State policies on teachers get overhaul in Midwest

Teacher tenure, evaluation and pay all set to change

by Tim Anderson (tanderson@csg.org)

Tenure and single salary schedules have been a part of the teaching profession for decades, dating back to a turn-of-the-20th-century push for due-process protections and standardized pay for this group of public employees.

There are several reform movements afoot at the beginning of the 21st century—one that could be remembered for dramatically changing how teachers are evaluated and compensated, hired and fired, and retained or laid off.

The Midwest has been at the epicenter of this shake-up in 2011.

“Teaching is a profession, but it’s not been treated as a profession,” says Michigan Rep. Tim Melton. “We’ve been using an old factory model of how we evaluate, one that uses only seniority and is not based on performance.”

That is starting to change, not only in Michigan, but in states such as Illinois, Indiana and Ohio — where legislatures moved ahead this year with sweeping changes in education policy.

Out are the “last-in, first-out” policies that based teacher layoffs and rehirings on seniority.

In are new rules on tenure, new stipulations that personnel decisions be based on performance, and new requirements that teacher evaluations be more rigorous and the ratings be tied at least in part to student academic growth.

“We’re starting to move the needle from subjective firings, hirings and decision-making to a greater use of objective data,” says Melton, a Democrat.

“The Midwest has been at the epicenter of this shake-up in 2011,” he says.

State legislators named to head policy committees for Midwestern Legislative Conference

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Inside

CSG Midwest Issue Briefs 2
• Rise in regional carbon-capture projects
• States’ increased role in spent-fuel shipments
• Future of state, federal policy on dairy industry
• A proposal to dramatically change Medicaid

Around the Region 4
State changes in election laws will mean more-stringent identification requirements for voters

Question of the Month 5
How much Canadian oil and gas are imported into the Midwest?

Profile 8
Nebraska Sen. Abbie Cornett

FirstPerson 9
Minnesota Rep. Kim Norton on the economic value for a state in investing in lifelong learning

CSG News & Events 10
• State legislators named to head policy committees for Midwestern Legislative Conference
• State, federal leaders meet in D.C. to discuss future of regional passenger rail

Capitol Clips 12
• States rewarded for fixing errors in food-stamp systems
• Concealed-carry law gets OK in Wisconsin, Illinois now lone holdout
• Michigan restructuring tax system, easing burden on business while aiding credits and exemptions
• Nebraska finds new source to pay for roads: the sales tax on business

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THE MIDWESTERN OFFICE OF THE COUNCIL OF STATE GOVERNMENTS

Stateline Midwest

Lawmakers in Illinois, Indiana, Michigan and Ohio enacted sweeping education reforms this year that focus largely on teacher quality, including reforms of tenure laws, school districts’ personnel policies (including eliminating “last-in, first-out” policies), and teacher evaluation and compensation systems.
Energy

Saskatchewan carbon-capture plan adds to list of regional projects using clean-coal process

The government of Saskatchewan is moving forward with an integrated carbon capture and storage demonstration project that it says is “among the first commercial-scale [CCS] facilities in the world.”

The $1.24 billion (Canadian dollars) Boundary Dam project is one of several CCS projects now ongoing or being planned in this region. It will be built as a partnership among the Canadian and provincial governments, SaskPower (the province-owned utility) and the private sector. The project will upgrade one of Boundary Dam’s six generating units. This new unit will generate 110 megawatts of electricity and, by capturing and storing CO₂, will reduce emissions — by an amount equivalent to that of taking 250,000 vehicles off the roads, according to SaskPower.

Some of the stored CO₂ will be used for enhanced oil recovery in older, partially depleted oil fields (CCS has been used for this purpose for decades).

In the 11-state Midwest, there are several large-scale CCS demonstration projects, somewhat similar in size to Saskatchewan’s. For example, three of the nation’s seven Regional Radioactive Waste Transportation Stakeholders Forum (NTSF) meetings were held in the Midwest. (Source: Kelly Horn, IEMA)

Issue Briefs cover topics of interest to the various groups and policy committees associated with the Midwestern Office of The Council of State Governments. Located in suburban Chicago, CSG Midwest provides staffing services for the Midwestern Legislative Conference, Great Lakes Legislative Caucus, Midwest Interstate Passenger Rail Commission and Midwestern Radioactive Materials Transportation Committee. More information is available at www.csgmidwest.org.

Radioactive Waste Transportation

Plan to boost states’ role in spent-fuel shipments is welcome, but more involvement still sought

Proposed rules by the U.S. Nuclear Regulatory Commission (NRC) would place more emphasis on the role of states in ensuring the security of shipments of spent nuclear fuel.

These rules, as well as other security issues involving spent-fuel shipments through the region, were prominent on the spring meeting agenda of the CSG Midwestern Radioactive Materials Transportation Committee. This group of state officials and legislators met in May in conjunction with the annual meeting of the U.S. Department of Energy’s National Transportation Stakeholders Forum (NTSF).

Last fall, the NRC proposed amending the measures that licensees must follow to minimize the possibility of sabotage involving shipments and also to make it easier to locate and recover any shipments that might be hijacked by terrorists.

Currently, licensees are required to notify governors or their designees in advance of spent-fuel shipments through their states. The proposed rule would expand state involvement by requiring licensees to coordinate with states on ways to minimize intermediate stops and delays and to identify suitable routes and safe parking areas for shipments. Licensees would also work with state law enforcement to arrange for escorts.

The CSG committee formally submitted comments on the proposed rule on April 11. It has applauded the addition of a new pre-planning and coordination section; however, based on the Midwest’s experience with DOE shipments, committee members are recommending that the NRC expand upon the requirement to ensure that states are involved early and often in the shipment planning process. They suggested that the NRC consult the “Planning Guide for Shipments of Radioactive Materials Through the Midwestern States” (a publication of CSG Midwest) for an example of the appropriate time line for planning shipments with optimal state involvement.

In addition to discussing the NRC’s proposed rules at its spring meeting, the CSG committee examined a recent situation involving the sharing of security-related information for ongoing shipments of transuranic waste to the DOE’s Waste Isolation Pilot Plant (WIPP) in New Mexico.

WIPP is the world’s only operating geologic repository for radioactive waste and is used to dispose of transuranic waste resulting from the production of nuclear weapons.

The Midwest is affected by transuranic waste shipments from Argonne National Laboratory near Chicago, and had three shipments pass through it in June from a small site in New York. Funding permitting, the CSG committee will hold its fall meeting in either New Mexico or Texas so that committee members can tour the WIPP site.

