



MHP Capitol Update

Volume 4, Issue 9

3 February 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

- [Budget Released - Positioning Begins](#)
- [MHFA Budget - A Serious Whack](#)
- [DHS Homeless Programs take 25% Hit](#)
- [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

Budget Released - Positioning Begins

The release of the Governor's budget begins what is expected to be a long and arduous budget process. The proposal calls for significant cuts to the Health and Human Services budget and includes a few tricks of the trade including "payment shifts" which move expenses to the next biennium (2012-13). A new twist involves selling bonds with proceeds from the tobacco settlement. The Governor sticks to the "no new taxes" mantra and tosses in a series of business-related tax cuts aimed at stimulating the economy. Education, public safety and veterans programs are either held harmless or see small increases in funds.

Initial reaction from Democratic legislative leadership was somewhat subdued, with criticisms focusing on the shifts, tax cuts and bonding proposals. They also noted there were very few proposals for job creation activities like building construction and repairs. Chairs and leaders of various finance committees made arguments against specific items, such as removing over 60,000 people from the state's health insurance program.

Legislators' outcry may have been muted because of expectations for a significant influx of federal funds under the federal stimulus bill to help the state weather the economic downturn. Stimulus bills focus on items like health care and emergency services, in addition to job creation and infrastructure investments.

The next month is likely to feature a lot of posturing within the Capitol and with the public. The next budget forecast will not be released until the first week of March. By then the contents and outcome of the federal bill will be known. Currently, outside of a small group of progressive legislators, no one is talking 'revenue raisers'.

MHFA Budget - A Serious Whack

Overall the Governor's budget would reduce agency funding by about 25%, with the Challenge Grant program taking the biggest hit. For the 2008-09 biennium, the agency's budget was set at \$114 million, which included about \$25 million in one-time funding. Under the governor's proposal for 2010-11, most programs would see a decrease in funds. The exceptions are those that directly keep people in their homes, such as the Family Homeless Prevention, Housing Counseling and the Bridges program which are funded at the same levels. The Housing Trust Fund, which funds rent subsidies and pays for supportive housing operations, was reduced slightly (4.5%) as the agency indicated it was focusing its efforts on dealing with the housing crisis. Click [here](#) to see a breakdown of the budget proposal for housing programs.

Housing production in the form of the Challenge Program would be hit hardest, with a nearly 70% reduction in funding. A significant amount of those funds are redirected to the Housing Trust Fund, which was also cut by 4.5%. If the federal stimulus package does indeed include additional funding to deal with foreclosures and vacant properties, the agency might be able to free up more of the budgeted Challenge dollars for production activities, as opposed to foreclosure remediation. Challenge funds could then be utilized to produce new rental housing or fill in gaps left by federal Neighborhood Stabilization Program (NSP) funds, such as buying vacant properties now available at bargain rates.

Legislators in the House on the Housing Committee noted the irony of cutting the agency's budget during a housing crisis. They are concerned that the amount of money needed to deal with the foreclosure crisis is enormous, and even federal dollars may not do the trick. At the same time, members agreed that with tight funding, focusing on keeping people in their homes makes sense as a priority. Chair Clark indicated she will work with House leadership in an effort to direct more funding into housing.

DHS Homeless Programs Take 25% Hit

The pieces of the Human Services budget that directly relate to homeless programs also saw significant reductions in the governor's budget. Three million dollars for supportive services that would support the state's long term homeless initiative were cut. Transitional Housing programs had a small reduction of about 6%, but The Runaway and Homeless Youth effort was cut entirely.

The decrease in supportive services funding makes meeting the goals of the state's plan to end long-term homelessness more elusive. This initiative received a large commitment of \$30 million in capital funding in 2008 through 501(c)(3) bonding. What is sorely lacking is funding for supportive services, which are essential for ensuring the effectiveness of this endeavor. Without this funding, people in need of services such as chemical dependency counseling are less likely to stay housed. Advocates say there is a need for an additional \$42 million in supportive services funding for the 2010-11 budget. To date, 2,600 housing opportunities out of the goal of 4,000 have been developed or are in the process of being developed.

The MHFA indicated during a couple of hearings that it was "recalibrating" its portion of the Long Term Homeless effort because of the existing housing crisis. However, the lack of supportive services funding must surely play into this rethinking.

