing funding for the agencies (MHFA and HHS).

### **Senate Establishes Housing Sub-Committee**

Senators Tomassoni and Marty will announce the formation of a joint housing subcommittee comprised of members of the Health, Housing and Family Security (policy) and Economic Development Budget Division (funding) committees this week. This action is a result of the caucus organizing effort in the Senate, which is supported by legislative leadership. The creation of this sub-committee is very unusual, as it combines policy and budget committees. Senators Marty, Tomassoni and Moua agreed that housing needs more attention and decided that a joint committee would be best approach.

We expect subcommittee membership to be announced this week, but it may take longer before we know how legislation will flow to and from the committee. In the House, Representative Clark's Housing and Public Health committee has both policy and budget jurisdiction.

### **Bits & Bytes**

#### *House Republicans Reorganize*

After another election cycle of watching their numbers shrink, the House Republicans re-elected Representative Marty Seifert as Minority Leader, but in an attempt to move the caucus more to the middle, the remainder of the leadership ranks changed. Ten-term member, Steve Smith took over as Deputy Minority Leader. Assistant Minority Leaders are now Sarah Anderson, Randy Demmer, Bob Gunther and Carol McFarlane. The Minority Whip is Dan Severson. His Assistants are Mike Beard, Tony Cornish, Matt Dean, Pat Garafolo and Joyce Peppin. Your authors like this line up; Gunther, McFarlane and Severson have been good supporters on housing issues.

#### *Committees & Assignments*

Just in time, we have our hands on an "unofficial" House committee member assignment list. There are 21 new members in the House. One member held office previously, so juggling schedules has taken a bit longer than expected. It should be noted that a number of good housing supporters will not return to the Capitol, including Reps. Shelly Madore, Neil Peterson, Scott Kranz, Frank Moe and Ken Tschumper – all members of the housing committee. We see a number of new faces on Rep. Clark's committee. Rep. Laine becomes the Vice Chair and Rep. Severson remains the lead Republican. Reps. Bly, Hayden, Howes, Rosenthal, Sailer and Scott are new members to the committee with Hayden, Rosenthal and Scott serving their first terms. As you can see, we will be spending some time welcoming and bringing these new members up to speed on housing issues.

There were some minor changes in committees in the House as well, with the most notable being the creation of the Cultural and Outdoor Resources Finance Division, which will focus on the recently passed constitutional sales tax legislation.

The Senate saw the election of two new members, so there will be little restructuring of committees. Senator Wergin has not been replaced on Senator's Marty's committee at this time, and Senator Ortman appears to not be returning to Tomassoni's Economic Development Committee.

## Heard Under Marble Dome

"If the housing community is going to ask us to work, they better be prepared to support our efforts and work harder than they ever have before" – Housing Caucus leadership

"All policy bills in the Senate will be dealt with during January." Speedy Gonzales, Senate Majority Leadership

## Federal Update

Tuesday, January 6 marks the initial session of the 111th Congress. The first order of business for the new Congress will be to craft a stimulus package. While Congressional leaders hoped put together a package in time for Obama's swearing in on January 20, passage is unlikely before mid-February due to partisan differences and the growing complexity and size of the legislation.

It is no surprise that the national housing groups have made their own stimulus proposals. Common to most of the proposals is an investment in public housing. Other priorities include investments in the National Housing Trust Fund, Section 8 rent subsidies, homeless programs, capital for community development financial institutions, low interest loans and down payment assistance for home buyers, modifications to the low-income housing tax credit (LIHTC) program to spur investments, more Neighborhood Stabilization funds, and funding to retrofit affordable rental housing for better energy efficiency.

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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.