Brief written by Ilene Grossman, CSG Midwest staff liaison for the Midwestern Legislative Conference Energy Committee. She can be reached at igrossman@csg.org. The committee’s co-chairs are Iowa Rep. Chuck Rodsberge and Nebraska Sen. Deb Fischer.
Agriculture & Natural Resources

Dairy producers rebound from worst of price collapse, but say federal reform still needed

The ideal climate for dairy cows and high-quality forages has made the Midwest home to more than 55 percent of the 53,000 dairies in the United States, and in turn, dairy has been good for the region’s rural economy.

However, this “cash cow” has seen hard times over the last decade, most notably a milk price collapse in 2009 that nationally led to the loss of thousands of farms and the slaughter of hundreds of thousands of dairy cows. Over the past decade, the number of farms and cows in most states has declined. But there are exceptions, including in the Midwest.

In Wisconsin, the nation’s second-largest milk-producing state, production is up since 2005 — a trend that Republican Sen. Dan Kapanke believes is largely the result of legislative action.

In 2004, the state established a tax credit program for livestock and dairy operations. The program — which allows these operations to claim a tax credit of up to $50,000 for investments in barns, milking parlors and other high-cost operational needs — has “resulted in over $500 million in farm investments,” Kapanke says.

This year, a bipartisan bill (SB 9) to extend this tax credit through 2017 was signed into law. Also, in 2009 and 2010, the Legislature passed similar tax credits for dairy, meat and food processors.

States and dairy operations are now keeping a close eye on potential federal reform of milk-pricing policies, which have been blamed for a 50 percent drop in the price farmers received for milk from 2008 to 2009.

As a result of the plunge, the average dairy farmer wound up losing about $130 per cow each month in 2010. The U.S. Department of Agriculture spent $1 billion to buy dairy products to try to boost farmers’ prices, but this was insufficient because farmers also faced higher expenses, such as rising prices for fertilizer and corn.

The volatility in the dairy market is a result of federal milk pricing that uses a complex formula cobbled together over the last 40 years and based on the Chicago Mercantile Exchange price for cheese. While the original concept was that milk would be priced on the value of the finished product (cheese), less than 1 percent of cheese is actually traded on the exchange today.

With discussions beginning on the 2012 farm bill, reforming dairy policy has become a priority, because the collapse of 2009 showed policymakers that current dairy programs provide neither the safety net nor the market resiliency that producers need.

The National Milk Producers Federation — which represents the majority of the U.S. milk supply, including 40,000 dairy producers through 31 cooperatives — has proposed a four-point reform plan:

• Reforming milk pricing by restructuring the Federal Milk Marketing Order to reduce volatility and increase transparency.

• Replacing the existing federal safety net (the Dairy Price Support and the Milk Income Loss Contract programs), which does not provide enough support because increased production costs have far outpaced the price supports.

• Creating a voluntary Margin Protection Program, similar to existing crop-insurance programs.

• Establishing a supply management program that would cut production when prices drop below certain levels, keeping supply and demand in alignment.

The International Dairy Foods Association, which represents the processors, opposes the program, calling it an attempt at supply management and saying it would lead to higher milk prices and reduce exports.

Health & Human Services

Debate over Medicaid’s future raises possibility of shift to state-run block-grant program

A debate about how to fund Medicaid, the public health insurance program that now covers 16 percent of Americans, is under consideration by state and federal policymakers alike.

And one idea that has received particular attention of late is shifting Medicaid to a block-grant program.

Currently, Medicaid is financed jointly by the states and the federal government through a matching formula: States must cover certain populations (such as pregnant women who meet income criteria and low-income individuals) and offer specific benefits; in return, they receive federal matching funds.

Matching rates vary, with states receiving between 50 percent and 75 percent in federal funds, according to a formula that takes into account states’ poverty rates.

Under the existing system, the federal government has an open-ended commitment to providing assistance to states. That would change if Medicaid became a block-grant program: States would receive a capped amount of funding annually and, after that money runs out, would be required to cover any additional costs. At the same time, though, they would have more leeway in shaping their programs.

This arrangement would be similar to the one used for the State Children’s Health Insurance Program, or SCHIP, in which states receive block grants to cover children in low- to moderate-income families.

In April, the U.S. House of Representatives approved a budget plan (often referred to as the “Ryan plan,” named after its sponsor, U.S. Rep. Paul Ryan of Wisconsin) that would make significant changes to Medicaid. For one, by repealing parts of the Affordable Care Act, the bill would remove a requirement that states open Medicaid eligibility in 2014 to all Americans earning up to 133 percent of the federal poverty level.

The bill would also make Medicaid a block-grant program beginning in 2013. Although the legislation is unlikely to pass the U.S. Senate, it has sparked discussion among health care experts and policymakers about the merits of such a sweeping change.

Proponents say the change would motivate states to rein in health care costs in order to maximize federal funds and minimize state spending.

Others say that the Ryan plan would provide needed restraint on the entitlement program and result in more predictable federal spending levels.

A report by the Kaiser Commission on Medicaid and the Uninsured projects that the House-approved bill would reduce federal Medicaid spending by a total of $1.4 trillion between 2012 and 2021, with $750 billion in savings resulting from making Medicaid a block-grant program.

But in order to maintain current benefit and eligibility levels, the Kaiser report says, states would need to increase their spending by anywhere from 45 percent ($132 billion) to 71 percent ($241 billion) over a 10-year period. By giving states more flexibility and taking away federal matching funds, critics of the block-grant approach say, millions of people could be dropped from the program and left uninsured.

Data Source: U.S. Census Bureau

Brief written by Kate Torney, CSG Midwest staff liaison to the Midwestern Legislative Conference Health and Human Services Committee. She can be reached at Atorney@csg.org.

The committee’s co-chairs are South Dakota Sen. Jean Hunhoff and Illinois Sen. Mattie Hunter.

