New gaming in town

With gambling already expanding, technology brings more games, and policy questions, to Midwest states

by Tom Anderson (tanderson@csg.org)

The votes were hard to come by, and time was running out on Minnesota legislators trying to find a way to finance a new stadium for the National Football League’s Vikings. In the end, lawmakers turned to what has become a familiar source in state capitols across the Midwest — gaming. “Minnesotans love to gamble,” notes Democratic Rep. Tom Anzelc, former executive director of the state’s Gambling Control Board. They also love football, and will be paying for the new NFL stadium every time they play the new and old games of chance offered by the state’s $1 billion charitable gaming industry. It is the new games that are expected to provide the additional revenue.

Under the legislation (HF 2958), signed into law in May, the state authorizes the use of electronic pull tabs and linked bingo (players in different locations linked via an electronic device playing the same game) in hundreds of bars, restaurants, fraternal organizations and other establishments.

The measure also puts Minnesota in the vanguard of states expanding “e-gaming” options.

“It’s tough to predict what areas of the state will take to this, what charities and venues will do the best,” Anzelc says. “But I think, in general, the amount of money wagered will increase.”

The state is counting on that additional gaming activity and revenue to build the stadium. Meanwhile, Kansas had a finance problem of its own this year — how to shore up the state’s retirement system for public employees. Part of the solution came as the result of actions taken by the Legislature five years ago, when it authorized the opening of state-owned casinos.

Gambling revenue as % of state’s own-source revenue, fiscal year 2009 (U.S. ranking of reliance on gambling revenue)*

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<tr>
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<tbody>
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*The average gambling revenue accounted for 0.1% to 0.5% of overall revenue in 2009.


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Health & Human Services

Access to medical care down since 2000 in most states, study finds

Nearly every state underwent declines in access to health care in the last decade, according to data released earlier this year by two leading health care organizations. And researchers believe that this deteriorating access has consequences not only for individuals' well-being, but also for the health of states' finances.

The study, commissioned by the Robert Wood Johnson Foundation and conducted by the Urban Institute, found that the share of nonelderly adults who had unmet health care needs because of cost increased between 2000 and 2010.

And, not surprisingly, the largest declines in access to medical care occurred among the uninsured.

"In places where we see a larger share of uninsured, there is a larger deterioration in access," says Stephen Zuckerman, a senior fellow at the Urban Institute who worked on the report. "That suggested to us that whatever safety net was there may not have been adequate to meet the needs of an increasing uninsured population."

Researchers looked at state-level changes in three indicators: percentages of respondents who had gone without medical care because of the cost, and who had received a routine checkup and dental care.

In all but two Midwestern states, access worsened in all three categories. (Minnesota and Wisconsin each showed a small increase in one of the three.) Nationwide, the share of people who had an unmet medical need because of the cost rose by 6.0 percentage points over the decade — so that by 2010, close to one in five Americans reported having an unmet medical need.

Factors such as changes in age, health status and employment status were not enough to explain the large declines, and researchers also found that declines were present before the economic recession began.

When access to basic and preventive care is poor, Zuckerman says, the general health status of a state's population is very likely to suffer — which puts stress on individuals and the entire health system.

From a fiscal standpoint, you may end up getting people showing up at publicly funded clinics and hospitals with conditions that might have been treated in a more cost-effective manner," he says.

During the 10 years studied, the disparity in access between people with and without health coverage grew in almost every state, including in the Midwest (see table).

Zuckerman hopes that the data will be used by state policymakers as they weigh decisions over the future of their health systems, including whether to expand Medicaid under the federal Affordable Care Act.

"There are some real benefits in terms of improved access to care by having people covered by Medicaid or other insurance," he says. "When more people are left uninsured, you are going to see more of these access declines."

Midwest-Canada Relations

Canada upgrading system for tracking cattle, while U.S. still lacks mandatory program

Canada took a big step in the expansion of its livestock tracking programs when the government announced plans to establish a new national system that will provide data and services to industry-run livestock tracking organizations. When up and running, the new system will mark the first time that Canada has a single, national livestock traceability infrastructure in place.

