This year, the region’s legislators tackled some of the nation’s biggest issues, from school safety to labor shortages. Notable changes in state tax policy, gun laws, retirement systems and legislative pay also marked the 2018 legislative year.

**Illinois expands reach of medical marijuana, adopts new laws on guns**

Passage of an on-time, bipartisan budget for fiscal year 2019 was perhaps the most notable development in Illinois, where differences in past years between the Democrat-led legislature and Republican Gov. Bruce Rauner had led to a protracted stalemate.

The latest budget had no tax increases (the legislature raised corporate and individual income tax rates in 2017, and those remain in place), included almost $600 million in cuts, put an additional $350 million into the state’s K-12 schools (as required under Illinois’ recently revamped funding formula), and invested $50 million more in early-childhood education.

While it was a relatively quiet fiscal year, Illinois lawmakers took high-profile actions in other policy areas, including guns and opioids.

The state’s new laws on guns were passed in the wake of this year’s mass shooting at a high school in Florida. Under the state’s new “red flag” law ([HB 2354](https://knowledgecenter.csg.org/kc)), for example, family members and law enforcement can initiate a judicial hearing to temporarily take away an individual’s gun. Judges can then issue a “firearms restraining order” (in effect for six months) if they find clear and convincing evidence that an individual “poses a significant danger of personal injury to himself, herself or another.”

[SB 3256](https://knowledgecenter.csg.org/kc), meanwhile, establishes a new 72-hour waiting period on all firearm purchases; a third measure calling for stricter regulations of gun dealers ([SB 337](https://knowledgecenter.csg.org/kc)) was still awaiting action by the governor as of October.

This year, too, the General Assembly created a pilot program that expands the state’s medical marijuana program to include people dealing with chronic pain. The idea behind [SB 336](https://knowledgecenter.csg.org/kc) is to give these individuals, and their health providers, a medicinal alternative to opioids.

**Indiana takes next steps in takeover of two troubled school districts**

During a one-day special session this year, Indiana lawmakers adopted legislation that changes how two of the state’s larger, financially distressed school districts are governed.

[HB 1315](https://knowledgecenter.csg.org/kc) gave Ball State University the authority to assume control of Muncie Community Schools, a district that was placed under state control in 2017. The university has since created a new school board to govern the system. The same legislation turned the school board in Gary, Ind., into an “advisory board.” A state-appointed emergency manager is in charge of the system. (Indiana law allows for state takeovers of financially distressed local units of government.)

The General Assembly’s regular 2018 session included the passage of new laws that focus on meeting the state’s labor needs. [SB 50](https://knowledgecenter.csg.org/kc) creates a governor’s cabinet to assess and realign various state workforce programs and services, while HB 1002 establishes a new grant program for companies that provide workforce training.

Other high-profile actions included the passage of [SB 99](https://knowledgecenter.csg.org/kc) and [SB 340](https://knowledgecenter.csg.org/kc). SB 99 tightened the state’s civil forfeiture
law — for example, requiring prosecutors to file an affidavit of probable cause within seven days of the seizure of property and moving up the deadline for prosecutors to file actions that could result in the forfeiture of property. SB 340 places additional requirements on abortion providers, who must notify the state if complications arise from the procedure. The law has been blocked by a federal judge.

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**Iowa legislators cut taxes, deepen investment in water quality**

Taxes and water quality were two of the issues tackled by the Iowa Legislature this year. Iowa lawmakers ended this year’s session by passing a tax-cut bill. SF 2417 [10] reduces rates in each of the state’s nine income-tax brackets starting in 2019. and envisions a more far-reaching overhaul four years later — a drop in the number of tax brackets from nine to four and a cut in the top rate to 6.5 percent. (The top rate is 8.98 percent this year). These larger changes in the tax code are contingent on the state meeting certain revenue targets.

Early in Iowa’s 2018 session, the Legislature passed a bill (SF 512 [11]) that includes new state funding to address the problem of nutrient runoff and water quality. SF 512 will help more farmers adopt evidence-based conservation practices.

Two health care-related measures also received considerable attention this year in Iowa. With the passage of SF 2349 [12], lawmakers authorized the creation of “association health plans,” particularly via a partnership between the Iowa Farm Bureau Federation and Wellmark Blue Cross Blue Shield. The idea is for a “nonprofit agricultural organization” (the Farm Bureau) to sponsor an affordable health care option, and for another entity (Wellmark) to administer it. These newly authorized “association health plans” are not considered official insurance plans, and thus not subject to typical state or federal rules. The goal is to give Iowa farmers more insurance options.

Another measure bans abortions once a fetal heartbeat can be detected (SF 359 [13]). A judge has since blocked implementation of the law.

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**Kansas moves closer to resolving legal battle over school funding**

Constitutional questions about the state’s funding of K-12 education once again headlined this year’s legislative session in Kansas.