Change since 2002 in number of dairy farms and cows in Midwest

<table>
<thead>
<tr>
<th>State</th>
<th># of farms, 2010</th>
<th>% change since 2002</th>
<th># of cows, 2010</th>
<th>% change since 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>879</td>
<td>-67%</td>
<td>98,000</td>
<td>-14%</td>
</tr>
<tr>
<td>Indiana</td>
<td>1,379</td>
<td>-44%</td>
<td>171,000</td>
<td>+18%</td>
</tr>
<tr>
<td>Iowa</td>
<td>1,790</td>
<td>-41%</td>
<td>209,000</td>
<td>+1%</td>
</tr>
<tr>
<td>Kansas</td>
<td>410</td>
<td>+11%</td>
<td>115,634</td>
<td>+23%</td>
</tr>
<tr>
<td>Michigan</td>
<td>2,186</td>
<td>-27%</td>
<td>358,000</td>
<td>+20%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>4,567</td>
<td>-29%</td>
<td>470,000</td>
<td>-2%</td>
</tr>
<tr>
<td>Nebraska</td>
<td>243</td>
<td>-72%</td>
<td>59,000</td>
<td>-12%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>380</td>
<td>-78%</td>
<td>20,000</td>
<td>-42%</td>
</tr>
<tr>
<td>Ohio</td>
<td>3,196</td>
<td>-33%</td>
<td>266,000</td>
<td>-5%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>330</td>
<td>-70%</td>
<td>92,000</td>
<td>+9%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>52,000</td>
<td>-29%</td>
<td>1,260,000</td>
<td>+7%</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Agriculture

Percentage of residents covered by Medicaid in 2009 (percentage-point increase from 1999)

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>9.0% (+1.9)</td>
</tr>
<tr>
<td>Hawaii</td>
<td>13.3% (+6.1)</td>
</tr>
<tr>
<td>Idaho</td>
<td>14.6% (+6.2)</td>
</tr>
<tr>
<td>Iowa</td>
<td>14.2% (+7.1)</td>
</tr>
<tr>
<td>Illinois</td>
<td>15.8% (+8.2)</td>
</tr>
<tr>
<td>Indiana</td>
<td>16.1% (+8.1)</td>
</tr>
<tr>
<td>Iowa</td>
<td>16.5% (+8.3)</td>
</tr>
<tr>
<td>Kansas</td>
<td>14.1% (+4.0)</td>
</tr>
<tr>
<td>Michigan</td>
<td>11.5% (+4.2)</td>
</tr>
<tr>
<td>Minnesota</td>
<td>11.3% (+3.8)</td>
</tr>
<tr>
<td>Nebraska</td>
<td>11.4% (+3.0)</td>
</tr>
<tr>
<td>North Dakota</td>
<td>11.3%</td>
</tr>
<tr>
<td>Ohio</td>
<td>9.0% (+1.9)</td>
</tr>
<tr>
<td>South Dakota</td>
<td>9.0%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>9.0% (+1.9)</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau

Brief written by Carolyn Orr, CSG Midwest staff liaison to the Midwestern Legislative Conference Agriculture and Natural Resources Committee. Carolyn can be reached at Carolyn.orr@midwestlegcon.org. The committee’s co-chairs are North Dakota Sen. Tim Flakoll and South Dakota Sen. Carolyn McGinn.
North Dakota, Indiana economies among fastest-growing in U.S.

Led by a rebound in durable-goods manufacturing, the economy of every Midwestern state grew in 2010, the first time such uniform growth has occurred in the region in three years.

The rise in economic activity was most pronounced in Indiana and North Dakota. For North Dakota, this increase in GDP is nothing new: It is one of only three U.S. states (Nebraska and South Dakota are the others) where gross domestic product has grown annually over each of the last four years.

Between 2009 and 2010, North Dakota’s GDP rose 7.1 percent, the highest rate in the nation. The economic sector contributing most to this increase was the mining industry (including oil and gas extraction), but the state also had impressive growth in sectors such as real estate and wholesale trade.

After two straight years of economic contraction (-4.1 percent in 2009 and -1.7 percent in 2008), Indiana’s GDP grew by 4.6 percent, thanks in large part to a rebound in its manufacturing sector.

Indiana’s durable-goods industry was the single-largest contributor to state growth; the same was true of every Midwestern state except North Dakota. Growth in this industry was highest in Indiana, 2.3 percent; Michigan, 1.5 percent; and Wisconsin, 1.3 percent. (Examples of non-durable goods include cars, consumer electronics and furniture.)

The state-by-state economic data were released in June by the U.S. Bureau of Economic Analysis. The statistics, along with an accompanying report on state GDP trends, are available at www.bea.gov.

More Midwestern states will require photo ID at polls in 2012

Starting next year, roughly half of Midwestern states will require voters to show photo identification at the polls — a shift in state policy seen either as a tool for preventing election fraud or as an instrument of voter suppression.

Under the federal Help America Vote Act, states must require voters who register by mail without providing proof of identity to show ID before voting for the first time. The identification can either be a photo (such as a driver’s license) or a nonphoto (such as a utility bill) as long as it includes a valid name and address.

Beyond those federal rules, states can set their own standards.

As of mid-2011, 25 states require only first-time voters to show either photo or nonphoto ID, according to Pew's Election Initiatives (www.electionline.org).

Eighteen U.S. states, including North Dakota and Ohio, go a bit further by requiring nonphoto or photo ID for all voters. (In North Dakota, people without the proper ID can vote if a poll worker can vouch for their identity.)

Indiana, Michigan and South Dakota are among the seven U.S. states that, entering this legislative year, already required individuals to show photo ID each time they voted. Generally, under these laws, people without ID are able to cast provisional ballots but must prove their identity within a certain period of time in order to make their ballots count.

The number of states with these photo-ID requirements is on the rise, in part because of a legislative push this year across the Midwest.

Status of laws, bills in Midwest

South Dakota, through legislation passed in 2003, was the first Midwestern state to enforce a law asking voters to show photo ID at the polls. Michigan’s law was first passed in 1996, but was not enforced due to constitutional concerns. In 2007, the state Supreme Court ruled that the law was constitutional, and it has since been enforced.

Neither Michigan nor South Dakota has what are considered “strict” photo-ID laws because both states allow voters to sign an affidavit and cast a regular ballot. Indiana, however, requires all voters to show proper photo ID and does not offer them the option of signing an affidavit at the polling place. They instead cast a provisional ballot. These voters then have 10 days to visit their local election board and prove their identity. Indigent voters and those with religious objections to being photographed can sign an affidavit to this effect and have their vote counted.

Indiana’s voter-ID legislation, first passed in 2005, was upheld by the U.S. Supreme Court in 2008.

Beginning next year, Kansas and Wisconsin will be added to the list of those states that require photo ID at the polls.

Opponents say that such laws disenfranchise voters such as the elderly, students and the poor — groups that are less likely to have photo ID. They add that fraudulant ballots account for a small percentage of votes in most elections.

Proponents of voter-ID bills say the practice ensures election integrity by preventing fraud, such as people voting more than once.

