

OFFICE OF THE GOVERNOR
STATE OF MONTANA

GREG GIANFORTE
GOVERNOR



KRISTEN JURAS
LT. GOVERNOR

May 14 2021

The Honorable Wylie Galt
Speaker of the House
State Capitol
Helena, MT 59601

The Honorable Mark Blasdel
President of the Senate
State Capitol
Helena, MT 59601

Dear Speaker Galt and President Blasdel:

In accordance with the power vested in me as the Governor by the Constitution and the laws of the State of Montana, I hereby veto House Bill 397 "AN ACT PROVIDING FOR WORKFORCE HOUSING TAX CREDITS; PROVIDING THAT THE CREDITS MAY BE TAKEN AGAINST THE INCOME TAX OR INSURANCE PREMIUM TAXES; AMENDING SECTION 15-30-2303, MCA; AND PROVIDING AN APPLICABILITY DATE AND A TERMINATION DATE."

Considering current and ongoing federal funding for affordable housing development and rental assistance, HB 397 is unnecessary legislation that would have an unjustified long-term fiscal impact on the state of Montana. Montana already receives federal tax credit allocations of \$3.2 million annually through the U.S. Housing and Urban Development's Low-Income Housing Tax Credit (LIHTC) program. The latest data from the Montana Board of Housing shows that 238 projects have received a total of \$622 million in federal tax credit allocations since 1990. Montana also receives about \$53 million annually in Section 8 funding to help low-income Montanans with rental assistance – an amount which does not include additional CARES Act funding.

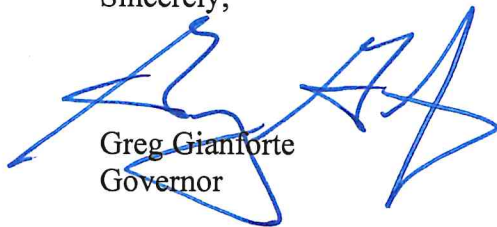
As passed, HB 397 would cost \$45 million for the state credits obligated from 2022 to 2026. But there is more to the fiscal picture than meets the eye. This bill ties the Montana credits directly to the level of available federal housing credits. Several federal bills and other proposals like the American Jobs Plan would expand federal credits substantially. Specifically, S.98, the Neighborhood Homes Investment Act, would expand federal credits, if HB 397 were to become law, by an initial \$8 million per year every year for 5 years, resulting in a lifecycle cost of \$165 million to the state. A less expansive proposal, S. 1136, the Affordable Housing Credit Improvement Act, would raise the total cost in the same period to over \$80 million. The state credit's high and unconstrained linkage to the federal credit removes state control of the program's costs and poses an unanticipated risk to fiscal stability.

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I believe the most effective way to address housing affordability challenges in our growing state is to reduce the panoply of regulations faced by housing development. That is why I have signed numerous bills that reform the subdivision and sanitation review process, in particular the expedited subdivision review established by SB 161. More needs to be done and I am committed to working with my agencies and stakeholders in the housing sector to identify additional ways to reduce regulatory burdens that drive up the cost of new housing development.

For these reasons, I am vetoing HB 397.

Sincerely,

A handwritten signature in blue ink, appearing to read "Greg Gianforte", is written over the typed name and title.

Greg Gianforte
Governor

cc: Legislative Services Division
Secretary of State Christi Jacobson