Health reform: 6 ways it will impact states

by Kathryn Tormey (ktormey@csg.org)

I
n states across the region, and the nation, there are very different perspectives on the recently enacted health care law — and there is plenty of uncertainty about its impact.

But most legislators can agree on one thing: A lot is going to change in the next four years. And those changes will have huge implications for state government, which has been the nation’s laboratory for innovation and reform in health care.

CSG Midwest conducted interviews with policy experts, legislators and state officials about the impact of health care reform on states. Below are details on six provisions that they considered most important to state policymakers.

1. State Medicaid rolls will swell

Medicaid will be expanded in 2014 to cover all citizens and legal immigrants under 65 years of age who earn up to 133 percent of the federal poverty level. This new population of Medicaid enrollees will be largely made up of childless adults, a group typically not eligible for the state-federal program.

About 17 million adults — or 37 percent of the nation’s uninsured population — could gain coverage through this expansion, according to the Kaiser Family Foundation. But how will states, already struggling with rising health care expenditures, pay for this mandated expansion?

Between 2014 and 2016, the federal government will cover 100 percent of the cost of insuring these “newly eligible.” The federal share then gradually drops until it reaches 90 percent in 2020.

For most states in the Midwest, the Medicaid changes will essentially involve expanding current programs to include the newly eligible populations. But some states (such as Wisconsin and Minnesota) already had expanded Medicaid coverage beyond existing federal requirements; the health care bill recognizes these “expansion states” by providing a separate package of financial assistance.

Under another provision of the law, Medicaid reimbursements to primary-care providers will be increased to match Medicare rates in 2013 and 2014, an increase that will be fully funded by the federal government in those years. (As the current law stands, health care experts say, states will likely be responsible for setting their own reimbursement rates after 2014.)

This increase in rates is viewed as critical to having enough doctors to treat the millions of people who will be added to Medicaid rolls.

“Where providers are better able to serve the patients, the patients are better off too,” says Minnesota Sen. Linda Berglin, a Democrat from Minneapolis.

Beyond questions of who will pay for the Medicaid expansion and how reimbursement rates will be set, the issue of health care policy. Will states afford the flexibility to innovate? Berglin believes the federal legislation can complement and advance some of the health reforms already in place in Minnesota.

“One provision we are very excited about is that [for] states that create medical homes for their chronically ill patients, Medicaid will cover 90 percent of the cost of covering them within those medical homes,” she says.

That federal provision builds on 2008 legislation passed in Minnesota that
States borrowing billions from feds to prop up jobless funds

Most Midwestern states’ jobless rates are lower than the national average, but that has not prevented many of the region’s unemployment trust funds from going into the red.

Nationally, as of the beginning of March, close to 30 states (eight from the Midwest) had turned to the federal government to borrow upward of $35 billion.

According to the independent, nonprofit news service ProPublica, today’s rate of state borrowing exceeds that seen during the last influx of borrowing — the recession of the early 1980s.

As part of the American Recovery and Reinvestment Act, the federal government waived the interest due by states. That provision will remain in effect until the end of this year. Without further federal action, states will be assessed a 5 percent interest rate on their outstanding loans beginning in 2011. And if a state does not pay back loans within 22 to 34 months (depending on the date borrowing began), the state will face federal unemployment tax increases.

In order to avoid borrowing and to generate revenue to pay back debt, some U.S. states have raised taxes on employers or chosen to cut benefits. ProPublica reports that only one state in the region, Indiana, has cut benefits, penalizing individuals who turn down job offers that the state considers suitable.

A December report of the National Association of State Workforce Agencies found that in 2010, there would be an increase in the unemployment insurance tax in 35 states, including all 11 in the Midwest.

In many states, these increases are triggered automatically under state law. But concerned about the impact of these increases on the economy, some states have looked to intervene. In Indiana, for example, SB 23 was passed this year to delay, by one year an increase in employers’ unemployment taxes.

At the federal level, the U.S. Congress has not yet addressed growing concerns about insolvent state unemployment trust funds.

Through the Recovery Act, though, the federal government has provided two ways for states to secure additional federal funding.

One-third of this incentive money was set aside for any state with a permanent law establishing an alternative base period, or ABP, as part of its method for determining unemployment eligibility and benefits. According to the National Employment Law Project, the ABP allows more people to qualify for benefits by capturing their most recent earnings.

Eight states in the Midwest (all but Indiana, Nebraska and North Dakota) already had the ABP rule in place or adopted it since passage of the Recovery Act; those eight have received an additional $301 million.

Another pot of Recovery Act money incentivizes states to expand eligibility and benefit levels for unemployed workers and their families. These policies have provided $275 million in additional federal aid to Illinois, Iowa, Kansas, Minnesota and Wisconsin.

Some states balked at making these changes, pointing out that once the additional federal support ends, the increased costs associated with eligibility expansions would be incurred by the businesses that pay taxes to support unemployment trust funds.

Economic Development

Study: Retool rural development policy to revitalize Midwest

The future economic success of the rural Midwest will require a radical departure in state economic development strategy, which for decades has focused on attracting traditional manufacturing jobs that are disappearing from the region, a new Chicago Council on Global Affairs report concludes.

The report’s title, “Past Silos and Smokestacks,” reflects both past trends in the region’s rural economy and what author Mark Drabenstott believes its future needs to be. During the latter part of the 20th century, jobs in manufacturing helped replace those lost due to changes in agriculture: Smokestacks replaced silos. But between November 2007 and October 2009, the rural Midwest lost more than 375,000 jobs; about three-fifths of those jobs were lost in manufacturing-dependent areas.

How does the Midwest go about replacing the smokestacks? The Chicago Council study urges lawmakers to change policy direction: Focus less on financial incentives to attract industry, and pour more resources into creating regional partnerships and spurring home-grown innovation and entrepreneurship. Currently, close to 80 percent of state development budgets go to tax breaks and other “recruitment incentives.” The study questions this approach, particularly at a time when towns and states must compete against not just with one another, but other countries with lower business costs.

The report offers several policy ideas for states. One is to create a Midwest Institute for Regional Development, under which states would work together (and take advantage of “powerful economies of scale”) to help provide the guidance and resources that different rural regions need to transform their economies. (These regions can and sometimes should cross state lines, the report says.)

Another idea is to establish state development funds for different economic regions and to require completion of a certified development strategy for each region. Finally, the report encourages states to support innovation and entrepreneurial activity through changes in tax law and education policy as well as new investments that provide sources of equity capital for entrepreneurs.

State-Federal Issues: News from the Nation’s Capitol

Issue Briefs cover topics of interest to the groups and policy committees associated with the Midwestern Office of The Council of State Governments. CSG Midwest provides staffing services for the Midwestern Legislative Conference, Midwestern Governors Association, Great Lakes Legislative Caucus, Midwest Interstate Passenger Rail Commission and Midwestern Radioactive Materials Transportation Project. More information is available at www.csgmidwest.org. CSG Midwest is one of four CSG regional offices. CSG also has a Washington, D.C., office, which advises the organization on federal issues.