Under Kansas HB 2067, signed into law in April, voters will need to show photo ID beginning in 2012. In addition, people registering to vote will have to provide proof of U.S. citizenship. The bill also gives the secretary of state the ability to prosecute cases of voter fraud — a power not given to other secretaries of state in the Midwest.

In May, Wisconsin Republican Gov. Scott Walker signed AB 7, which requires people to show photo ID at the polls each time they vote. While the law directs poll workers to begin asking for photo ID immediately, voters will not be required to show such documentation until after Jan. 1.

Kansas and Wisconsin voters without proper ID will be able to cast a provisional ballot on election day and must later present proof of identity in order for their ballots to be valid.

The Wisconsin legislation also makes several other changes to state election laws, including extending the period during which voters must have lived at their current addresses (from 10 to 28 days).

Minnesota legislators passed a photo-ID bill as well this year, but it was vetoed by Democratic Gov. Mark Dayton. In his veto message for SF 509, Dayton expressed concern over adding barriers to voting and the bill’s lack of bipartisan support.

He also wrote that the bill did nothing to address a voting issue often cited by proponents of voter-ID legislation: felon voting illegally. He added that the bill represented a $23 million “unfunded mandate” on local units of government, which would have been tasked with enforcing the law.

Lawmakers in at least three other Midwestern states — Illinois (HB 3058 and SB 3035), Iowa (HF 95) and Nebraska (LB 239) — considered legislation this year that would have put in place new photo-ID requirements. None of the bills passed.

Ohio’s HB 159 would require voters to show one of four forms of government-issued photo ID, including without photo ID would be able to receive a free state ID card every four years. The bill was approved by the House in March and, as of early July, was being considered in the Senate.

Voter-identification requirements in Midwestern states (as of Jan. 1, 2012)*

<table>
<thead>
<tr>
<th>State requires ID for first-time voters</th>
<th>State requires ID for all voters</th>
<th>State requires photo ID for all voters</th>
</tr>
</thead>
<tbody>
<tr>
<td>State requires ID for first-time voters</td>
<td>State requires ID for all voters</td>
<td>State requires photo ID for all voters</td>
</tr>
</tbody>
</table>

* Map reflects laws that will be in effect Jan. 1, 2012, and does not account for legislation pending in Ohio as of July 1.

Source: Pew Center on the States.
**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:** How much Canadian oil and gas are imported into the Midwest?

The U.S. is a net energy importer in terms of oil and gas trade with Canada. Canada’s energy exports to the United States were valued at $76 billion in 2009, while U.S. exports to Canada were valued at $11.5 billion.

Canada provides 21 percent of U.S. crude oil imports (nearly 2.5 million barrels a day) and 87 percent of U.S. natural gas imports. This trade relationship is important in the Midwest, where a large amount of Canadian oil and gas is refined, processed and/or used.

**Illinois** imports more crude oil from Canada than any other state. Much of the heavy crude is refined in Illinois before it is consumed there or in other states. **Minnesota** and **Ohio** are the second- and third-largest crude oil importers in the region.

In 2007, Canada was the top energy exporter to five states in the region: Illinois, Iowa, Minnesota, North Dakota and Ohio.

Several factors cause the wide variation in Canadian energy imports to the 11 Midwestern states (see table for data). With natural gas, for example, the number of pipelines, along with the location of pipeline hubs, accounts for some of the differences. Crude oil imports vary due to differences in the refinery capacity of different states, as well as the capability of those refineries to process Canadian crude.

Canada’s proven oil reserves of 176 billion barrels are second only to those of Saudi Arabia. Most of the reserves are contained in the province of Alberta’s oil sands — the third-largest proven oil resource in the world.

In addition to the 170 billion barrels of recoverable oil in the oil sands, another 315 billion barrels can potentially be captured, but recovery is either too costly or not possible with existing technology.

Oil sand is a mixture of sand, clay or other materials, along with water and bitumen. Bitumen is heavy, extremely viscous oil that must be treated and transformed into a less viscous product in order to be usable.

Oil-sands oil has come under criticism because of environmental concerns, including the emission of greenhouse gases during the recovery process. The Alberta government has mandatory greenhouse-gas reduction targets, and now the Canadian federal government is planning to introduce additional regulations this year geared toward reducing greenhouse-gas emissions from oil-sands production.

**Oil and gas imports from Canada, 2007**

<table>
<thead>
<tr>
<th>State</th>
<th>Crude oil</th>
<th>Natural gas</th>
<th>Refined petroleum products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>$12 billion</td>
<td>$4.3 billion</td>
<td>$91 million</td>
</tr>
<tr>
<td>Indiana</td>
<td>$519 million</td>
<td>$4.7 million</td>
<td>$57 million</td>
</tr>
<tr>
<td>Iowa</td>
<td>*</td>
<td>$1.3 billion</td>
<td>$14 million</td>
</tr>
<tr>
<td>Kansas</td>
<td>$87 million</td>
<td>$6.2 million</td>
<td>$4 million</td>
</tr>
<tr>
<td>Michigan</td>
<td>$1.4 billion</td>
<td>$2.3 billion</td>
<td>$235 million</td>
</tr>
<tr>
<td>Minnesota</td>
<td>$4.8 billion</td>
<td>$1.9 billion</td>
<td>$46 million</td>
</tr>
<tr>
<td>Nebraska</td>
<td>*</td>
<td>$386,770</td>
<td>Not available</td>
</tr>
<tr>
<td>North Dakota</td>
<td>$77 million</td>
<td>$144 million</td>
<td>$102 million</td>
</tr>
<tr>
<td>Ohio</td>
<td>$3 billion</td>
<td>$18 million</td>
<td>$60 million</td>
</tr>
<tr>
<td>South Dakota</td>
<td>*</td>
<td>$812,817</td>
<td>$1.4 million</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>$334 million</td>
<td>$99 million</td>
<td>$57 million</td>
</tr>
</tbody>
</table>

* In some instances, Canadian imports could not be tracked due to the lack of refineries in a state. Source: Canadian Centre for Energy Information

The CSG National Conference is designed to provide state leaders with the opportunity to discuss state government trends, share cutting-edge solutions and debate what’s next on the political horizon.

Within this year’s National Conference, CSG will host its first international summit. We’ll discuss our shared opportunities and challenges with friends and partners to the north in Canada and to the south in Mexico.

Don’t miss your chance to discuss issues with colleagues from your state, your country and the world!