Canada has had a mandatory identification system for cattle and bison since 2001, making it possible to identify and track animals during food safety or animal health emergencies. The industry-led Canadian Cattle Identification Agency runs the cattle ID program. Quebec has a parallel organization, which is also run by industry.

Once in place, Canadian Agri-Traceability Services, or CATS, will integrate the two organizations’ reporting data and allow producers to report to a single agency. Federal officials say the program will provide a more effective traceability system in the event of an animal health emergency.

Under Canada’s current system, all cattle and bison must be tagged before leaving the farm where they were born. Imported animals must also be tagged, unless they are headed for immediate slaughter.

But cattle and beef producers have a particular focus of livestock tracing programs. Before beef is served on a plate, the steer may have had four or more owners, as well as crossed the border between Canada and the United States for feeding and slaughter.

In cases of animal disease outbreaks, tracking systems allow investigators to trace where an animal was born and follow all of its stops on the way to slaughter. A good system can help reduce the number of animals involved in an outbreak, minimize the number of animals that must be tested, and limit economic impacts when animal sales and movement must be put on hold during an investigation.

"The U.S. is behind on traceability by almost any measure," says Glynn Tonsor, associate professor of agricultural economics at Kansas State University. As a result, he says, U.S. beef exporters remain at a competitive disadvantage in relation to most other exporters in the event of a disease outbreak. Beef producers suffered huge losses when Asian markets were closed to both U.S. and Canadian exports in the early 2000s due to an animal disease discovery in Alberta. Thus far, the U.S. has only had a short-lived voluntary premises-registration program, which ended in 2009.

The USDA expects to issue a final rule this year.

The proposed rule does offer some improvements for tracking breeding animals," Tonsor says, though he adds that "this improvement is relative, since there are lots of exemptions in the initial phase." The USDA announced that it will do an evaluation after the initial phase to determine whether any other cattle under the rule — an indication, Tonsor says, that the effort to get all cattle covered will be a very long process.

The proposal has been opposed by many ranchers, who rely on branding to identify cattle. Under the rule, cattle would be required to have an official ear tag with a unique identifying number (branding identifies only the farm of origin). Still, Tonsor says the proposed rule will likely be implemented, noting that it is seen as "more palatable" than the voluntary premises-registration program.

The USDA expects to issue a final rule this year.

Trends in access to health care for adults, ages 19-64

<table>
<thead>
<tr>
<th>State</th>
<th>Share with unmet health needs due to cost, 2010</th>
<th>Percentage point difference from 2000 level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured</td>
<td>Uninsured</td>
<td></td>
</tr>
<tr>
<td>Illinois</td>
<td>8.6%</td>
<td>+3.1</td>
</tr>
<tr>
<td>Indiana</td>
<td>11.4%</td>
<td>+2.9</td>
</tr>
<tr>
<td>Iowa</td>
<td>8.7%</td>
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<td>Kansas</td>
<td>11.5%</td>
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</tr>
<tr>
<td>Michigan</td>
<td>11.9%</td>
<td>+6.1</td>
</tr>
<tr>
<td>Minnesota</td>
<td>8.5%</td>
<td>+1.3</td>
</tr>
<tr>
<td>Nebraska</td>
<td>7.3%</td>
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<td>North Dakota</td>
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<tr>
<td>Ohio</td>
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<td>South Dakota</td>
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<td>Wisconsin</td>
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<td>+1.6</td>
</tr>
<tr>
<td>United States</td>
<td>11.2%</td>
<td>+1.2</td>
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</tbody>
</table>


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

Brief written by Kate Tormey, CSG staff liaison to the Midwestern Legislative Conference Health and Human Services Committee. She can be reached at ktormey@csg.org. The committee’s co-chairs are South Dakota Sen. Jean Hunhoff and Illinois Sen. Mattie Hunter.

Brief written by Jene Grossman, who serves as staff liaison to the Midwestern Legislative Conference Midwest-Canada Relations Committee. She can be reached at jgrossman@csg.org.

The committee’s co-chairs are Kansas Sen. Ray Merrick and Saskatchewan MLA Wayne Elhard.
**Agriculture & Natural Resources/Energy**

**Pressure to waive or change ethanol mandate grows due to drought, high corn prices**

The long-simmering fuel vs. food debate has reached a boiling point, as the result of drought conditions that have raised corn prices and precipitated requests for the EPA to adjust the federal Renewable Fuels Standard. On Aug. 20, the U.S. Environmental Protection Agency opened a 30-day public comment period on requests to provide temporary relief from the RFS mandate. The agency has until mid-November to decide whether to grant the waiver.

