



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

**Date:** March 7, 2011

**To:** Council Member Glidden

**Referral to:** Intergovernmental Relations Sub-Committee

**Subject:** Federal, State and Local Update

**Recommendation:** Receive and File Report

Prepared And Approved by: Gene Ranieri, Director, Intergovernmental Relations

Department \_\_\_\_\_

**Federal.** The House and Senate have both passed a Continuing Resolution (CR) for federal fiscal year (FY2011) that would fund the federal government to March 18, 2011. The two week extension reduces current spending by \$4.0 billion over the term of the CR.

Negotiations to resolve the remainder of FY2011 have begun between Congressional leaders and the White House. Details of the meetings have not been released but the White House has proposed an unspecified amount of spending cuts.

On Friday, March 4, 2011, the Senate Appropriations Committee introduced a CR that would reduce spending by \$51.0 billion below the President's FY2011 Budget request. The Senate CR as compared to House's CR 1 for selected programs of interest to cities follows:

Program	Senate CR	House CR 1
CDBG	\$3.9 billion	\$1.49 billion
Byrne Grants(Public Safety)	1.2	0.904
COPS (Public Safety)	0.557	Eliminated
Juvenile Justice	0.312	0.235
SAFER (Fire)	0.815	0.500
TIGER	0.600	Eliminated
Sustainable Communities	0.150	Eliminated and rescind \$130.0 million already awarded.
Homelessness Assistance	2.0	1.190
Job Training	3.2 (no cuts)	Eliminated

It is probable that the Senate will bring to the floor the Senate CR and House CR 1. Since each CR is far apart in terms of program reductions it is probable that neither bill will pass. Therefore the Congress and the White House will need to fashion a compromise prior to

March 18. If a long term resolution cannot be reached by then another short term CR can be enacted or failing a resolution a government shutdown could occur.

**State.** The House Tax Committee will begin a three week process to develop an omnibus tax bill. The Committee has scheduled several hearings over the next week to discuss bills that could be part of the bill. On Wednesday, March 9, 2011, there will be a joint hearing with the Senate to hear several local sales tax bills. While many relate to a specific city, the chairs of the committees have introduced a bill that would permit cities to enact a local sales tax with voter approval but without special legislation. Under current law a city needs local voter approval as well as the passage of a special law. Another bill would permit a city to pass a local sales tax but its LGA would be offset by an amount equal to ½ of the annual receipts from the tax.

The Property Tax Division will prepare its division report over the next two weeks. The Division will consider a two year property tax freeze, local aid amounts, and several changes to the property tax system including green acres and tax increment financing. Among the bills that could be heard in the division is HF 790. The bill is authored by Rep. Larry Howes (R-Walker) and would eliminate a city's LGA if in the previous year the city's LGA was reduced by an appropriation reduction or unallotment and police and fire personnel were laid off. In effect the bill is a maintenance of effort requirement for public safety. The bill does not have a Senate companion and has not been scheduled for a hearing.

On Monday, February 28, the Governor announced that the deficit decreased by approximately \$1.2 billion. The reduction was caused by increases in projected revenue and a \$200 million decrease in expenditures. The Governor announced later in the week that he would drop his request for a 3% income tax surcharge.

A bill that would have eliminated a city's authority to issue pension bonds was heard in the House Government Operations and Elections Committee. The bill was opposed by the local government organizations and was laid over. It has not been rescheduled for this week.

The Legislative Auditor is scheduled to release a report on the state's sex offender policy later this month. The report could be the subject of legislative hearings and possible legislation.

The House and Senate may release budget targets during the week of March 6. The targets will cover all policy areas including taxes and are expected to include reductions and no revenue increases. Among the targets will be the aids and credits programs which are under the jurisdiction of the tax committees.

**Metropolitan Council.** On March 6, the Governor appointed the 16-member Metropolitan Council. The membership includes 15 new members and one reappointment. The three members whose district includes a portion of Minneapolis are Gary Cunningham, Jim Brimeyer and Adam Duinick. IGR staff is arranging a meeting for City Council members to meet with the new Met Council members.