



Request for City Council Committee Action from the Department of Intergovernmental Relations

Date: January 11, 2011

To: Council Member Elizabeth Glidden
Referral to: IGR/ Committee of the Whole

From: Gene Ranieri, IGR Director

Subject: Federal, State and Local Update

Recommendation: Receive and File

Supporting Information: Update

Federal: Rules: The 112th Congress convened last week. In the House, amendments to the House Rules were proposed that would add transparency and accountability to the process. Several new or amended rules would impact the federal budget and appropriations. Among them are three initiatives to reduce spending.

The rules would be amended to replace the current "pay-as-you-go" requirement with a "cut as you go" requirement. The new requirement prohibits the introduction of a bill, joint resolution, conference committee report and amendment that has the net effect of increasing spending within the one, five and ten year windows. For example if there is a measure to increase funding for a housing program, the source of the increase must be a reduction in the agency's (HUD) budget. Another rule change would require the House to vote separately on raising the debt ceiling. Currently the debt ceiling approval is part of an overall budget resolution. The final amendment would make it more difficult to transfer general fund revenues to the cover deficits in the highway trust fund allocations. A proposal to modify the amendment to allow transfers was not included in the final rules proposal.

In the Senate proposed rule changes speed up the passage of legislation. The rules as proposed by Democratic Senators would curb the ability to block legislation. The rules were introduced on Wednesday but will not be acted upon until later this month.

FY 2011 Appropriations. The current continuing resolution expires on March 4, 2011. As a result of the adoption of the resolution, Congress eliminated funding of earmarks and did not resolve the funding level for the remainder of the fiscal year which ends on October 1. The House has indicated that it would propose a lower spending level for the remainder of the year. One level being discussed is to have the remainder of the year funded at FY 2008 levels. The Senate has not indicated that it would reduce spending levels.

President's FY 2012 Budget. The President's budget is expected to be released within the next month. There is considerable speculation that the budget will propose spending reductions within most federal agencies. At this time the details of the proposals have not been released but there are concerns being raised about domestic programs such as housing and community development.

State of Minnesota. The Governor and legislature were sworn in last week. Governor Dayton continues to work on his budget which is due February 15. At this time there is little information on the budget. It is estimated that the FY2012/2013 aids and credits budget approximates \$3.4 billion. Of the total \$1.05 billion is for Local Government Aid (LGA).

The House and Senate are beginning committee hearings and introducing bills. Most committees should have scheduled at least one hearing before the end of the week. Senators have introduced 20 bills while House members introduced 66 bills. The bills were introduced on Monday, January 10, the first day to introduce bills. In the Senate the first bill (SF 1) is intended to grow jobs. The bill would reduce the corporate income tax rate gradually so that by 2017 it would be half of the current rate of 9.8%. The bill would also reduce the business and seasonal residential property tax levies to 2009 levels and streamline the state's environmental permitting process. In the House the first of several mandate relief bills have been introduced. HF 7 would repeal provisions of law relating to the hiring of part time police officers, numerous reports to be filed with state agencies, and local personnel practices.