Energy

Nebraska, the “public power” state, seeks to expand energy exports by luring private wind developers

Nebraska is one of the “windiest” states in the nation, falling behind only Texas, Kansas and Montana in a recent analysis of wind-generation potential done by the National Renewable Energy Laboratory. But when it comes to tapping into this potential, Nebraska has not yet been able to get the wind at its back. Of the 11 Midwestern states, only Michigan and Ohio have less installed wind capacity, according to the American Wind Energy Association.

Nebraska legislators, though, believe that will begin to change once LB 1048 is passed and takes effect.

“This is a fundamental shift for us, and we already have developers up lining to take advantage of it,” says Sen. Chris Langemeier of Schuyler, adding that he hopes the legislation will soon be looked at as the most significant advance in energy policy “since public power was established [in the 1930s and 1940s].” Nebraska stands alone as the only “public power state” in the country: It has no investor-owned utilities; instead, electricity is generated by the state’s public power system, which it controls and pays for. Under the current system, wind energy has access to the federal tax incentive that makes wind energy more competitive with other power sources such as coal. What LB 1048 tries to do is work within Nebraska’s unique framework to attract private wind-power development — and the economic opportunities for rural landowners and the revenue growth for local governments that would come with it.

Mix of tax and regulatory changes

Nebraska is already a net energy exporter, but what Langemeier and other lawmakers see is the chance to grow the state’s export market by attracting large wind-energy projects.

In part, LB 1048 will ease some of the regulatory hurdles for renewable energy projects seeking approval from the Nebraska Power Review Board. Another obstacle that LB 1048 tries to overcome is the eminent-domain powers given to the state’s public power system. As Langemeier explains, private developers are not going to invest in projects in Nebraska until they have assurances that their facilities are safe from being “taken over.” Under the legislation, a wind-energy plant that is exporting most of its energy (90 percent) and that is following the rules laid out in LB 1048 cannot be seized via eminent domain.

In addition, the bill (it had not yet passed the Legislature as of mid-March, but appeared to have widespread support) would change how these energy-exporting plants are taxed. There would no longer be subject to the state’s personal property tax, but would instead pay a “nameplate capacity tax” based on generation capacity. Andy Pollock, legal counsel for the Nebraska Renewable Energy Association, says this nameplate tax was modeled on one already in place in the Canadian province of Nova Scotia.

For schools and local governments, this new tax structure will help with budget planning, because while the personal property tax brings in significant tax dollars in the first year, it quickly disappears due to the depreciation of wind-energy equipment (turbines, for example) under Nebraska property tax law. A nameplate capacity tax provides a longer-lasting, steadier revenue source, he says.

For private developers, the change in tax structure will help by reducing upfront costs — often a major hurdle for lodging wind projects.

Moving energy to out-of-state markets

LB 1048 also tries to address some of the legal and cost issues involving transmission. For example, when new transmission lines are added, who should own them and pay for them? Under the legislation, Pollock says, the public power system should own them and pay for them. Under the current system, when new transmission lines are added, who owns them and pays for them? Under the legislation, Pollock says, the public power system would pay for any new lines they need to connect to the grid.

One long-term issue that Langemeier says Nebraska cannot address alone is the adequacy of the transmission infrastructure itself.

“We need leadership from Washington,” adds Langemeier, who hopes federal economic-stimulus money goes to upgrading the grid — a move that would further Nebraska’s goal of producing more wind energy for customers outside its borders.

Great Lakes

Asian carp threat gives momentum to idea of ecological separation

Differences over what emergency measures should be taken to keep Asian carp out of the Great Lakes have sometimes pitted state against state, state against province and states against the federal government.

But Great Lakes advocates and lawmakers are hopeful that there is room for regional consensus on a long-term, permanent fix to the invasive species problem — at least the one caused by the flow of species between the Great Lakes and Mississippi River water systems. That fix involves an “ecological separation” of the two basins — connected in the Chicago area by a network of rivers and man-made canals. Joel Brammeier, president of the Alliance for the Great Lakes, defines ecological separation this way: “No movement of live organisms between the two basins.”

In 2008, Brammeier co-wrote a study (available at www.ereallakes.org) urging a permanent separation of the watersheds. A permanent barrier won’t be built anytime soon, but whether it ever does could hinge on the findings of a study being done by the Army Corps of Engineers.

The federal agency is exploring the feasibility of ecological separation along with other options to prevent the movement of species between the two watersheds. Plans now are to have the study completed by 2012.

Jennifer Nalbone of the advocacy group Great Lakes United would like the Corps to expedite that timetable, saying the federal agency already has “been slow out of the gate,” especially considering the seriousness of the Asian carp threat to the Great Lakes ecosystem. One idea for the region’s legislators, then, is to push the Corps to get the study done earlier, perhaps with the backing of congressional legislation. Nalbone also says she would like the focus of the study to be narrowed: Rather than consider options other than ecological separation, concentrate on how to go about achieving this feat.

There also is the question of how ecological separation is defined. Creating “dead zones” in the Chicago Waterway System is one possible approach.

But Brammeier says building physical barriers is the only option that he views as being “100 percent effective,” the only way to achieve true ecological separation. This would require a plan to deal with the recreational and barge traffic that would be affected. And the most daunting challenge, Brammeier says, would be to make ecological separation work while still allowing the Chicago Waterway System to fulfill its primary purpose: as a conduit for the Chicago Waterway System is one possible approach.

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For example, he notes that a permanent closure of the locks would put “whole neighborhoods under water” because the system is relied on for flood control. An ecological separation, then, may only be feasible if it is part of a comprehensive plan to upgrade the area’s navigation and water-management systems.

Such a plan might enjoy regional consensus, but it would also require a commitment of significant federal dollars.

Brief written by Tim Anderson, CSG Midwest staff liaison for the Great Lakes Legislative Caucus. He can be reached at tanderson@csg.org. Michigan Sen. Patricia Birkholz serves as co-chair of the caucus.

Source: American Wind Energy Association and National Renewable Energy Laboratory

U.S. rankings on installed wind energy capacity and wind resource potential

<table>
<thead>
<tr>
<th>State</th>
<th>U.S. ranking, installed wind energy capacity</th>
<th>U.S. ranking, wind resource potential*</th>
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<tbody>
<tr>
<td>Illinois</td>
<td>7 (1,547 MW)</td>
<td>34 (49,882 MW)</td>
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<tr>
<td>Indiana</td>
<td>13 (1,036 MW)</td>
<td>57 (148,220 MW)</td>
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<tr>
<td>Iowa</td>
<td>2 (3,670 MW)</td>
<td>70 (170,714 MW)</td>
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<td>Kansas</td>
<td>14 (1,014 MW)</td>
<td>2 (352,371 MW)</td>
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<td>Michigan</td>
<td>26 (743 MW)</td>
<td>17 (58,042 MW)</td>
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<td>Minnesota</td>
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<td>51 (49,271 MW)</td>
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<td>Nebraska</td>
<td>24 (713 MW)</td>
<td>6 (917,999 MW)</td>
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<td>North Dakota</td>
<td>10 (1,203 MW)</td>
<td>6 (770,116 MW)</td>
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<td>Ohio</td>
<td>32 (377 MW)</td>
<td>18 (54,920 MW)</td>
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<td>South Dakota</td>
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<tr>
<td>Wisconsin</td>
<td>17 (449 MW)</td>
<td>16 (102,727 MW)</td>
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</tbody>
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*Ranking is based on the potential for “installed capacity” (megawatts). Wind-energy capacity is determined in a recent National Renewable Energy Laboratory analysis of the study area in each of the 40 contiguous states.