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Less of an emphasis on seniority

While they share similar goals regarding teacher quality, the new laws in Illinois, Indiana, Michigan and Ohio have many distinct provisions.

The Illinois bill (SB 7) enjoyed broad bipartisan support and had the backing of key teachers’ unions, which hailed the measure for safeguarding collective bargaining rights and ensuring that teachers’ due-process rights are protected. (For example, an independent, highly qualified second evaluator — other than a principal — will be part of the evaluation in cases involving the possible dismissal of a teacher).

SB 7 also ensures that tenure will continue to be granted to teachers and institutes a new “fast track” to tenure for high-performing new teachers.

The legislation was overwhelmingly passed by the Illinois House and Senate.

In contrast, votes on some of the measures in other states were more divided, for a variety of reasons — such as the loss of collective bargaining rights (Michigan and Indiana now limit what can be negotiated between local school districts and their teachers), the linking of teacher evaluations and/or pay to student scores on standardized assessments, and a loss of teacher protections due to changes in tenure law.

But there are commonalities in the new state laws as well. One is the elimination of “last-in, first-out” practices. Seniority, long the basis for teacher layoffs and rehirings, will now only be used as a “tie-breaker” after factors such as teacher performance and qualifications or student academic needs are considered.

According to Ohio Republican Sen. Peggy Lehner, the current fiscal climate, in which many school districts have had to lay off teachers, underscored the importance of eliminating “last-in, first-out.”

“Let’s see some of our finest teachers out of work,” Lehner says. “Every time folks read about a Teacher of the Year being laid off, it’s a reminder of the problem with last-in, first-out.”

The New Teacher Project has referred to this as the “widget effect,” treating all teachers as interchangeable parts, not professionals, and ignoring differences in quality and effectiveness.

Chu says the “widget effect” is seen not only in how layoff decisions are made, but also in how teachers are evaluated and compensated.

“Ninety-nine percent of teachers in Indiana are rated as effective or highly effective, or some equivalent thereof,” he notes.

“How can you reconcile that number with the fact that at the end of third grade, a quarter of third-graders across the state are reading or computing at a minimal level? The two numbers do not square.”

Tying pay to teacher effectiveness

Under Indiana’s new law, and the four-category rating system being created to assess teacher performance, an instructor rated as either “ineffective” or “improvement necessary” cannot receive a pay increase.

“In addition, at least two-thirds of pay increases must be based on factors such as the academic needs of the school district, leadership shown by a teacher (mentoring peers or serving as a department head, for example) and teacher performance (based at least in part on in-classroom evaluations and data on student academic growth).”
growth of students, the results of standardized test scores, classroom evaluations, a teacher’s leadership at the school and the market-based needs of a school district (if it is having trouble filling vacancies for math or special education teachers, for example).

Exactly how the state’s school districts will measure teacher performance remains to be seen. The Indiana Department of Education is now working with six schools in the state on a model evaluation tool.

Like Indiana, the hard work on implementing reforms is just beginning in Ohio as well.

Any Ohio school receiving Race to the Top funds must replace single salary schedules with a pay system that relies in part on where teachers rate in a newly developed four-category evaluation system. Student growth must account for 50 percent of teacher evaluations.

“It is a challenge,” Lehner says. “You have tests to measure [student progress] in reading and math, but only starting in the third grade.

“It doesn’t work in high school and it doesn’t work for certain subjects, so we have to figure out how to measure student growth in some subjects where value-added data won’t be available.”

But even if there isn’t yet a clear replacement to the old system, she believes it is imperative to try something new.

“We need to be able to evaluate whether teachers are effective and outstanding, and then reward them for it,” she says.

“Right now, what kind of incentive do we provide? You know you are going to get an increase, regardless of whether you put any effort into your work or not.”

Changes in evaluations, tenure law

Each of the four Midwestern states with these new laws will have some version of a four-category evaluation system, with the goal of identifying highly effective teachers as well as poor-performing teachers in need of additional assistance.

This new system, Melton notes, will rely heavily on school administrators changing their practice of evaluation.

“When you have 99 percent of the teachers all receiving the same rating, that’s not the fault of the teacher, that’s the fault of the person doing the evaluation,” he says.

Michigan’s principals will now be evaluated based on student growth as well, one of the most critical elements of the state’s new law, Melton believes.

In addition, the state is changing its tenure law to accelerate the process for removing ineffectual teachers.

School districts have been hesitant to go through the process in the past, Melton says, because of the time and money required to dismiss teachers.

Michigan is also changing the standard for when teachers can be fired, increasing the probationary period for new teachers (from four to five years), and established new criteria for earning tenure.

Illinois is setting a higher bar for attaining tenure status as well: Under the new rules, an instructor must be rated at least proficient in two of the last three years of his or her probationary period.

Illinois SB 7 also streamlines the process for dismissing ineffective tenured teachers.

In Indiana, all current teachers will first be considered “established”; however, two consecutive years of being evaluated as “ineffective” will put even the most senior teacher at risk of being dismissed.

“It’s not permanent job security like the past system,” Chu says.

But he adds that high-performing teachers “have nothing to worry about,” and should be better rewarded for their work as a result of the changes.

According to Goldhaber, coming through on the reward component is critical for states and school districts wanting to attract and retain promising teachers.

“If you’re making teaching jobs riskier, without paying individuals a premium for taking that risk, there could be consequences,” he says.

Assessing how to use student data

In the past, performance-based pay for teachers has often been offered as an “add-on,” rather than part of the fundamental compensation structure.

That appears to be changing, due to the push to replace the single salary structure and the fact that fiscally strapped states and school districts have limited financial resources.

“We need a fundamental restructuring of our compensation system, not just add-ons, from the bottom up,” says Matthew Springer, director of the National Center on Performance Incentives.

“Otherwise, it will just go away over time.”

But while there is growing consensus about the inefficiency of the current pay system, he says, much needs to be done to find an alternative that works.

“The big challenge is that we haven’t been great at connecting education policy, practice and research,” he says.

“Those three need to come together, and we need a research component to show whether the new programs are working.”

One question will be how much to rely on data measuring student growth, particularly the results of standardized test scores: How high should the stakes be for teachers as states and school districts track the academic progress of individual students from year to year?

The use of this value-added data may only be available for certain subjects and grade levels. And there also are concerns about increasing pressures to “teach to the test” and about the fairness of tying an individual teacher’s pay and career to a measurement that can be affected by many other variables (students’ other instructors and the school or home environment, for example).