Under the federal RFS, signed into law in 2007, refiners, blenders and importers must use anywhere from “zero to $1.30 per bushel for corn.”

Researchers concluded that the impact could be anywhere from “zero to $1.30 per bushel for corn.” Thaddeus Gadan of the Great Lakes Fishery Commission.

“Food producers have been saying for years that this was going to happen; well, it’s happened,” says Thomas Elam, an agricultural consultant at Indiana-based FarmEcon LLC who supports eliminating the ethanol mandate or, at least, modifying the RFS.

But how much relief would be provided by tightening the mandate? Agricultural economists at Purdue University and Iowa State University tried to answer that question in separate studies released in August.

Depending on the severity of the drought, market conditions and the extent of the waiver, Purdue researchers concluded that the impact could be anywhere from “zero to $1.30 per bushel for corn.”

Iowa State’s Bruce Babcock estimates a 7.8 percent reduction in corn supplies, which would reduce wholesale gasoline prices, by an average of $1.09 per gallon in 2011. The reduction, Hayes says, was even more pronounced in the Midwest.

By 2015, the reduction would rise to 8.8 percent, which would reduce gasoline prices by an average of $1.19 per gallon in 2015.

Under existing law, the ethanol mandate will rise from 10 percent in 2008 to 15 percent in 2015. That same amount has been granted to corn producers through the RFS. The agency has until mid-November to decide whether to grant a waiver.

This time around, Elam says, the agency will only grant a waiver if more political pressure is applied by consumers (who could feel the impact in the form of higher gasoline prices) and livestock groups. Another factor, Elam adds, will be the exact severity of the drought and its impact on corn supplies.

Congress could also move to change the RFS. Proposals have already been introduced to eliminate the ethanol mandate altogether or to link the blending requirement to the amount of U.S. corn supplies.

Under existing law, the ethanol mandate will rise to a maximum of 15 billion gallons in 2015. The total RFS increases to 16 billion gallons by 2022; as written, the law envisions a greater use of renewable fuels that do not use corn, such as cellulosic ethanol.

Elam believes the higher RFS “will become substantially more unworkable” due to factors such as a lack of commercially viable cellulosic ethanol and the failure of E85 to make a dent in the gasoline market.

No region has more of a stake in the outcome of this food vs. fuels debate than the 11-state Midwest, home to 87 percent of U.S. ethanol production.

According to an economic analysis done for the Renewable Fuels Association, the ethanol industry in 2011 was directly responsible for 90,200 jobs and contributed $4.2 billion in output (both direct and indirect) to the nation’s gross domestic product.

These economic impacts are concentrated in the Midwest, but the region also has a large livestock industry: It is home to five of the nation’s 10 highest-producing livestock states (see table).
A trade water program world’s largest cap-and-trade program

Indiana, Kentucky and Ohio became the first states to adopt the same set of trading policies and procedures to limit the amount of nitrogen and phosphorus running off into the Ohio River. Under the Ohio River Basin Water Quality Trading Project, farmers will adopt best practices that limit nutrient runoff, power and wastewater treatment plants will then be able to buy credits, even across state lines, from the farmers.

This project is the brainchild of the Electric Power Research Institute. Jessica Fox, a senior scientist at the institute, says excess nitrogen and phosphorus in the Ohio River eventually end up in the Gulf of Mexico. These nutrients lead to algae growth, which consumes all the oxygen in the water, killing fish and coral and resulting in a large dead zone in the gulf each summer.

Algae growth is also a major concern for waters in the Midwest; Ohio, for example, has launched a new initiative to curb the problem in Lake Erie. According to Fox, various sources — power plants, agriculture, wastewater treatment plants and even cars — add to the nutrient load in water.

“You have to get stakeholders together who normally never sit across from each other at a table.”