STATELINE MIDWEST APRIL 2010
A drop in six Midwestern states’ prison populations last year contributed to the nation’s first decline in state prisoners in nearly 40 years, a sign that changes in corrections policy are making a difference, a new study concludes.

“Prison Count 2010” was produced by the Pew Center on the States.

The overall decrease in 2009 was small, only 0.3 percent, but the changes in individual states were sometimes more dramatic.

Michigan, for example, reported a 6.7 percent decline (second-highest reduction in the nation); since the state’s inmate population reached an all-time high in 2007, it has fallen by more than 10 percent. Pew attributes this trend in Michigan to several factors and policy decisions:

- reducing the number of inmates who serve more than 100 percent of their minimum sentence,
- decreasing parole revocation rates, and
- strengthening re-entry planning and supervision through the Michigan Prisoner Reentry Initiative (www.michprri.com).

Pew says, can also be attributed to changes in public policy: intermediate sanctions for low-risk parolees who commit technical violations; new networks of residential and community-based treatment and diversion programs; additional sentencing options for nonviolent offenders; and in-prison education, vocational and substance abuse treatment programs.

The study’s authors note that another factor in the declining prison population is the nation’s crime rate, which has been declining since the early 1990s.

“There are reasons to suspect that the decline in 2009 could be a harbinger of a prolonged pattern,” according to the report. Those factors include advances in offender-supervision technology; the development of more-accurate risk assessments; public support for incarceration alternatives; and the increased attention being paid to cost-benefit analyses of corrections systems.

The Pew report can be accessed online at www.pewcenteronthestates.org/prisoncount2010.

The region

Legislative branch feels pinch from ongoing budget crisis

Cuts made to salaries, benefits and session days

From reducing the length of sessions to cutting lawmakers’ salaries, state leaders have employed a wide range of strategies in recent years to reduce spending in the legislative branch of government, a CSG Midwest survey of legislative research and fiscal staff reveals.

Some of these strategies have been short-term responses to the current state budget crisis, but others will have a longer-term impact on the legislature and those who serve in it.

Spending on the legislative branch makes up only a small portion of overall state general-fund expenditures (under 1 percent in every Midwestern state if Michigan’s special school-aid fund — which finances the K-12 education system — is added to general-fund spending in that state).

Still, legislators have made cuts to this branch of government a part of their overall budget-balancing plans. Here are some examples of what states in the region have done.

- Iowa legislative leaders chose to trim the state’s usual 100-day session to 80 days (lawmakers wound up being in session for 79 days) as part of plans to cut overall fiscal year 2010 spending in the legislative branch by 10 percent. Each legislator took a 10 percent pay cut.
- Other cost-cutting strategies in Iowa have included a requirement that legislative staff take six furlough days and a drop in the “constituency allowance” provided to legislators (from $300 a month to $200).
- Starting in 2011, Michigan legislators will see an across-the-board cut of 10 percent in their salaries and office expenses.
- In addition, earlier this year, the Legislature passed a bill (HB 4194) eliminating retiree health care coverage for future state legislators. The state has been covering retired legislators who are 55 or older and who have served at least six years in the House and/or Senate.
- Other budget cuts in Michigan have forced legislative staff to take unpaid furlough days. In addition, many Michigan legislators have chosen to voluntarily return the equivalent of six days of pay. (In fiscal year 2009, general state employees had to take six furlough days.)
- A major pension-reform proposal passed by the Illinois General Assembly in March will impact the retirement benefits of future state legislators.

Under SB 1946, a legislator will have to be 67 years old (the minimum age for current lawmakers is 55) and have eight years of service in order to be eligible for a state pension. (Starting at age 62, a reduced pension will be made available to retired legislators.) Other provisions in SB 1946 will limit the amount of a legislator’s retirement annuity.

In 2009, a bill (SB 2090) directed Illinois legislators to take four furlough days in fiscal year 2010 and also blocked cost-of-living pay increases.

- Earlier this year in Kansas, HB 2222 was signed into law; it reduces the pay of state officials — including legislators — by 5 percent for the remainder of FY 2010. There also have been proposals to extend that 5 percent cut to FY 2011.

Travel bans, spending freezes in place

In many states, either restrictions on out-of-state travel or outright bans have been put in place.

States also are leaving open positions in the legislative branch unfilled, freezing salaries, and requiring legislative employees to take furlough days. To this point, employee layoffs in the legislative branch appear to have been largely avoided.

Meanwhile, a variety of cost-saving measures have been employed.

Examples include Indiana eliminating the use of rental space in privately owned buildings, Kansas reducing the number of interim legislative committee meetings, Minnesota terminating some Senate publications, and Wisconsin consolidating the functions of the Revisor of Statutes Bureau into the Legislative Reference Bureau.

Note:

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QUESTION OF THE MONTH

One of the many services provided by the Midwestern Office of The Council of State Governments is its Information Help Line, a research service intended to help lawmakers, legislative staff and state officials from across the region. The CSG Midwest staff is always available to respond to members’ inquiries or research needs regarding various public policy issues. The Question of the Month section highlights an inquiry received by this office. To request assistance through CSG Midwest’s Information Help Line, call 630.925.1922 or use the online form available at www.csgmidwest.org.

QUESTION: Which states have “pay-to-play” restrictions limiting campaign contributions by businesses holding or seeking government contracts?

According to Public Citizen, a consumer advocacy group, legislation has been enacted in nine U.S. states to restrict campaign contributions from government contractors. In the Midwest, only Illinois and Ohio have “pay-to-play” laws on the books. Outside the region, Colorado, Connecticut, Hawaii, Kentucky, New Jersey, South Carolina and West Virginia have such laws in place.

The goal of pay-to-play restrictions is to address concerns that campaign donations can influence the awarding of contracts to non-governmental firms. State laws vary on a number of points, such as:

• the types of contracts subject to limits,
• the minimum value of the contract subject to limits,
• the state officials subject to the restrictions,
• disclosure requirements,
• pre-negotiation and post-termination limits (limits on contributions within a certain amount of time before or after a contract is issued or carried out); and
• penalties for violation of these limits.

Ohio and Illinois extend restrictions to competitive bids as well as no-bid contracts, while laws in states such as Kentucky, Colorado and South Carolina apply only to no-bid contracts. In Illinois, the pay-to-play law does not cover highway projects eligible for federal funds, because the federal government has made it a practice to hold back some highway funds to states that have pay-to-play laws.