Bits & Bytes

Senate & House to Travel State

Legislators will be holding a series of hearings around the state for public listening sessions in response to the Governor's budget. This traveling road show is aimed at getting the public's response to tax and budget proposals, now that administration's budget has been released. It is a great opportunity to add your voice and your organization's voice to the debate to . . . "Fix Housing – Fix the Economy." Here is a tentative schedule of cities that will be visited:

Thursday, February 19th: Willmar, Mankato, St. Cloud, Rochester

Friday, February 20th: Alexandria, Worthington/Marshall, Winona/Albert Lea, Duluth/Virginia, Little Falls/Bemidji

Metro-wide hearings will follow these initial Greater Minnesota hearings. After that, additional metro and greater Minnesota locations will be chosen for hearings in consultation with local legislators. If you are interested in testifying, please contact Julie Johnson jjohnson@mhponline.org or 651-925-5548. Start planning now, and stay tuned for updates.

Committee Deadlines Set

Legislative leadership announced deadlines for bills this week, which will increase the pace of activity at the Capitol. The deadlines determine when bills must be passed in order to stay alive. Mark your calendars, and if you have a bill in the works stay on top of it.

Friday, March 27 - Policy bills must pass all relevant committees in one body

Tuesday, April 7 - Policy bills must pass all relevant committees in the other body

Wednesday, April 8 to Tuesday, April 14 (noon) - Easter and Passover break (tentative)

Thursday, April 16 - Finance and property tax division bills out of relevant committees to full committee

Wednesday, April 22 - Tax and finance bills to the floor

Thursday, May 7 - Tax and finance bills out of conference committee back to floor

Monday, May 18 - Adjournment (cross your fingers)

Legislative Housing Caucus

The initial organizing meeting of the legislative housing caucus will take place this Wednesday, February 4th over the lunch hour. There are three additional educational sessions planned February 10, 17, and 24. Housing supporters should encourage their legislators to attend the working sessions and to join the caucus. Housing has few committed supporters at the Capitol and there is a need to gather supporters on key committees like Finance, Taxes and Capital Investment. Getting more legislators to the caucus meetings is the perfect way to broaden the base of housing advocates.

Renters' Credit

Low income advocates are organizing once again this year to fight against the proposed 27% cut to the Renters' Credit. The credit provides a property tax refund for nearly 274,000 low- and moderate-income Minnesota households; 28% of which are seniors and persons with disabilities. It is a popular target – cuts have been proposed in 2008, 2007, and 2005 but never passed. To sign on to an organizational sign-on letter opposing cuts to the renters' credit, please click [here](#). To join the advocacy efforts, please contact Nan Madden with the Minnesota Council of Nonprofits at nan@mncn.org.

Heard Under the Marble Dome

“It’s almost criminal to lend money to an 80-year-old living on social security. There’s no way that person can make a \$3,000 a month mortgage payment.” – Republican member of House Housing Committee

“A few of us were here during the Quie years in the 80s and the Carlson years in the 90s. In those days, everybody gave a little in order to get the budget balanced. We cut, we shifted, we raised taxes a bit, but we got a deal that worked for the state. I don’t see that happening now.” – Seasoned House member commenting on getting a budget deal done in bad times

Federal Update

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

The big story for housing advocates continues to be the economic stimulus package. The House version passed January 28th includes the \$16.3 billion in HUD housing programs presented in prior issues of Update. The Senate version of the bill is expected to be passed on February 6th. A version coming out of conference committee reconciling the House and Senate versions of the bill should be presented to the president on February 13th. Click [here](#) for MHP’s breakdown of housing-related provisions in both bills.

A broad industry coalition is seeking to restructure federal low income housing tax credits in the Senate stimulus package to make them more marketable. The coalition seeks \$5 billion in gap funding for tax credit projects, allowance for states to exchange 40 percent of a state’s 2009 credits for cash for additional gap funding, accelerated redemption of credits, and a five year carry back of credits against past taxes. MHP is one of the state groups joining national organizations including the National Council of State Housing Agencies, National Low Income Housing Coalition, and National Association of Home Builders in supporting these changes.

Rep. Barney Frank introduced a bill on January 27th that includes the housing elements of the House’s TARP reform bill (H.R. 384) which would release a second installment of \$350 million. The TARP reform bill is not expected to be passed by the Senate in the stimulus package. Frank’s bill, H.R. 703, includes among its initiatives reform to the Hope for Homeowners program.

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.

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.

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.