



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

**Date: November 14, 2011**

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

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

**Recommendation: Receive and File**

Prepared by: Gene Ranieri, Director, Intergovernmental Relations Department

Approved by: Gene Ranieri \_\_\_\_\_

### **Supporting Information:**

**Federal:** Both the House and Senate are in session this week. The legislative calendar will include a Senate debate on the second minibus, passage of the legislation related to the 3% hold back on government contracts, anticipated action on the conference report on the first minibus which will include a continuing resolution for the FY 2012 budget, and possible public meetings of the Joint Committee on Deficit Reduction.

Second Minibus. The Senate is expected to begin consideration of the second minibus on Monday November 14. The Energy and Water bill (HR 2354) will be amended to include the Financial Services bill (S 1573) and the State and Foreign Affairs (S 1601) bill. Senate leadership anticipates completion of the bill prior to Thanksgiving but debate on the foreign aid provisions and portions of the Dodd-Frank financial reform could prolong debate.

First Minibus: The conference on the first minibus should be completed this week. The bill includes appropriations for the United States Department of Agriculture (USDA), the Departments of Transportation, Housing and Urban Development, Commerce and related agencies. It is possible that the bill could include appropriations for the Department of Homeland Security and the legislative branch. The bill will also include a short-term Continuing Resolution (CR) for the FY 2012 budget. The CR will extend budget authority based on FY 2011 levels until late December. The current CR expires Friday, November 18. (Hopefully the conference report will be available for the COW meeting).

Three Percent Withholding Law. The Senate approved legislation which repeals legislation requiring a 3% withholding tax on payments private companies receive from government contracts. The withholding requirement is scheduled to become operative in 2013. It is

anticipated that the House will take up the bill this week and the White House has signaled that it supports the Senate bill.

The withholding bill was originally viewed as a tax compliance matter but it is now considered as a policy that would impact private business cash flow and increase administrative burdens for public entities.

**State of Minnesota:** Several legislative and commission hearings, and a press conference on property tax relief occurred within the last week.

House Property Tax Division: The Division met on November 10 for a hearing on special taxing districts. The agenda included a presentation on special taxing districts by House Research. A copy of the presentation can be accessed through the division's web page at <http://www.house.leg.state.mn.us/comm/committee.asp?comm=87022>. The presentation is listed under the Committee Documents section.

The presentation was followed by testimony from representatives of the City of Coon Rapids, the St. Paul Port Authority and the Sauk River Watershed District. All testifiers supported the special districts and discussed the benefit that the district has on their local tax base. There were no questions from committee members and the meeting was adjourned without any discussion of future meetings on the topic.

Due to travel delays Rep. Runbeck, Division chair was not present.

Pension Commission. The Pension Commission met on November 9 and 10 to continue its hearings on investment, and salary assumptions as well as pension plan redesign. In discussing the inflation and salary assumptions Tom Stinson, the state economist, indicated that actuary retained by the commission has a salary and inflation assumptions that may, in his opinion, be too high. He suggested a 2% inflation assumption while the actuary has a 3% rate. In regards to the salary rate he favored a rate ranging approximately 1.5% to 3% rather than a 2% to 4%.

The investment rate discussion included speakers from the Enterprise Institute, a national public pension organization, the director of the State Investment Board and representatives of the pension funds. There was no agreement on an investment rate although many states have lowered their rates to 8%. It was reported by the speakers and Commission staff that some states notably Vermont have adopted a short term rate and at the end of the term will adjust the rate, if needed.

The Commission did not make any decisions but the Chair, Rep. Morrie Lanning (R-Moorhead), stated that the Commission should meet weekly during the session and decide early the issues to be included in the omnibus pension bill.

Sen. Scott Dibble (DFL-Minneapolis) has been appointed to Commission. He succeeds Sen. Larry Pogemiller (DFL- Minneapolis).

House Tax Committee Chair Proposes Property Tax Relief. Rep. Greg Davids (R-Preston) held a press conference on Monday, November 14 to announce that he will propose during the next session a property tax relief program. Estimated to cost \$80.0 million, the proposal will provide relief to commercial industrial property by gradually eliminating the state property tax and enhancing the circuit breaker.