A 60-minute or 90-minute period at one point in the academic year is not necessarily going to capture how well the teacher has performed throughout the 180 days of a school year,” Springer says.

“The test score can’t be the single measure we rely upon. We have to look at more formative pieces as well.”

Beyond test scores, the measurement of teacher performance will depend on the criteria being developed by states and local school districts, as well as the evaluations conducted by local administrators.

“We will need teachers at the table developing the measurements,” Lehner says.

For these newly designed performance-based systems to have staying power, Springer says, there will need to be buy-in and input from all education stakeholders.
Sen. Abbie Cornett

From law enforcer to lawmaker: Former police officer now at home in Capitol helping set economic, tax policy

by Tim Anderson (tanderson@csg.org)

Nebraska Sen. Abbie Cornett is doing much of the legislative work that she set out to do when she first ran for office seven years ago.

The Omaha native has risen to a position of leadership as chair of the Revenue Committee, has played a role in revamping the state’s economic development policies, and is a key player in decisions about Nebraska tax policy.

But little did Cornett know in 2004 that she would be serving during one of the most tumultuous fiscal periods in state history. That has put Cornett in the middle of some tough decisions and votes over the past few years — most notably in 2011.

At the start of this year, Cornett found herself introducing one bill to eliminate state aid to local governments and another to raise sales taxes, increase income taxes and remove sales tax exemptions.

The measures were politically unpopular but fiscally necessary, she says, as the state made plans to balance a projected biennial deficit of nearly $1 billion.

The proposed tax increases never materialized — Cornett only introduced them in case Nebraska’s fiscal outlook worsened or leaders couldn’t agree on the necessary cuts in state government — but the elimination of funding for cities, counties and local natural resource districts did occur.

“Sponsoring and carrying a bill to cut state aid to my city wasn’t easy,” Cornett says. “Did it make me popular back at home? Not really. But I think it was the right thing for the state.”

Cornett has tried to take that statewide view of public policy ever since being elected in 2004.

“One thing that surprised me when I first came into office was just how regionalized things were,” she says.

“That is not necessarily a bad thing. Yes, as a state senator, you have to protect your district. Yes, you have to do right by your constituents. But I have tried to take a more holistic approach. What’s good for the western part of the state is good for the state as a whole, so it’s good for Bellevue.”

Making government more open

Bellevue, the city she represents, is a town of 50,000 people located just south of Omaha, where Cornett’s interest in politics began.

“My mother would say to me, ‘Some kids were born with a silver spoon in their mouth; you were born with a political card,’” Cornett says.

She is the only child of Mary Cornett, a longtime city clerk in Omaha who worked in city government for more than 50 years.

“The school bus would literally drop me off at city hall, 1819 Farnam Street,” Cornett recalls.

Cornett did not initially go into politics. She instead chose a career in law enforcement, working in the Omaha Police Department until an in-service injury resulted in her retirement from the force in 2002. Soon after that, she went back to school and also started a family, giving birth to twin girls.

Q: Did you always have in mind that your focus as a legislator would be on tax policy and economic development?

A: Because I was in law enforcement for 10 years, I first ran on a number of social issues — things like taking care of children in foster care and the enforcement of our DUI laws. But I realized, too, that addressing a lot of the social issues required money. We’re a state that has had a fairly static population for 100 years now. On top of that, we have significant issues of de-population in our rural areas. So how does the state generate the necessary tax base? How do you fund a large geographic state with little population? Those are the questions that I wanted to try and address.

Q: Soon after you took office, the Legislature adopted Nebraska Advantage — a business incentive program that now has six different tiers of benefits depending on the level of investments being made and jobs being created. Why did the state need to revamp its economic development strategy?

A: We wanted to reach out and say, “This is a place where you can do business — no matter what kind of business you are or where you are going to locate in Nebraska.” Every level of business now has an incentive to grow here, in all different types of communities in the state. And we’re still tweaking the act, because we’re finding areas of it that are under-utilized.”

Q: One of those tweaks was using some money for the Nebraska Advantage Act for a new angel investment tax credit. You sponsored that legislation (LB 389), which will provide up to $3 million in state income tax credits to investors of early-stage companies. Why did the state add this economic tool?

A: We needed to find ways of incentivizing growth in our smaller, upstart technology businesses, because that’s where the future [of the economy] is. Yes, this kind of state investment comes with a higher risk than other types of tax credits. But the payoff can be so tremendous. We felt it was important to act on it this year. [The tax credit was part of a four-part Talent and Innovation Initiative pushed by Gov. David Heineman that will also establish a new Business Innovation Fund and expand internship opportunities for Nebraska college students.]

Q: This year, you sponsored the legislation to cut state aid to cities, counties and natural resource districts. Why did you and the other legislators take this approach to balancing the state budget?

A: Everyone realized at the state level that if we did not cut money there, it would come out of education, it would come out of Medicaid, it would come out of foster care and human services.

We had to prioritize. Good, bad or indifferent, we’re forcing cities and counties to do the same thing. You have your choice, cities: You either make the cuts and prioritize your services, or you have to raise taxes. That’s the same position the state was in. I know it’s kind of pushing the ball down the road, but every political subdivision has to make those decisions when there is no money.

Q: Looking ahead, what are some of the areas you will be exploring in terms of tax policy over the next year?

A: Our corporate tax rate is a little high compared to states around us, so I would like to improve our competitive advantage by lowering the rate. I’d also like to look at some income tax restructuring and try to provide some middle-income relief that, and only if that’s the money to do that. We worked a few years ago on getting an EITC [earned income tax credit] passed for low-income residents; now it’s time to look at our middle-income earners.
Putting lifelong learning to work as economic development tool

Minnesota bill proposes tax credit for participant workers, firms

by Minnesota Rep. Kim Norton (rep.kim.norton@house.leg.mn)

According to the Council for Adult and Experiential Learning, at least three states in the Midwest besides Minnesota have introduced legislation to establish Lifelong Learning Accounts (LiLAs).

- **In Illinois**, the Lifelong Learning Act of 2006 (SB 2931) established a statewide pilot program in the health care sector. In the accounts, which had an annual contribution limit of $500, employers could match employee contributions up to that amount. A state appropriation, administered by the Department of Commerce and Economic Opportunity, provided matching funds equaling half of the total employer and employee contributions. The act also provided career advising and other support services to LiLAs participants during the three-year pilot program.

