

To: Chair Hodges and Committee Members
From: IGR Staff
Date: October 7, 2008
Re: Federal, State, Metro Update

FEDERAL

Neighborhood Stabilization Program (NSP). The Department of Housing and Urban Development released on September 29, 2008, the program rules and funding allocations. NSP is the emergency mortgage foreclosure program included in the Housing bill passed by Congress in July of this year.

Minneapolis' allocation is \$5.6 million. The application which is considered to be a substantial amendment to a local government's 2008 consolidated plan must be submitted to HUD by December 1. City staff has reviewed the rules and are attending a HUD training session this week.

Unlike the community development block grant program, direct recipients of NSP can apply to the state administering agency (Minnesota Housing) for additional funds. The state's allocation is \$38.5 million. Program guidelines direct the state to allocate funds to areas of highest need.

The Emergency Economic Stabilization Act of 2008. Congress passed and the President signed the Emergency Economic Stabilization Act on Friday October 3. The bill provides up to \$700.0 billion to the Treasury Department to buy "troubled assets". In addition the bill extends tax credits that were scheduled to expire and added several new items to the tax code. The bill also has a provision that requires health insurance plans that cover mental health treatment to do the same as other types of health treatment.

While the bill does not have provisions that directly address local governments, it is hoped that the passage of the bill will ease the credit crisis and stabilize the financial markets. The public sector has been impacted by the credit crisis. A few states may need federal assistance to avoid a cash shortage and the bond market has seen very few bond sales over the past two weeks.

Copper Theft. Senator Klobuchar and Representative Ramstad announced on Monday (October 6, 2008) the introduction of legislation to curb the stealing of copper. At a press conference held in Minneapolis Senator Klobuchar and Representative Ramstad stated that the program was a national issue and federal involvement was needed. A copy of the press release will be sent to you.

STATE OF MINNESOTA

Revenue Forecast. Economic Outlook. The Minnesota Department of Revenue is scheduled to release its economic outlook on Friday, October 10, 2008. The outlook will summarize state revenue collections for the third quarter of 2008 (first quarter of the current state budget year) and provide information related to the state's economy. The update is not a revenue forecast but the update should indicate the economic direction of the state for the near term.

Housing Committee Hearing. Representative Karen Clark held a committee hearing on Monday, October 6, to review the federal housing bill and the economic recovery bill. The committee heard testimony from state officials who discussed the contents of the bills but indicated that additional time is needed to analyze the bills. Commissioner Marx of Minnesota Housing stated that his agency will work closely with local governments to develop a NSP plan but at this time could not provide specifics. He also noted that Minnesota Housing did not issue housing bonds last week as was proposed because market conditions (interest rates) were not favorable.

League of Minnesota Cities (LMC) Local Government Aid (LGA) Summit. The last of the three LGA summits was held in Northfield on Wednesday October 1. Approximately 40 city officials attended the summit. The summit attendees discussed the current LGA formula and offered several suggested changes. Among them was a formula that addresses core services, has stable funding and recognizes city population or socio-economic characteristics. A summary of the Northfield meeting notes will be sent to you.