



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

Date: January 25, 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. On Monday, January 24, a bill to reduce funding in FY2011 will be introduced. The bill is intended to reduce FY 2011 appropriations by \$80.0 billion and amend or repeal several laws that are either related to funding programs or govern the implementation of them. The bill proposes to have the next FY2011 Continuing Resolution which needs to pass by March 4, 2011, to keep spending at 2008 levels but identifies several programs for no additional FY2011 funding. The bill also does not provide for an automatic appropriation for inflation and sets FY2011 domestic program discretionary spending at \$457.0 billion. In the period from FY2012 to FY2021 the annual spending limit is set at \$409 billion. Among the programs not to receive funding include but are not limited to the following: Legal Services Corporation, New Starts (transit), the Economic Development Administration, HOPE VI, HUD's Community Development Fund and Byrne Grants. The last two programs are formula grant programs that the city has received annually.

The bill also repeals the Davis Bacon Act and numerous provisions in education, labor and agriculture statutes and laws. Any unobligated funding of the America Recovery and Reinvestment Act is also rescinded and several sections of the ARRA are repealed.

The bill will probably not be enacted but is the first proposal to be introduced in the Congress to reduce the federal budget in FY2011, the current budget year. However the bill is a preview of the debate that will continue throughout the year as Congress tries to fund FY2011 and FY2012.

State. The House and Senate leadership intend to enact a phased budget. Phase I was introduced last week. Sen. Clare Robling, chair of the Senate Finance Committee, introduced a bill that essentially makes the 2010 unallotments and legislative reductions permanent. Among the cuts are reductions to Local Government Aid (LGA) that would have all city 2011 LGA approximate its 2010 LGA amount. In Minneapolis the 2011 LGA would approximate \$64.0 million. Market Value Homestead Credit (MVHC) would also be rolled back to 2010 levels. Counties would also be impacted with reduction in county program aid and MVHC reductions.

The House Tax Committee passed its version of the reductions last week. The bill be heard in the Ways and Means Committee this week and is expected to be on the floor by later this week or early next week. The Senate Tax Committee will hear SF 60 on Tuesday, January 25. Passage in the Senate is expected after House passage.

Metropolitan. The Office of Legislative Auditor (OLA) has released its report regarding transit governance in the metropolitan area. The report finds that transit is in good condition but there needs to be a more coordinated approach to transit planning and implementation. The report recommends that the Metropolitan Council be restructured to have a council of governments type representation. The report provides several options regarding membership and selection including a city and county elected official model. The report is seen as a blueprint for legislative discussion and possible legislation. The report has been presented to the House Transportation Finance Committee and is scheduled for a hearing in the Senate.