- **In Indiana**, HB 1005 became law in 2005. It allocated $50,000 to the Indiana Department of Workforce Development to study the cost and impact of a statewide pilot program and make recommendations to the state Legislative Council. HB 1173, introduced in 2006, would have provided $300,000 for a matched contribution program similar to LiLAs, but did not actually establish accounts. This Lifelong Learning Grant program instead would have provided matching funds of up to $500 per year for people who paid a part of their own educational expenses in that year. This legislation did not ultimately become law.

- **In Iowa**, legislation was introduced in 2007 (HB 574 and SB 1253) to establish a LiLA program within the Iowa educational savings plan trust. The legislation would have provided a refundable tax credit, equal to 50 percent of the first $500 contributed during a given year, for employer contributions to an employee’s account. The bills did not advance.

**Snapshot of other proposals in Midwest on Lifelong Learning Accounts**

The accounts could be funded by individual and/or employer contributions and be used to pay for educational expenses and professional development.

In our state, this bill was targeted toward industries with career ladders, high-growth potential and high predicted occupational openings, and certainly there is room for expanding these targets as needed or desired. (In other states where these learning accounts have been established, 55 percent of the accounts are held by women.) LiLAs benefit employees as well as employers. HF 40 would allow a person to receive a tax credit equal to half of the contribution that he or she makes, up to $1,000 annually for a married couple filing a joint return and $500 for all other returns. A business would be able to claim a tax credit of up to $500 for each $1 contribution it makes to an employee’s account.

The tax credit concept has been a tough sell in Minnesota, though I believe there is so much flexibility in the concept that should interest in it grow, an acceptable model could be formulated and passed. Persistence, as we all know, often pays off, and building awareness about the public benefits of LiLAs has just begun.

Submissions welcome

This page is designed to be a forum for legislators and constitutional officers. We accept submissions on a wide range of public policy issues and state initiatives. The opinions expressed on this page do not reflect those of the Council of State Governments or the Midwest Legislative Conference. Responses to any FirstPerson article are welcome, as are pieces written on other topics. For more information, contact Tim Anderson at 651.925.1922 or tanderson@csg.org.
Legislators chosen to lead policy groups that promote interstate cooperation

State legislators from around the region have been selected to lead the Midwestern Legislative Conference’s policy committees. Chairs and vice chairs of the five committees were appointed earlier this year to two-year terms by the MLC’s chair, Indiana Rep. Scott Reske.

The goal of these committees — made up of lawmakers appointed by legislative leaders in the MLC’s 11 states and four Canadian provinces — is to promote interstate cooperation and collaborative problem-solving. Each committee met in July in conjunction with the MLC Annual Meeting. In addition to holding in-person meetings, the committees often pass policy resolutions, offer seminars on select topics, contribute to Stateline Midwest and publish electronic newsletters. They have also launched new initiatives, such as an MLC Economic Development Committee project examining the future of the region’s economy. Through the project, the committee has published a special report, testified in state capitols and held a series of web-based teleconferences.

CSG Midwest provides staff support for the five MLC committees. Below are the photos of the committee chairs, along with contact information for the CSG Midwest staff liaisons.

Agriculture & Natural Resources

**Kansas Sen.**
Carolyn McGinn

**North Dakota Sen.**
Tim Flakoll

Staff: Carolyn Orr (corr@sarl.us)

Economic Development

**Ohio Rep.**
Ted Celeste

**South Dakota Sen.**
Mike Vehle

Staff: Laura Tomaka (ltomaka@csg.org)

Health & Human Services

**South Dakota Sen.**
Jean Hunhoff

**Illinois Sen.**
Mattie Hunter

Staff: Kate Tormey (ktormey@csg.org)

Midwest-Canada Relations

**Chairs**

**Ontario Speaker**
Steve Peters

Staff: Ilene Grossman (igrossman@csg.org)

**Vice Chairs**

**Minnesota Rep.**
Carol McFarlane

**South Dakota Sen.**
Ray Merrick

**Indiana Sen.**
Ed Charbonneau

**Manitoba Speaker**
George Hickes

7 programs named finalists for CSG Innovations Awards

Seven state initiatives from this region are finalists this year for CSG Innovations Awards.

Here are this year’s finalists from the Midwest:

- DCEO Grant Tracker — an Illinois Department of Commerce and Economic Opportunity initiative that gives citizens greater access to information about recipients of state grants.
- Stellar Communities — a multi-agency partnership in Indiana that funds community development projects.
- IowaGrants.gov — a comprehensive, electronic grant-management system in Iowa.
- Michigan online Bridges program — a new web-based system for accepting applications for food and energy assistance.
- MiCloud — a cloud-computing initiative developed by the state of Michigan.
- State of Nebraska Wellness Options — a health insurance plan that encourages healthy lifestyles among state employees.
- Nebraska’s Legislative Bill Tracking System — a software program that improves how state fiscal notes on proposed bills are developed for legislators and the public.

The Council of State Governments began presenting Innovations Awards in 1986 to bring greater visibility to exemplary state programs and to facilitate the transfer of those successful experiences to other states. CSG receives award applications from across the country. Policy staff reviews the applications and selects the finalists; panels of state officials then select two award-winners within each CSG region.

In this region, the review process is conducted by the Midwestern Legislative Conference Innovations Selection Committee. For the 2011-2012 biennium, the committee will be led by Minnesota Rep. Carol McFarlane.

Programs are evaluated based on the following criteria: newness, creativity, effectiveness, transferability and significance. Award-winners are traditionally recognized at a ceremony during CSG’s annual meeting. This year’s meeting, the National Conference and North American Summit, will take place Oct. 19-23 in Bellevue, Wash. In addition to receiving an award at the conference, the winners are showcased in CSG’s national magazine, Capitol Ideas.
Four Midwestern legislators have been chosen to oversee the planning and administration of the region’s premier leadership program for state legislators.

The Bowhay Institute for Legislative Leadership Development — a program of the Midwestern Legislative Conference — is designed for legislators in their first four years of service. Fellowships are awarded through a competitive, nonpartisan application process. Each year’s class is chosen by the BILLD Steering Committee, a panel of legislators from the 11 Midwestern states. That MLC committee will be led by two co-chairs, Illinois Rep. Elaine Nekritz and Michigan Rep. Mark Meadows, and two vice chairs, Ohio Rep. Cliff Hite and Indiana Rep. Ed Clere. These four lawmakers were chosen by the current MLC chair, Indiana Rep. Scott Reske.

This year’s BILLD program will be held Aug. 12–16. For more information, contact Laura Tomaka at 630.925.1922 or ltomaka@csg.org.