Jessica Fox, senior scientist, Electric Power Research Institute

For a project to succeed, she adds, there must be up-front benefits for the stakeholders. Under the new multi-state demonstration project, farmers will receive funding to employ conservation practices that not only reduce nutrient runoff (buffer strips between a field and waterway, for example), but also improve their operations. Industries, meanwhile, can buy water-pollution credits rather than make more-costly plant upgrades.

According to Fox, various sources — power plants, agriculture, wastewater treatment plants and even cars — add to the nutrient load in water.

“You have to get stakeholders together who normally never sit across from each other at a table.”

Jessica Fox, senior scientist, Electric Power Research Institute

To that end, he adds, the project must be able to demonstrate


different sectors of the economy (industries, farmers, utilities) can benefit from the project. In addition, the project will provide a mechanism for negotiating among stakeholders to reach consensus on best practices.

The concept, he says, is to “get the stakeholders together who normally don’t sit across from each other at a table. ”

According to Fox, various sources — power plants, agriculture, wastewater treatment plants and even cars — add to the nutrient load in water.

“Struggling readers in earlier grades and intensive interventions. In Ohio, for instance, most third-graders will be held back if they don’t score at a reading competency level somewhere between ‘limited’ and ‘proficient.’

Controversy surrounding retention seems impossible to resolve,”

Rose wrote in an e-mail interview with CSG Midwest.

For states that move beyond the policy. Rose says, the decision is usually meant to be a “last resort or ‘crucial threat’ to ensure that educators/parents are taking early-literacy efforts seriously.”

“But one thing states have done is include many good cause exemptions to retention (for English lan-
guage learners, special-education students, students previously retained one or two times, etc.),” she adds.

Ohio includes such exemptions, and in Iowa, struggling third-graders will not be retained if they take part in an intensive summer reading program.

Wisconsin lawmakers did not include retention as part of the state’s new policies on reading. Instead, SB 661 allocates funding for a universal kindergarten screener that will evaluate the literacy skills of children entering the K-12 system. The state will also require elementary and reading teachers to pass a more rigorous licensure test. That test will be modeled after one used in Massachusetts, whose students outperform peers from other states on reading scores.

All of these state reforms focus on the youngest learners in a K-12 system. But as Iowa State profes-
sor Gayle Joanne Luze notes, “It’s actually late.”

Gaps in children’s reading skills begin and widen early in life — years before they reach kindergarten — as a result of their varying levels of exposure to language. Children from low-income families and from families where English is not the first language are particularly vulnerable to falling behind, Luze says, adding that schools often don’t have the resources to help those students catch up.

And when these children don’t catch up early, their long-term academic success is compromised.

Reading is a part of every single subject, ” Luze says. “You may be able to comprehend a math concept, but if you can’t comprehend what is on the page of your math book, you can’t grow in that subject or any other.”

According to Fox, various sources — power plants, agriculture, wastewater treatment plants and even cars — add to the nutrient load in water.
American citizens and businesses spent almost $62 billion on landscaping services in 2007, according to U.S. Census data. And to help keep those lawns and gardens pest-free, more than 102 million pounds of pesticides are applied yearly in the United States, according to Beyond Pesticides, a nonprofit group advocating for limited use of pesticides.

One of the biggest concerns about these chemicals is their potential impact on humans, which can include nerve damage, birth defects and cancer, reports the U.S. Environmental Protection Agency.

In order to permit the use of approved pesticides — and ensure that the public is informed about such use — many states have passed legislation requiring notification of pesticide application.

Seven Midwestern states (see map) require companies to post signs immediately after applying pesticides to public or private lawns, parks and other public spaces. (The laws generally do not apply to insecticide applications in private yards or agricultural land, which is regulated separately.)

Illinois has unique partisan system of electing, retaining judges

A

lthough judicial elections have long been a mainstay of the electoral landscape in many states, they have seldom attracted the same level of attention routinely paid to partisan contests for legislative seats or constitutional offices. In recent years, however, a number of high-profile supreme court races have increasingly called attention to the means by which judicial officers are chosen.

Nationwide, states employ a variety of methods in selecting and retaining supreme court justices. Most rely on popular elections or some form of merit selection, but in a few states, justices are selected by other means, including legislative election.