Four states (South Carolina, Kentucky, West Virginia and Hawaii) place no minimum on the value of a contract subject to restrictions. In the other states, the minimum varies from $10,000 in Ohio to $100,000 in Colorado.

Some states subject a wide range of public officials and political candidates to the pay-to-play laws. Colorado applies its limits to all state candidates, parties and political subdivisions. Ohio and Illinois are among the states where the law applies only to the state and local officials responsible for awarding the contract. Some states include state and local party committees in their restrictions. Kentucky is the least restrictive in this area, with its law applying only to gubernatorial candidates.

The various laws also come with differing penalties for a violation. South Carolina, West Virginia and Hawaii penalize offending contractors with fines only. The penalties in Connecticut, New Jersey, Ohio and Illinois include cancellation of the contract. Business entities in violation of these laws in Colorado, Connecticut, Kentucky, New Jersey and Illinois also are deemed ineligible for future contracts for a specified period of time. Ohio public officials violating the law may be subject to first-degree misdemeanor charges, with businesses subject to fifth-degree felony charges. According to Public Citizen, none of these tough penalties in Ohio has been issued to date.

In 2006, Ohio lawmakers passed legislation (HB 6944) that would have expanded the state’s current restrictions. For example, the pay-to-play law was extended to cover contributions made by the spouses and children of potential government contractors as well as political action committees affiliated with the contractors. The new law, however, was overturned by a lower court on procedural grounds—a decision that was upheld by an appellate court last year.

Connecticut’s restrictions, which place an absolute ban on contributions made by state contractors, potential contractors and their principals, are considered the most stringent in the nation. They withstood a legal challenge in federal court in late 2008.

This year, Indiana lawmakers passed new ethics rules (HB 1001) regarding a number of issues related to the conduct of state officials. The original House bill included pay-to-play rules, but these provisions were stripped from the final version sent to the governor’s desk.


A valid passport is required for all travelers between the United States and Canada. To learn more about obtaining or renewing a passport, visit www.travel.state.gov.
allows providers to become certified medical homes in exchange for enhanced payments. Berglin says 73 percent of the state’s providers have become certified medical homes or are working to do so. But in Indiana, some leaders worry that one of their state’s innovative programs could fall by the wayside.

The Healthy Indiana program allows uninsured adults to purchase private insurance with state subsidies. The health plans also come with savings accounts that are used to pay for medical care. It took policymakers several years to design a state-specific program that worked for Indiana, Sen. Patricia Miller says. Once the federal reform legislation was passed, though, Republican Gov. Mitch Daniels closed the program to new enrollees because of concerns it would be wiped out under the new federal law.

Robin Rudowitz, associate director at the Kaiser Commission on Medicaid and the Uninsured, says the fate of programs such as Healthy Indiana, which covers adults earning up to 200 percent of the federal poverty level, is unclear. She says the key stumbling block may be that the federal government requires certain “benchmark” benefits for all enrollees. Premium-assistance programs such as Healthy Indiana might not currently meet those criteria, and its eligible members might have to be moved to Medicaid.

Rudowitz adds that the ability of states to submit waivers to alter their current Medicaid programs — or create new ones — depends on how the U.S. Centers for Medicare and Medicaid Services draft rules going forward. In the meantime, Miller says, her state, and a handful of others, will continue to challenge the federal health bill.

“Federal government has well overstepped its powers under the Constitution and is infringing on the rights of states,” adds Miller, a Republican from Indianapolis.

2. States oversee new regulations

The new federal law also makes changes to the way private health insurance plans must be structured. States will be in charge of enforcing these new regulations, reviewing rates and the solvency of plans, and overseeing various other requirements.

For example, beginning later this year, existing insurance plans will be prohibited from imposing lifetime dollar limits on benefits and cannot rescind coverage except in cases of fraud. Individuals up to the age of 26 will be permitted to stay on their parents’ health plans, unless they have access to employer-based coverage.

Beginning in 2014, when all individuals must have health insurance or face a financial penalty (with some exceptions), private insurance plans will be prohibited from denying coverage to individuals. They also will not be able to impose annual benefit limits or charge people more based on their health status or gender.

“The bill is very clear that state insurance commissioners will continue to have important oversight; however, some of the rules that will be enforced will be set at the federal level, so there will be a new responsibility [on the part of the states],” Wisconsin Medicaid director Jason Helgerson says.

In addition, the federal legislation directs states to report on trends in insurance premiums and to identify plans with unjustified increases.

3. State exchanges fill coverage gaps

While the Medicaid expansion will help cover roughly one-third of uninsured Americans, there will still be people without access to employer-sponsored plans whose income levels disqualify them from the public health insurance program. To fill this coverage gap, state-based health exchanges will be created.

The exchanges will virtually replace the nation’s individual and small-group health insurance markets. For the small-group market, state-based exchanges will be set up to serve small businesses with up to 100 employees. Meanwhile, individuals will use the exchanges to choose from a variety of health plans that meet criteria set by the federal government.

The Congressional Budget Office estimates that about 24 million people will have purchased insurance through the exchanges by 2019. People with incomes up to 400 percent of the federal poverty level will be eligible for subsidies.

State governments may administer these exchanges themselves or set up a nonprofit association to do so. Beginning in 2015, they also will have the authority to create interstate health care compacts. Under these arrangements, insurers will be able to sell policies in any state that belongs to the compact.

Implementation of these state-based exchanges is sure to raise new policy issues. Berglin points out that Minnesota currently covers pregnant women up to 275 percent of the federal poverty level. Some of these women now will be seeking coverage on Minnesota’s health exchange. Should these women maintain their current level of benefits?

For example, Berglin says, dental care is extremely important for pregnant women. Recognizing this, the state might want to finance that coverage as a “wrap-around” benefit for low-income women receiving coverage through Minnesota’s health insurance exchange.

4. States can create new public plans

Most Midwestern states currently insure some individuals with income levels above 133 percent of the poverty level — particularly children and pregnant women (see table on Page 1). These people currently are insured through Medicaid or other public programs.

States will have several options on how to cover these individuals: Keep them in the Medicaid program or have this low-income population seek insurance through the exchanges.

Helgerson points out that states will have to weigh their options carefully. In Wisconsin, for example, this population currently receives comprehensive insurance through the state’s BadgerCare Plus program.

“When they move to the exchange, [they] could be worse off,” Helgerson says. “The benefits might be less, the cost sharing and premiums higher.”

The federal health bill does provide a third option for states: Create a “basic health plan” for people between 133 percent and 200 percent of the federal poverty level. Under this provision, states can receive 95 percent of the federal funds that those individuals would otherwise have received in federal insurance subsidies. With that money, states could instead contract with a private insurer to provide coverage for this population.