State, federal transportation leaders from Midwest discuss future of passenger rail

In June, the Midwest Interstate Passenger Rail Commission held its annual meeting in Washington, D.C.

One of the main goals of the meeting was to develop a set of policy recommendations for the federal government regarding passenger rail.

Commissioners called on the U.S. Congress to include appropriations in the FY 2012 budget for the federal High Speed Intercity Passenger Rail program. They also requested that Congress make passenger-rail development a vital component of the upcoming reauthorization of the federal surface transportation bill and that passenger rail receive a dedicated source of funding similar to other modes of transportation.

A letter detailing the commission’s recommendations was presented to about 40 Midwestern members of Congress and their staffs during meetings in the capital. Commissioners also met with key members of the federal administration, such as Amtrak CEO Joe Boardman.

In addition to meeting with key federal officials, attendees took part in a discussion about the progress of passenger-rail development in their states and reviewed federal programs and legislation.

Federal Railroad Administration Administrator Joe Szabo was the featured speaker of the business meeting. Szabo spoke about the progress of passenger-rail development in the Midwest and the impact of recent federal grants.

He also praised ongoing state efforts to promote improved service in the region, including the Midwest Regional Rail Initiative, a plan to bring more frequent rail service to cities across the region.

“The Midwest Regional Rail Initiative is one of the strongest plans out there, providing what we think is very high quality transportation at a very reasonable level of investment,” Szabo said.

Commissioners re-elected Illinois Rep. Elaine Nekritz as chair of the MIPRC. Tim Hoeflin, administrator for the Office of High Speed Rail & Innovative Project Advancement in the Michigan Department of Transportation, was elected vice chair. Kansas Rep. Jo Ann Potteroff is the commission’s new financial officer.

MIPRC is a multi-state compact dedicated to improving passenger rail in the Midwest. Each of its 11 member states has four representatives on the commission, including legislative and gubernatorial appointees. CSG Midwest provides staffing services for the compact. For more information, visit www.miprc.org.
Food stamp programs receive bonuses for improving error rates

Seven Midwestern states are being recognized for improving the administration of their food stamp programs last year.

The U.S. Department of Agriculture has released statistics about payment error rates in the Supplemental Nutrition Assistance Program, which helps 44 million people purchase food each month. The program reported a record-high rate of accuracy last year; as a result, improper payments totaling $156 million will be avoided.

Under 2008 federal legislation, state agencies must monitor and improve the administration of SNAP. The federal government provides monetary incentives to states that score well or improve performance.

Indiana had the nation’s second most-improved accuracy rate and will receive a $1.65 million bonus, according to The Indianapolis Star. The state administration of SNAP saw a “negative error rate,” which measures improper denials of benefits.

Dakota and Nebraska, North Dakota and South Dakota topped the list of states with the best accuracy. The federal government provided monetary incentives to states that scored well or improved performance.

South Dakota, Illinois and Wisconsin were among the nine states with the best payment accuracy. Nebraska, South Dakota and North Dakota topped the list of states with the best “negative error rate,” which measures improper denials of benefits. Michigan had the second most-improved negative error rate.

Wisconsin OKs concealed-carry law; Illinois now only state without it

Later this year, Wisconsin will become the 49th U.S. state that allows citizens to carry concealed weapons.

SB 93 was passed by wide margins in the Assembly and the Senate in June. Under the new law, the state Department of Justice will issue permits to residents 18 and older who have completed training and passed a background check. Permits will cost $50 and be valid for five years; renewals will cost $25. The fees will be used for staff time and for building up a database of permit holders, which is expected to cost about $3 million per year, the Milwaukee Journal Sentinel reports.

Individuals carrying concealed weapons will be required to have their permits and a photo ID with them. Private businesses will have the right to post signs prohibiting concealed weapons on their property. However, weapons will be allowed in public parks and on government property — except for certain facilities, such as schools, courthouses and prisons.

Illinois is now the only U.S. state that does not permit the carrying of concealed weapons. Wisconsin and the nine other concealed-carry states in the Midwest have “shall issue” laws: Local law enforcement must issue a gun permit to any individual who meets a set of uniform state standards.

Illinois had been a “may issue” state until this year.

Most Midwestern states levy a corporate income tax. The two exceptions are Ohio, which has a Commercial Activity Tax, and South Dakota.

Michigan tax overhaul cuts business taxes, eliminates many credits

Michigan lawmakers have adopted a new tax structure that proponents believe will encourage business growth but opponents say will unduly burden the elderly and low-income residents of the state.

The state is doing away with the Michigan Business Tax, which included a tax on business transactions and a corporate income tax rate of nearly 5 percent. The state also levied a 22 percent surcharge on businesses. Instead, a 6 percent income tax will be levied only on the state’s roughly 40,000 corporations. The remaining 95,000 Michigan businesses will not have to file corporate tax returns (they will still pay taxes on profits under the individual income-tax code). At the same time, many corporate tax credits, such as one for filmmakers, are being eliminated.

Overall, the new tax structure will provide a $1.7 billion tax cut for businesses, according to The Detroit Free Press. But individual income taxes will increase by about $1.5 billion statewide. Pension income will now be taxed, and many individual tax credits and exemptions will be eliminated. In addition, the state’s Earned Income Tax Credit for low-income workers will be reduced.

Most Midwestern states levy a corporate income tax. The two exceptions are Ohio, which has a Commercial Activity Tax, and South Dakota.

Nebraska plans to re-route part of sales tax for highways

Nebraska will soon add another dedicated revenue source for maintaining, repairing and building roads — the sales tax.

Under LB 84, signed into law in May, a 0.25% sales tax for roads will take effect in 2013. According to the unicameral update (a publication of the Nebraska Legislature), the state’s overall sales tax rate of 5.5 percent will remain unchanged, but instead of all proceeds going to the general fund, some will be diverted to two highway funds.

Last year, Kansas legislators increased the sales tax rate (from 5.3 percent to 6.3 percent) and dedicated more money from this revenue source to transportation. Traditionally, states have relied primarily on two revenue sources for financing highway projects: federal funds (nationwide, they make up 25.5 percent of the total) and user fees, such as gas taxes, tolls and motor vehicle taxes.

In 2009, user fees accounted for a majority of own-source state revenue for highways in every Midwestern state — from a high of 96.8 percent in North Dakota to a low of 54.5 percent in Kansas, according to Federal Highway Administration statistics. Seven Midwestern states used bond proceeds as well, the federal data show; Iowa, Nebraska, North Dakota and South Dakota were among the 15 U.S. states that did not.

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