From: Ranieri, Gene J.
Sent: Tuesday, December 15, 2009 9:02 AM
To: Hodges, Betsy A.; Colvin Roy, Sandra K.; Ostrow, Paul T.; Glidden, Elizabeth A.; Remington, Ralph S.; Hofstede, Diane T.
Cc: Hanson, Jeremy J.; Born, Patrick P.; Johnston, Heather A.; Bosacker, Steven; Willette, Pierre V.; Reed, Melissa S
Subject: Update

State Budget The Balanced Budget Subcommittee of the Legislative Commission on Fiscal Policy and Planning met on Monday December 14 to review state cash flow projections, the 2010 /2011 budget deficit and the 2012/2013 budget. Commissioner of Management and Budget Ton Hanson and Budget Director Jim Schowalter spoke on behalf of the Governor.

Cash flow. The state may need to borrow for cash flow needs. A analysis of the state's cash position is being completed and a decision on borrowing should be made in early January. The recommendation of the Commissioner will be reviewed by the Legislative Advisory Commission (LAC). At this time the Commissioner indicated that if the state needs to borrow it could use either a letter of credit with a financial institution or negotiate a sale of certificates. The state last borrowed funds was in 1984.

2010/2011 Budget. The Governor intends to submit a supplemental budget and related bill to the legislature soon. The subcommittee members asked for a specific submission date but the Commissioner did not specify a date. Senator Pogemiller, the subcommittee co-chair, noted that the Senate Finance Committee divisions are working on the budget and would like to have hearings on the supplemental budget in early January. Rep. Lyndon Carlson, co-chair, said that the House is also planning January hearings.

In an effort to provide some information regarding the impact of the $1.2 billion budget deficit, House and Senate staff have developed several budget scenarios. A summary of the scenarios follows:

a) What percent reduction is needed to resolve 100% of the current biennial budget, and the ongoing structural imbalance with permanent spending reductions?

- FY 2011 permanent reductions would be 7.6%
- FY 2012/2013 permanent reductions would be 8.9% to resolve a $3,0 billion deficit. (The 2011 permanent cuts made for FY 2011 would reduce the deficit from $5.4 billion to 3.0 billion.

b) What percent reduction would be necessary in 2010/2011 to resolve 75% of the shortfall with permanent spending reductions if 25% were resolved with one time changes? How would the FY 2012/13 structural deficit be impacted?

- FY 2010/2011 permanent reductions would be 5.7%
- FY 2012/2013 would narrow the deficit to $3.6 billion.

Attached for your review is a copy of the scenario if the proposed constitutional amendment is adopted. Also attachéd are letters from the Governor and legislative leaders regarding the supplemental budget.

Federal Rep. Ellison and Sen. Klobuchar announced that as part of the omnibus appropriation bill that was passed this weekend there is a $400,000 earmark for police technology. The city also received a $750,000 earmark for the Emergency Operations Center.

The city submitted a grant application for the competitive energy efficiency conservation program. The application is a joint effort of the city, St. Paul, energy companies and financial institutions.