5. States face administrative challenges

In the next few years, Rudowitz says, states will need to figure out how to meet a requirement in the federal legislation geared toward administrative simplicity. The law requires states to provide a single online access point for individuals seeking information on their insurance options. For example, this online access point must allow individuals to determine whether they are eligible for Medicaid or for a subsidy through the state-based exchange. Another administrative task for states will be handling the heavy influx of new Medicaid applications.

States must also create a consumer-assistance program to help people in the individual and small-group markets navigate the new system.

6. States’ high-risk pools may play role

Within 90 days of enactment of the health care bill, the federal government will set up a temporary high-risk pool. This pool will be an option for people with a pre-existing medical condition who have been uninsured for at least six months. (The law requiring insurers to cover people with pre-existing conditions does not take effect until 2014.)

Premium subsidies for the new federal high-risk pool will be available. The federal legislation provides $5 billion for the pool until 2014, but details about how the pool will be structured had not been released as of late March. Some policy experts expect the federal government to contract with states’ current high-risk pools. According to the National Association of State Comprehensive Health Insurance Plans, 35 states (all but Michigan and Ohio in the Midwest) have pools.

Helgerson says Wisconsin’s pool has about 17,000 people, the third-largest total in the nation.

“Our hope is that [with] the subsidies, we can further lower premiums and make our high-risk pool more accessible,” he says. “We know there are some people out there who could benefit.”
It was Thanksgiving in 2008, and the morning news shows were reporting an alarming number of cases of salmonella food poisoning. By January, there were more than 500 reported cases and almost a dozen deaths in 43 states. Two of the deaths were nursing home residents in the Minnesota town of Brainerd.

Those deaths, along with 36 food-borne illnesses in the state, brought to bear all of the resources of a unique collaboration between Minnesota's health and agriculture departments.

A few weeks later, investigators in those two state departments had found the cause of the nationwide food-poisoning outbreak: peanut butter from a plant in Georgia. Minnesota's finding triggered a recall of more than 2,100 peanut-containing products by 54 companies.

The food scare was over, and it wasn't the first time that the Minnesota collaboration had accomplished what other state and federal laboratories had not. Minnesota officials were also responsible for identifying that hot peppers — not tomatoes, as originally thought — were the cause of another salmonella outbreak in 2008. They are credited, too, with tracing a 2007 outbreak to frozen pot pies.

Minnesota's track record of identifying food-borne illnesses provides a model that other Midwestern states might emulate, particularly because the collaboration, from its very inception, was considered an experiment in government efficiency.

Strengths of Minnesota collaboration

The CDC estimates that the nation's consumers suffer 76 million food-borne illnesses a year. Most aren't reported.

In more than 50 percent of the reported cases, the food source is not identified, often because of flaws in the investigative process used by states, according to Dr. Michael Doyle, director of the Center for Food Safety at the University of Georgia. For example, in many states, it is often the responsibility of local health officials to contact state departments, which then collect the information and send it to the CDC. If the federal government identifies the case as a multi-state food-borne outbreak, the CDC then serves as the lead coordinator in trying to detect the outbreak and identify the source.

This process may have worked well when most outbreaks were local, but in recent years, large, multi-state outbreaks have become more common: An increasingly centralized food-supply means that a food contaminated in production can be rapidly shipped to many states and cause a widespread outbreak. A rapid investigation of apparently localized outbreaks, then, can provide critical clues to solving large and dispersed national outbreaks.

This is where the Minnesota collaboration has shown its strengths.

In Minnesota, all reporting is made at the state level; the initial step of local and regional reporting is eliminated — an important distinction because local and regional health departments might not have the resources to adequately investigate an outbreak. Minnesota investigators conduct immediate, extensive interviews with victims of a food-borne illness.

In addition, the partnership between the two state departments allows for important information sharing to occur. In the peanut butter outbreak, state epidemiologists found that 86 percent of the patients had eaten chicken and 77 percent had eaten peanut butter — numbers that were not significantly different from those of the general public.

But Agriculture Department investigators took the Health Department's epidemiology studies, which identified that some of the patients had eaten in two long-term facilities, and overlaid this information with their own food-delivery data. They were then able to determine that the long-term-care institutions had a common food distributor — with only one food in common.

The sharing of building and lab space between the departments of Health and Agriculture helped the state find the cause of the outbreak. And they are sharing that space because lawmakers were looking for a way to run state government more efficiently.

Sharing lab, building space pays off

A s Minnesota Rep. Al Juhnke explains it, the Legislature was facing the prospect of having to replace two major government buildings because the two departments had outgrown existing facilities.

“State funds were tight, and the idea of [issuing bonds for] two new buildings met a lot of resistance,” Juhnke, a Democrat from Willmar, recalls. Agriculture Commissioner Gene Hugoson adds that building separate labs for the two departments “didn’t make sense.” A shared laboratory would not only save money, he thought at the time, but also help the state better respond to health emergencies.

“We thought it would be easier for everyone to work together in a crisis,” Hugoson says. “The events of 9/11 spurred some of this thinking.”

Juhnke says having the two agencies work more closely together has been a natural fit; the Department of Agriculture inspects production facilities (everything from farms to supermarkets and quick stops), while the Department of Health inspects consumer-level establishments such as restaurants.

Heidi Kassenborg, director of dairy and food inspection for the Department of Agriculture, says her staff and Health Department epidemiologists work on the same floor, allowing for a constant sharing of information.

“In the peanut butter outbreak, the Health Department could focus on the epidemiology and we could work on extracting the salmonella out of the food samples, both specialized processes, but we could do it together,” she says.

There have been other changes as well. In recognition of increasingly complex food-production systems, Minnesota has strengthened its hiring requirements for food inspectors. Kassenborg notes, too, that federal grant money has helped Minnesota strengthen its food-safety workforce and overall response systems.

Instead of just inspecting floors and walls, as required by statute, state inspectors are now focusing on the production chain. And rather than waiting for an outbreak to occur, the Department of Agriculture is taking a more proactive approach. Inspectors are looking for areas where pathogens might get into a food product, reviewing the records of production plants, and demanding that corrective actions be taken by facilities in order to prevent product contamination.

On the Department of Health side, Minnesota law differs from many states in that it requires the salmonella samples collected by doctors and hospitals to be sent to the state lab for further testing to see if they match other cases nationwide. Those samples are analyzed as they come in, not in batches as in some states.

