



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

**Date:** October 18, 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 Update. FY 2012 Appropriations.** The Congress has passed and the President has signed a Continuing Resolution (CR) that funds the federal government at federal fiscal year (FY) 2011 levels minus 1.04%. The CR expires November 18, 2011.

The Congress is now preparing to fund the remaining of FY2012, by adopting "minibuses." A minibus is an appropriation bill that includes two or more subcommittee bills. The Senate plans to pass its initial minibus this week. The Agriculture appropriations bill (HR2112) will be the vehicle and will include the Commerce – Justice – Science (S. 1572) and the Transportation- Housing and Urban Development (S.1569) bills. It is probable that several amendments will be offered to adjust the proposed funding levels for NASA, law enforcement, housing and community development and other provisions. Among the possible amendments could be one to increase the Community Development Block Grant (CDBG) of \$2.8 billion currently in the bill. Any increase, however, will need to identify an offsetting appropriation reduction. The following table summarizes the status of appropriation bills as of October 5, 2011.

[Status of Appropriations Legislation for Fiscal Year 2012 - THOMAS \(Library of Congress\)](#)

House leadership also prefers small spending packages rather than an omnibus bill and they are negotiating with the Senate an agreement on each bill's spending cap. If the minibus approach produces a bill in each body, several differences will need to be reconciled. The differences include but are not limited to funding for the TIGER program, the New Starts (transit) funding level and CDBG funding and expenditure limits.

If the minibus strategy does not produce appropriation bills by November it is possible that a CR of unknown duration could be enacted.

**Deficit Reduction Committee.** The committee has received recommendations from Congressional members and committee leaders. The recommendations generally focused on new revenue, job creation, long term economic growth and the consequences if the committee does not issue a report due November 23. For example, House Appropriations Committee ranking member Norm Dicks (D-WA) warned that if sequestration is imposed non-defense discretionary programs would have a FY 2013 reduction of \$39.0 billion or 7.8%.

**State Update.** The Legislative Advisory Committee's October 6 meeting agenda included presentations by the Minnesota Department of Management and Budget regarding the state's cash flow needs and the September Economic Update. Department staff indicated that the state is in a better cash flow position than in previous years but given the uncertainty of the economic recovery there may be need to borrow for cash flow needs. A copy of the cash flow presentation can be accessed at <http://www.commissions.leg.state.mn.us/lac/CFLAHandoutOctober2011.pdf>

The Department also presented its bi-monthly Economic Update. The Update reports on the state's revenue collections for July and August and compares them to the February forecast. As of August 31, the state's revenue for the FY 12/13 biennium is 4.4 % or \$93.0 million below forecast. Approximately 60% of the deficit can be attributed to the payment of the Wisconsin income tax reciprocity in the prior biennium than in the current biennium as had been forecasted. The Update also reports that the rate of economic growth is also below the February forecast. A copy of the Update is available at <http://www.mmb.state.mn.us/doc/fu/11/update-oct.pdf>.

In response to a question regarding the November/December forecast Department staff hinted that the forecast depending on the economy could project a deficit for this biennium.

**Legislative Commission on Pensions and Retirement.** The Commission has scheduled a two day meeting this week (Wednesday and Thursday). The agenda includes a review of "hybrid" pension plans in several states. A hybrid plan includes a defined benefit as well as a defined contribution component. The plans usually mandate membership in one component. Contribution rates and vesting vary by plan. A detailed description of the plans can be found at <http://www.commissions.leg.state.mn.us/lcpr/documents/mtgmaterials/2011/101411-1.pdf>

The Commission will also have a discussion of the state pension plan interest rate assumption which is currently at 8.5%. State economist Tom Stinson and state board of investment (SBI) Howard Bicker are scheduled to testify. There is legislative support to reduce the investment rate and the state pension associations are working on a multi-year phased reduction to 8%.