On the final day of the 2018 regular session, lawmakers passed legislation that phases in a $522 million increase in state funding over the next five years. That includes more base aid for students as well as additional state dollars for special education and several other programs. (Legislators already had increased funding by $300 million in 2017.)

The new law (SB 423 [14]) also establishes a more robust accountability system — for example, performance audits that make sure the additional state dollars are being spent wisely and that state funding levels are keeping up with the educational needs of students.

In June, the Kansas Supreme Court ruled that the Legislature had met its responsibility to equitably distribute school funding, but still fell short on the adequacy requirement. Justices gave specific guidance to lawmakers on how to meet that adequacy test — add money to account for changes in inflation.

The court has given lawmakers until June 30 of next year to make the modification. This school-funding case dates back to 2010 and centers on plaintiffs’ contention that funding for Kansas schools is neither adequate nor equitable. The plaintiffs in the case are a group of school districts.

Also this year in Kansas, lawmakers approved increases in the state budget (made possible from tax increases adopted in 2017) that included more funding for social services and higher education (the subject of previous cuts) as well as pay raises for state employees.

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**Michigan creates ‘Marshall Plan for Talent,’ and also now has toughest lead standards**
New laws and investments in Michigan will reshape the state’s K-12 education, particularly as it pertains to preparing young people for careers in high-demand fields such as information technology, the skilled trades, health sciences and manufacturing. Dubbed the “Marshall Plan for Talent” by Gov. Rick Snyder, the changes (much of them in SB 941 [15] and SB 942 [16]) include state investments such as:

- $18.5 million for schools to purchase equipment that improves instruction in high-demand fields;
- $25 million in scholarships and mentorship programs for low-income students seeking degrees or credentials in high-demand fields; and
- $30 million for schools to create competency-based education programs in high-demand fields.

Other notable policy changes in Michigan include requiring employers to provide workers with paid sick time [17]. Michigan is the first state in the Midwest to have such a requirement; the measure was scheduled to be on the November ballot, but legislators pre-empted that statewide vote by approving the proposal.

Michigan also now has the strictest set of lead and copper standards in the nation. In addition to creating stricter “lead action levels” (the point at which a water system must take steps to control corrosion), Michigan will require its public water systems to replace, on average, 5 percent of their lead service pipes per year, starting in 2021.

Bipartisan bill puts Minnesota on path to fully funded pension system

A series of gubernatorial vetoes marked the end of this year’s session in Minnesota, where proposals on issues ranging from taxes and school safety to opioids and elder abuse fell short of passage due to disagreements between the Republican-led Legislature and Democratic Gov. Mark Dayton. However, leaders in both parties hailed a major bipartisan achievement — pension reform. SF 2620 [18] ultimately received unanimous support in the state House and Senate, and Dayton said the measure “stabilizes pension benefits for 511,000 [Minnesota] workers, retirees and their families.”

Before enactment of this legislation, Minnesota faced $16.2 billion in unfunded pension liabilities; the new law puts the state on a path to fully fund its retirement system within 30 years. The state will contribute $27 million in 2019 and $114 million during the next biennium. Under the law, too, public employers and current public workers will pay higher contribution rates. The state also reduced the cost-of-living adjustment for current retirees.

In another important change, the Legislature lowered state pension plans’ assumed “rate of return” on investments, from 8.5 percent to 7.5 percent. Lower assumed rates of return can mean higher costs on the front end (for the government and its workers) but also improve long-term funding levels.

In Nebraska, legislators invest more in child welfare, continue occupational-licensing reform

Mid-biennium budget adjustments in Nebraska led to another round of cuts across many state agencies and programs. But there was one notable exception — the Legislature pumped an additional $55 million into the Nebraska Department of Health and Human Services, in large part to address an increase in the number of young people entering the state’s child-welfare system.

According to the department, drug use and addiction are one reason for this trend: In the first seven months of 2017, parental use of methamphetamines was a factor in one of every three removals of children from their homes. Gov. Pete Ricketts has formed a task force on how to best deal with these rising caseloads.

For much of Nebraska’s 2018 session, talk of property tax reform — a priority of Ricketts’ and many Nebraska senators’ — dominated discussion, but lawmakers adjourned without major changes to the existing system. The Legislature, however, did make some adjustments to ensure that the new federal tax law did not cause an increase in state taxes.

Lawmakers also continued a multi-year push to reform Nebraska’s occupational licensing system, including passage of a bill (LB 299 [19]) that requires each standing legislative committee to review 20 percent of the occupational regulations under its jurisdiction every year. All regulations will be examined within a five-year time frame.
Other high-profile measures signed into law this year include LB 841 [20], which requires the Nebraska Department of Correctional Services to address prison overcrowding, through the use of an “accelerated parole plan”; and LB 944, [21] which prevents federal Title X health care dollars from going to organizations where “abortion is a method of family planning” or where abortion counseling or referrals occur.