This process, along with the two departments working together, can result in a much faster identification of an outbreak and the culprit.
F
our years ago, John Wightman was part of a
turnover in government that would never occur
at the federal level and in most states — even
during the most tumultuous of election years.
Close to half of Nebraska’s legislators were being
forced out of office as the result of term limits.
In their place came Wightman and 21 other
members of the 2006 class of newly elected state
senators, all but two of whom had no previous expe-
rience in the 49-member unicameral Legislature.
In 2008, term limits impacted another 15 sena-
tors. The result: A turnover rate in the Legislature
of about 75 percent over just two election cycles.
“About half of my colleagues owe their positions in
the Legislature to term limits,” Wightman says.
He says he does as well.
Wightman, an attorney who has lived most of
his life in the legislative district he now represents,
has been a member of the central Nebraska
town of Lexington, having served as mayor and
City Council member as well as director of the
Lexington Community Foundation.
But it was only after term limits took effect
that Wightman saw a real chance to continue his
public service at the state level.
“It’s easier to make the decision to run when
you know you’re on a level playing field, which
you’re really not when you’re running against an
incumbent,” he says.
Opening up opportunities to more people is one
of the reasons Wightman is a supporter of term
limits, which became law after voters approved the
constitutional amendment in 2000. (Nebraska is
one of four Midwestern states, and 15 in the nation,
with legislative term limits.) Nebraska’s law limits
senators to two consecutive four-year terms.
(A Nebraska rule allowing for staggered
years, rather than eight, in order to provide the
senators to two consecutive four-year terms.
(Wightman recently read a CSG Midwest about
the twin challenges of balancing the budget and
adapting to the institutional changes brought by the
term-limits law. He also talked about his priority bill
for the 2010 legislative year: a ban on texting while
driving. Here are excerpts from the interview.
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Q: You are serving in the Legislature during not
only an extraordinary fiscal period, but also at
a time when term limits took effect for the first
time. How has the Legislature dealt with having
a relatively inexperienced legislative body?
A: I think the first thing to note is that most
of the people that came into office had backgrounds
[in local government, for example] that helped and
that gave them an awareness of state government and
what it had been doing, even before they got there. We have also called on
former state senators from time to time. And we’ve
had [legislative] seminars and orientations that
have no doubt helped the new members a lot.
Q: What do you see as some of the benefits of
having term limits?
A: I think not being totally entrenched in the
office and becoming a lifetime politician is beneficial.
I look at the U.S. House of Representatives and
see people running every two years, and what
you have is a situation where everything is consid-
ered in light of what is going to sell to the voter.
Q: You are up for re-election this year, the only
time you’ll run for election because of the
term-limits law. You’re not facing an opponent this
year. Why is that?
A: I attribute the fact that I’m running
unopposed to the fact that I’m the only
irrational person in the district [laughing].
You probably wouldn’t see that in states where
the pay is a little better. We get $12,000, some
diem and no benefits. It obviously is not a money
maker. There was an [unsuccessful] attempt re-
cently to raise the pay to $20,000, plus have an
automatic cost-of-living increase.
Right now, I think we are very much limiting the
pool of people who would consider [serving]. Some
of our young members are here and hope to further
their career in politics. But for the most part, we have
a lot of members who are retired or near retired and
can get by on the income. If you had to survive on
the pay, I don’t know how you could.
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Q: Like most states, Nebraska is dealing with a
bleak fiscal picture right now. As a member of
the unicameral Legislature’s Appropriations
Committee, can you talk about some of the budget-balancing strategies that have been used
by the state so far?
A: We’re not as bad off as some other states,
but we’re certainly feeling the pinch. There
has been a consensus here not to use any smoke
and mirrors in balancing the budget. In November,
we addressed a shortfall of $335 million with an
across-the-board cut of 5 percent in state govern-
ment, among other measures. We’re now looking
at another 2 percent cut for many agencies) on top of
the 5 percent.
Q: The state also has a Cash Reserve Fund, but as
of March, it looked as though the Legislature
would not tap into it much this year. Why is that?
A: Current projections show us as having
a $670 million shortfall for the next
biennium, and that is with a projected increase
in revenues of 7.2 percent. Part of that [shortfall] is
because we’ve been spending the stimulus money to
fill in gaps in funding for health care and education.
The stimulus money will be gone, and we would hope
to make up a lot of the difference with the use of the
Cash Reserve Fund. There is about $320 million in
there right now [as of mid-March].
Q: The Legislature has thus far avoided tax
increases, but that is something Nebraska did
during the last major state fiscal problems of 2001 and
2002. Will that be something considered to address
the $670 million shortfall?
A: I’m not a big spender by any means, but
sometimes we are so afraid of even talking
about increased taxes that we take it completely
off the table. I’m not sure we’re going to be able to
continue that if the economic downturn stays with
us. … If it gets bad enough, I think you have to look
beyond budget cuts. I think other states are going
to face that too.
Q: Beyond the budget, you, like all the senators,
are able to select one priority bill. What bill
did you give priority status this year, and why?
A: It’s a bill [LB 945] actually introduced by
[Sen.] John Harms to ban texting while
driving. I saw it as a bill that would save lives in
Nebraska. Truckers, and anybody else out there
who is texting, are so distracted that they are far
more at risk of getting in an accident.
The issue we’ve run into is the difficulty in
enforcement. The patrolman on the road has a
hard time knowing if somebody is texting. So
the big question for us has been whether to make it a
secondary offense. That’s a concern of mine. If it is a
secondary offense, there will be no attempt to enforce
it and people will ignore it — much like they do with
our secondary offense seat belt law. I see it being so
much different than the seat belt law, though, because
with texting, drivers are putting passengers and other
people on the road at risk.
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by Tim Anderson (tanderson@csg.org)
Ohio investment in high-tech economy paying dividends

8-year-old Third Frontier program creating new businesses, jobs

by Ohio Rep. Sandra Williams

I

n a time when traditional manufacturing jobs are leaving our region, it is increasingly important to evolve beyond our traditional Rust Belt economy. We must identify and capitalize on new industries to both create employment opportunities and secure a prosperous economic future.

Ohio’s response to this important shift is the Third Frontier program, a long-term economic development plan that takes advantage of the high-growth, technology-intensive industries that are rapidly becoming the foundation for a stable economy.

The Third Frontier program began in 2002 as a 10-year, $1.6 billion bond measure aimed at expanding the state’s high-tech research capabilities to increase the pace of commercialization of new technologies in Ohio. This innovative program received unprecedented bipartisan support from our governor, General Assembly and voters alike.

By focusing state investments in key fields, we have overcome the hurdles that typically prevent new industry development and market adoption — technology and cost. Third Frontier creates a mutually beneficial climate for both business and the state by attracting, creating and expanding jobs, companies and globally competitive products.

The Third Frontier Commission (three state officials and six regional representatives appointed by the governor) and the Third Frontier Advisory Board (16 leaders from industry, academia and government) identified five key areas for funding based on their perceived marketability and expansion potential. These areas are: advanced and alternative energy; biomedical; advanced materials; instruments, controls and electronics; and advanced propulsion.

Five goals to drive growth

In these areas, Third Frontier has the following goals to drive the growth of existing and emerging industry:

• increasing high-quality, marketable research;
• making funding more accessible and available to create, expand and attract technology-based companies;
• supporting small businesses in their earliest stages to develop new products;
• helping existing companies become more productive by addressing their technical issues; and
• creating high paying jobs for a technologically competent workforce.

Third Frontier proactively seeks investment opportunities in industries throughout the Technology Commercialization Framework, creating a balanced portfolio of programs. This framework, adopted early in the program, follows ideas and industry through five overlapping stages of development. Each requires a different type of supportive measure to advance to the next stage.

