

2005 LEGISLATIVE SUMMARY

The 2005 regular and first special session of the state legislature are finally completed. This year the Legislature adopted both a major bonding bill and eventually a state budget for the next two fiscal years.

CAPITAL BONDING

As you may recall, the bonding bill included a \$12 million appropriation of General Obligation bond proceeds to the Minnesota Housing Finance Agency (MHFA) for the development of publicly owned supportive housing for households experiencing long-term homelessness. The appropriation was anticipated as part of the funding scheme developed for the business plan to end long-term homelessness. The Governor's capital budget recommendation was for \$20 million. This legislation became effective on April 12, 2005.

APPROPRIATIONS

On Thursday, June 30, 2005 the Governor signed the omnibus appropriations bill that contains the appropriations to the MHFA. This bill also contains funding for the Departments of Natural Resources, Agriculture, Commerce, Employment and Economic Development, Labor and Industry, the Historical Society and various Boards.

The biennial base for the MHFA for FY 2006-2007 is \$70,470,000. The FY 2004-2005 biennial base was \$69,770,000. The base for 2006-2007 would have been \$71,540,000 if no cuts had been made. The net loss to the MHFA is \$1,070,000. The appropriations were effective July 1, 2005.

Below is summary of the appropriations to MHFA. Noted is where funding for a program is changed from the previous biennium.

Program	FY '06-07 funding level	Notes
Economic Development and Housing Challenge	\$21,814,000	This amount combines the base funding for the Challenge program with the base funding for the Tribal Indian and Urban Indian programs. There is no reduction to this program.
Housing Trust Fund	\$12,610,000	This amount represents a \$4 million increase to the program. In the next biennium, the base is scheduled to increase by another \$ 4 million.

Bridges	\$3,276,000	
Family Homeless Prevention and Assistance	\$7,430,000	
Homeownership Assistance Fund (HAF)	0	Base for this program is restored to \$1,770,000 for the next biennium.
Affordable Rental Investment Fund (PARIF)	\$17,992,000	Funding was reduced by \$554,000 from the previous biennium. The reduction is less than the Governor's budget recommendation.
Rehabilitation Loan	\$5,308,000	Funding was reduced by \$2,636,000 from the previous biennium. The reduction is identical to the Governor's budget recommendation. The base will be restored to \$7,744,000 in the next biennium.
Homeownership Education, Counseling, and Training (HECAT)	\$1,540,000	
Capacity Building Grants	\$500,000	Funding was reduced by \$110,000 from the previous biennium. The reduction is identical to the Governor's budget recommendation.
Total	\$70,470,000	

STATUTORY CHANGES

There are two statutory changes included in the bill. One expands the Agency's authority under Minn. Stat. §462A.05, Subd.3a. to refinance the debt on rental properties. The authority is no longer restricted to the debt of non-profit entities.

The other statutory change is to specifically provide that federally recognized tribes and subdivisions and tribal housing corporations are eligible recipients for Challenge program funds under Minn. Stat. §462A.33, subd.2.

OTHER ACTIONS OF INTEREST

Homelessness: Flexible Service Funding - \$10 million was appropriated to DHS for a flexible service fund for counties to use to address gaps in service funding for supportive housing projects. The funds could be used to provide services to persons experiencing long-term homelessness who are not eligible for mainstream programs or for services not covered by mainstream programs. This appropriation was included in the Governor's budget recommendations.

Youth Transitioning from Foster Care - \$2.3 million was appropriated to DHS to provide housing assistance and transition planning for young adults who are about to leave foster care in order to prevent them from becoming homeless. This appropriation was also included in the Governor's budget recommendations.

Outreach Pilot Projects - \$400,000 was appropriated to Public Safety for grants to organizations to provide outreach and a bridge to stable housing and services for persons experiencing homelessness.

Subsidized Housing Penalty for MFIP recipients - The House proposed increasing the "penalty" for MFIP recipients living in subsidized housing from \$50 to \$200 per month. The "penalty" reduces the amount of the MFIP grant. This was not a Governor's recommendation. The final legislation did not increase the penalty.

Renter's Credit - The Governor and the House proposed significant reductions in the renter's credit. The final legislation did not include any reduction in the renter's credit.

Property Tax Rate for Subsidized Rental Property - The legislature restored a lower property class rate for subsidized rental housing. As part of the 2001 property tax reforms, class rate on all rental housing was set at 1.25%. This was a rate increase for certain affordable rental housing. The 2005 tax legislation includes a new class for rental properties that are financed under certain government programs and have specific income and rent restrictions. The new class rate is 0.75%. The new rate is effective for pay 2006. MHFA will administer the certification to assessors that a property qualifies for the lower class rate.