**North Dakota uses 2018 interim to prepare for legislative year ahead**

North Dakota’s legislature is the only one in the Midwest that meets only once every biennium, in odd-numbered years. However, lawmakers spent considerable time this year on interim committees preparing for the 2019 session. Among the notable issues:

- The interim Committee on Energy Development and Transmission has drafted a proposal, nicknamed “Operation Prairie Dog,” that would use tax revenues from oil production in western North Dakota to fund infrastructure needs in non-oil-producing counties.
- The interim Government Finance Committee undertook a study of the state’s current transportation funding model, as well as various policy options to address the state’s needs.
- The interim Taxation Committee developed two proposals that would cover the cost of education for students who enter high-demand, critical-need fields in the state’s labor market (see page 3 of this month’s Stateline Midwest for details).
- The interim Education Funding Committee studied the state’s current funding formula for K-12 education, as well as what impact possible changes to the formula would have on equity, adequacy and sustainability.
- The interim Health Service Committee is proposing that the state spend at least $750,000 to address gaps in mental and behavioral health services and to improve supports in underserved areas.

**Some of nation’s toughest payday lending rules now in place in Ohio**

Ten years after the Ohio General Assembly, and then voters, placed limits on how much lenders could charge for short-term loans (more commonly known as payday loans), lawmakers revisited the issue in hopes of preventing the industry from being able to circumvent the restrictions.

**HB 123** [22], signed into law in July, affects about 650 payday lenders in the state. It is considered one of the most restrictive laws of its kind in the nation. By addressing loopholes and clarifying statutory language in the 2008 law, the state expects to be able to stop lenders from skirting a 28 percent cap on annual interest rates for short-term loans. (Short-term lenders had been registering with the state as mortgage lenders, allowing them to charge borrowers interest rates as high as 594 percent.)

Other provisions include:

- setting $1,000 as the maximum for short-term loans (up to a year in duration);
- requiring any loans with a duration of 90 days or less to adhere to an income-adjusted repayment scale — the monthly payment on these loans cannot exceed 6 percent of the borrower’s gross income or 7 percent of his or her net income (whichever is greater);
- capping “monthly maintenance fees” at 10 percent of the loan’s principal (and no more than $30);
- limiting total interest and fees to 60 percent of the loan principal; and
- preventing individual borrowers from carrying more than $2,500 in principal over all of their loans.

**South Dakota ties legislative pay to median household income**

South Dakota legislators took on several institutional issues in state government this year, including changes in legislative pay and the threshold for making changes to the state Constitution.

With the passage of **HB 1311** [23], approved by comfortable margins in the House and Senate, South Dakota became the first state in the Midwest to tie the pay of legislators to the median household income. The salaries for South Dakota’s 105 part-time legislators will now be adjusted every year so that they equal 20 percent of the median household income. That is estimated to be $10,200 next year; legislative salaries were $6,000 in 2018 and had not been changed in 20
Supporters of HB 1311 say a change in compensation levels was needed to improve candidate recruitment and open up legislative service to more people.

Lawmakers also focused this year on the state's initiative-and-referendum process. For example, they placed on the ballot a proposal [24] requiring that any constitutional amendments receive approval of 55 percent of the votes cast in an election, rather than a simple majority. In November, South Dakota voters rejected this change.

Prior to the start of this year's session, an interim legislative task force had proposed almost a dozen bills aimed at changing the initiative-and-referendum process. Several measures were subsequently passed by the Legislature, including new laws that will require a fiscal note for initiated measures and amendments that impact the state budget (SB 9 [25] and SB 13 [26]) and that expand the role of the nonpartisan Legislative Research Council (HB 1006 [27]).

Wisconsin makes $100 million investment in school safety

In the weeks following a mass shooting at a Florida high school, Gov. Scott Walker called a special session of the Wisconsin Legislature to consider policies to increase security at the state's schools. He signed AB 843 [28] into law on March 26. It:

- creates an Office of School Safety within the Department of Justice to work with law enforcement and schools to establish best practices, provide new training opportunities, and assist with safety plans;
- provides $100 million to fund a new grant program for security upgrades to school buildings;
- allows schools to use the safety grants to implement programs that provide trauma-informed care and help students dealing with adverse childhood experiences; and
- mandates that teachers, principals, other school employees and health professionals report any threats of school violence.

Earlier in the year, Wisconsin tackled another big nationwide issue for states — the costs of health insurance and health premiums.

Under SB 770 [29], signed into law in February, legislators authorized the creation of a $200 million, state-based reinsurance plan, which uses a mix of state and federal dollars to stabilize Wisconsin's health insurance market. It does so by covering 50 percent of medical costs between $50,000 and $250,000 — essentially providing insurance for the insurers. This plan, in turn, keeps insurers in the health marketplace and controls premium increases.

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