The first three stages of the model — imagining the commercial opportunity, incubating to define commercial potential, and demonstrating products and processes in a commercial context — determine whether or not an idea or industry is commercially applicable. A large part of Third Frontier support is directed here. It ensures that good ideas and strong industries do not fail simply because there is a lack of funding or access to the resources needed to move forward in the framework.

Jobs increase despite shaky economy

Despite the recession, Third Frontier gave Ohio the ability to increase employment in technology industries by 4 percent, creating nearly 20,000 jobs since 2004 in this field alone.

The report also showed that taxpayers were seeing improved in Ohio after they graduate.

The funding for Third Frontier will soon expire. In

my role as chair of the House Economic Development Committee, I am keenly aware of the importance of our efforts to renew Third Frontier. That is why I have worked tirelessly with my colleagues in the Ohio House and Senate to ensure that Ohioans have the opportunity to continue this innovative, successful program.

Because the initial program was such an overwhelming success, the General Assembly has approved a measure for the May 2010 statewide ballot that will not only renew funding for Third Frontier, but also expand it. Voters will be asked to approve an additional $700 million bond measure over the next four years for the program. The investment will allow the continuation of state support for groundbreaking companies that diversify and accelerate Ohio’s knowledge-based economy.

Third Frontier is an innovative, forward-thinking program that is transforming the way Ohio conducts business in the 21st century. It builds on the success of our Venture Capital Fund and job-creation efforts, and it helps us accomplish our economic development goals.

By both renewing and expanding the program, we will position Ohio for exponential growth in the new and changing economy.

Ohio Rep. Sandra Williams, a Democrat from Cleveland, was first elected in 2006. Rep. Williams can be reached at dist11@house.state.oh.us.

Submissions welcome

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FIRST PERSON

A FORUM FOR LEGISLATORS AND CONSTITUTIONAL OFFICERS

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Iowa among states featured in CSG report on Recovery Act highway spending

In late 2008, as Iowa officials assembled a list of transportation projects they hoped would be funded with federal stimulus dollars, a critical decision was made. It was before the February 2009 enactment of the American Recovery and Reinvestment Act, and the state already had been laying out the scenarios of what the requirements were going to be and were making adjustments to the transportation plan, according to Jon Murphy, Iowa’s director of state-federal relations and the state’s stimulus czar.

But instead, he says: “We essentially just moved forward with our existing transportation plan. Those were ready-to-go projects. There were some minor adjustments made to the plan, but for the most part, the $358 million that we were provided by the Recovery Act just accelerated our existing transportation plan.”

That existing plan made road repair a state priority over building new roads, according to Dan Franklin, director of the Office of Policy and Legislative Services at the Iowa Department of Transportation and co-chair of Recovery Act implementation for the department.

“[In] the past few years we’ve been going toward more preservation as opposed to expansion and new capacity,” Franklin says. “We had a huge program here over the last decade where we did a significant amount of four-laning [of roads] in the state. And as those have wound down in the last couple of years, we’ve been rededicating [resources] back to the preservation, which means you end up with an awful lot of resurfacing. Major components of the Interstate system are going to be resurfaced, as well as other two- and four-lane roads we have jurisdiction over.”

This emphasis on resurfacing and road repairs fits well with not only the state’s preservation trend, but also the Recovery Act’s requirements that funded projects be “shovel ready.” “The goal was to get contractors working as soon as possible,” he says. “We had a huge backlog of needs in that area, so that’s where we put the money.”

Iowa’s experiences with implementing Recovery Act highway spending are among those detailed in a new CSG national report, “Shovel Ready or Not?: State Stimulus Successes on the Road to Recovery.”

The report examines how states were able to successfully meet deadlines, streamline procedures, strengthen relationships with federal and local agencies, choose projects according to federal guidelines and state priorities, and implement unprecedented transparency and accountability initiatives — while translating it all into job creation and infrastructure improvements. State stimulus czars and department of transportation officials from around the nation were among those interviewed for the report, which focuses on their experiences in putting Recovery Act dollars to work.

The report also includes 50-state charts that allow policymakers to see how their state measured up to the most successful states at various points in the implementation process.

While providing a look back at the process over the past year, the report also examines how state governments may be permanently changed by having gone through the Recovery Act implementation — and what it all may mean for future U.S. highway spending.

Financial support for the report was provided by the 21st Century Foundation, a partnership by having gone through the Recovery Act implementation — and what it all may mean for future U.S. highway spending.

Financial support for the report was provided by the 21st Century Foundation, a partnership between CSG’s public and private members that awards funding to policy projects. The report will be available on the CSG Web site (www.csg.org) in April. For more information, contact Sean Shone, transportation policy analyst, at ssitone@csg.org.

Broder to speak at MLC meeting

Pulitzer Prize-winning author and political commentator David Broder will speak to attendees of the 65th Annual Meeting of the Midwestern Legislative Conference this summer. Registration is now open for the conference, which will be held Aug. 8-11 in Toronto, Ontario.

Acclaimed as “Washington’s most highly regarded columnist,” Broder is a national political correspondent for The Washington Post.

His twice-weekly column is carried by more than 300 newspapers. At the MLC meeting, Broder will share his insights on the American political scene, including a preview of the 2010 midterm elections and a look at recent developments in state-federal relations.

This summer’s meeting will also feature policy sessions on topics of importance to Midwestern legislators, including energy, health care and the economy. The family-friendly event offers activities for guests of all ages. Among those activities will be a chance to visit Niagara Falls. For more information about the meeting, or to register, visit www.csgmidwest.org.

CSG to host summit on economy

In response to one of the toughest fiscal crises ever faced by state governments, CSG’s 2010 spring conference will focus on economic and fiscal issues. The Economic Summit of the States will be held May 20-23 in New York City.

Along with taking part in sessions on state strategies for emerging from the recession, attendees will hear from well-known economist Arthur Laffer. He will share his insights on where state economies are and where we can realistically expect them to go in light of the current budget crisis.

Laffer’s economic writings and work over the past four decades have helped shape how today’s policymakers look at taxation, revenue generation and spending options. The “Laffer curve” is a staple of modern public finance theory.

On May 22, former Arkansas Gov. Mike Huckabee, CSG’s 2003 national president, will address the CSG Executive Committee. Huckabee will offer his unique perspective on the roles of state and federal policymakers in moving the nation’s economy forward.

The meeting will also feature a presentation by Frank Luntz, a political pollster and communications consultant. He has become one of the premier sources of information on American culture and opinion for politicians and media outlets alike.

During another session, attendees will have the chance to hear communicating during a crisis from one of the nation’s top experts in this area.

For more information, visit www.csg.org.
Opportunity to sponsor institute for region’s legislators

Each year, the Bowhay Institute for Legislative Leadership Development is funded by the generous contributions of foundations and corporations that believe in the value of leadership training. CSG Midwest is currently accepting private-sector sponsorships for the 2010 program.

BILLD is the only leadership-training program designed exclusively for newer state legislators in the Midwest. Fellows take part in seminars that explore some of the most pressing policy issues facing state government. The program also includes leadership- and skill-development workshops, and participants are given the opportunity to learn from current and former legislative leaders from across the region.

The intensive five-day training program is conducted by the Midwestern Legislative Conference of The Council of State Governments in cooperation with The Robert M. La Follette School of Public Affairs at the University of Wisconsin. This year’s Bowhay Institute will be held July 9-13 in Madison, Wis. Each year, 36 fellowships are awarded on a competitive, nonpartisan basis by the BILLD Steering Committee, a bipartisan group of legislators from each state in the region.

All BILLD sponsors are entitled to send representatives to observe the entirety of the Institute and are recognized during the program’s five days of activities.

For more information about sponsorship opportunities and levels, contact Laura A. Tomaka (630/925-1922; ltomaka@csg.org).

The Midwestern Legislative Conference and the BILLD Steering Committee thank the following companies that have already contributed to the 2010 Bowhay Institute.

Deadline approaches to apply for this year’s Toll Fellows leadership program

The deadline to apply for the 2010 Toll Fellowship program is April 23.

State government officials from all three branches of government are encouraged to apply for this national leadership-development program, which is conducted by The Council of State Governments.

Each year, the 40 individuals selected for Toll fellowships gather for an intensive leadership program designed for mid-career state officials. Fellows are chosen on a nonpartisan, competitive basis by a panel of alumni of the program.

This year’s institute will be held Aug. 20-25 in Lexington, Ky., home of CSG headquarters.

During the six-day program, participants take part in sessions designed to enhance their leadership and policymaking skills.

In recent years, Toll Fellows have attended sessions focusing on effective communication, personality assessment, crisis management and adaptive leadership. The program also offers participants the opportunity to network with colleagues from around the nation.

CSG covers the cost of lodging and meals during the program; participants are responsible for the cost of travel to Lexington.

Applications are available on CSG’s Web site (www.csg.org/TollFellowsapplication). For more information, contact the program’s director, Krista Rinehart, at 859.244.8249 or krinehart@csg.org.
Indiana tightens ethics laws for elected officials

A new ethics law in Indiana will restrict when former state legislators can become lobbyists and when candidates for governor can raise and solicit campaign contributions.

Under HB 1001, signed into law in March, a legislator will have to wait one year after leaving office before working as a registered lobbyist. Other states with “revolving door” laws include Iowa, Kansas, Ohio and South Dakota. Iowa’s law requires a two-year waiting period, according to The Center for Public Integrity. Earlier this year, a U.S. district court struck down the Ohio statute.

Under another provision of Indiana’s new law, the Fort Wayne Journal Gazette reports, the governor and gubernatorial candidates will be barred from campaign fund-raising activities during budget-writing legislative sessions. Such a ban already was in place for legislators.

Indiana is not the only Midwestern state with this type of prohibition in place. Iowa, Kansas and Minnesota prohibit legislators from accepting contributions from lobbyists and political action committees during session. In Wisconsin, lobbyists can only make campaign contributions in the five months prior to the November general election. In addition, the state Assembly instituted a rule in 2009 that banned campaign fund-raising by members during the budget process.

States work overtime to fix retirement systems

From raising the retirement age to changing how benefits are calculated, several Midwestern states have taken steps this year to improve the financial health of their public pension systems. Here are some examples of the recently enacted bills.

- Illinois raised the retirement age at which future employees can retire with full benefits from 62 to 67, according to the Chicago Sun-Times, SB 1946, which applies to future state hires, also does the following: caps at $106,800 the salary that retirement benefits can be based on; uses a worker’s average salary over an eight-year period (rather than four years) to determine his or her benefits; and limits retiree cost-of-living increases.

- In South Dakota, retirees will no longer be guaranteed an annual cost-of-living increase of 3.3 percent, the Pierre Capital Journal reports. Instead, under SB 20, the adjustment will vary depending, in part, on the health of the state retirement system (as determined by its assets-to-liabilities ratio). Under a separate bill (SB 18), the Legislature put new limits on retirement pay for “retire rehire” employers — those who retire and then return to work for the state.

- According to the Quad-City Times, Iowa’s HF 2518 will stiffen the financial penalty for early retirement, calculate retirement benefits using a worker’s highest five years of salary (instead of three years) and raise contribution rates.

Balancing act: Budgets and gubernatorial power

What authority should a governor be given to fix a state budget that is out of balance? Most states agree that at least some latitude should be given to the executive branch. According to the National Association of State Budget Officers, governors in at least 38 states “may, without legislative approval, reduce enacted budgets.” But most states also report having limits on what the governors can do. In Iowa, for example, the governor can only make across-the-board cuts. In Michigan, the approval of legislative appropriations committees is required. Some states also cap the amount of reductions that a governor can unilaterally make. But no such limitations exist in Minnesota, where a battle over Gov. Tim Pawlenty’s use of the state’s unallotment law has reached the state Supreme Court. Last year, before the biennial budget period began but after the Legislature had adjourned, Pawlenty announced plans to fill a $2.68 billion budget gap through unallotment — not spending part of the money in the state’s enacted budget.

Along with supporting the court challenge, some legislators have proposed changes to the law itself. According to the Minnesota House Publication Session Weekly, one idea is to limit unallotment cuts to 2 percent of general-fund appropriations. They also want to cap at 10 percent the cut that a governor could make to a single appropriation.

Term-limits tweaks proposed in Michigan

Since legislative term limits began being adopted in the 1990s, there has been no shortage of proposals to repeal them. Most of these efforts, though, have failed.

But would voters be more receptive to a tweak, rather than elimination, of the term-limits laws they enacted? Some Michigan legislators want to find out.

Last year, proposed constitutional amendments were introduced to scrap the 17-year-old law’s individual-chamber restrictions: three two-year House terms and two four-year Senate terms. Instead, the limits would apply to combined total service (14 years in one proposal, 16 in another). In March, the Lansing State Journal reports, HJR XX was introduced to expand House terms to four years and Senate terms to six years. As a result, a lawmaker could serve up to 24 years, as opposed to the current maximum of 14. Proponents say this change would strengthen the legislative branch by giving members time to develop relationships with one another and to build up their knowledge of state government.

Some Michigan lawmakers, too, have proposed linking two legislative-reform ideas together: a term-limits repeal or change, and a move to a part-time legislature. Michigan is one of four states in the region (along with Nebraska, Ohio and South Dakota) with term limits; it is the only one in the region with a lifetime limit on legislative service.

Capitol CLIPS

A weekly round-up of news from the Midwest

In the Midwest, legislators are working to improve the financial health of their state pension systems.

Indiana has enacted new ethics laws that restrict former legislators from becoming lobbyists. The state also has capped the amount of reductions that a governor can unilaterally make to a state budget.

Michigan legislators are considering term-limits tweaks, including a proposal to extend House terms to four years and Senate terms to six years. The proposal would not allow lawmakers to serve more than 24 total years.

The Midwest is one of four regions with term limits, but unlike other states, it has a lifetime limit on legislative service.