Here in the Midwest, most states have opted to keep politics out of the selection process — at least in theory — with five states (Indiana, Iowa, Kansas, Nebraska and South Dakota) employing merit selection systems for their high courts and three more (Minnesota, North Dakota and Wisconsin) selecting justices by means of nonpartisan elections.

In Michigan and Ohio, candidates for the states’ highest courts are identified through partisan processes (by nomination in Michigan and by primary election in Ohio) but are ultimately selected through general elections that are technically nonpartisan. In Illinois, however, candidates for the state’s highest courts are identified through partisan processes (by nomination in Illinois) but are ultimately selected through general elections that are technically nonpartisan.

Illinois, however, stands alone among Midwestern states in which their party affiliation is indicated on the ballot. And unlike the other five Midwestern states in which justices are elected, Illinois justices are subject only to uncontested retention elections (as opposed to contested re-elections) following their initial 10-year terms of office.

Illinois is also the only state in the region in which Supreme Court justices are elected by district instead of at large in statewide elections, although justices in two of the region’s merit-selection states (Nebraska and South Dakota) are also appointed by district.

This distinctive combination of election and retention procedures in Illinois has produced some noteworthy races in recent years, while generating considerable debate among judicial observers.

In 2004, for example, two candidates for a downstate seat on the court raised a record total of $9.3 million, making it a more expensive race than 18 of the 34 U.S. Senate elections that year. Then in 2010, Chief Justice Thomas Kilbride raised $2.8 million in his successful bid to retain his seat, which, according to one study, was more than the total amount raised by all candidates in all other judicial retention elections nationally between 2000 and 2009.

According to the Institute for the Advancement of The American Legal System, “the extent to which judges are able to interpret and apply the law impartially depends upon their ability to remain free from undue political pressure.”

Matthew Streb, associate professor and chair of political science at Northern Illinois University, agrees.

“Judges are not politicians in robes,” he says. “You don’t want them running on divisive partisan issues.”

And Illinois is not the only state in which concerns have been raised about judicial elections; concerns about the growing partisanship and costs of such races have also surfaced in Michigan and Ohio.

Advocates of judicial elections contend that judges are public officials and that elections serve a useful purpose by holding them more accountable to voters.

But K.O. Myers, director of research and programs at the American Judicature Society, says that voter accountability isn’t necessarily preferable to maintaining an independent and unbiased judiciary: Myers argues that Illinois’ partisan election model “puts judges in the position of having to run political campaigns for jobs that are supposed to be non-partisan and unbiased.”

Despite these concerns, there have been recent attempts in merit-selection states to provide for the election of judges — an indication that the debate over judicial selection is likely to continue.

Pesticide notification rules in Midwest

State requires posting of signs after pesticide application in public or private areas and has additional rules protecting schoolchildren

State requires posting of signs after pesticide application in public or private areas but has no school-related requirements

State does not require any notification of pesticide application

Source: CSG Midwest Research
Illinois' latest big gambling expansion, in 2009. That year, the legislature paid for a $31 billion capital construction program by, in part, authorizing video poker in bars, restaurants and other sites across the state.

Over each of the past two years, the Illinois legislature has passed bills to spread gaming in the state even further. Democratic Gov. Pat Quinn vetoed both bills. This year’s measure, for example, would have authorized the opening of five new casinos (there are already 10 in Illinois), added gaming positions at existing facilities, and allowed the state’s six horse tracks to add slot machines.

Proponents of SB 1849 say they will continue to push for the bill’s passage, pointing to its potential to create employment, bring the state new revenue (through one-time licensing fees and ongoing tax col- lections), and prevent the “leakage” of economic activity from gambling into neighboring states.

Those are all familiar claims made in favor of gambling authorization and expansion. Thompson, though, is skeptical of most of them. “Unless you can market to players outside (the state), like what has been done in Nevada, all of that money just goes to people who aren’t local people,” he says. “Plus, the owners bring the profits to Nevada or some national company; they’re not local people.”

**Sources of state gaming revenue, FY 2010**

<table>
<thead>
<tr>
<th>State</th>
<th>Lottery</th>
<th>Casino</th>
<th>Racino</th>
<th>Par-mutuel</th>
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<tr>
<td>United States</td>
<td>$16 billion</td>
<td>$4.5 billion</td>
<td>$2.9 billion</td>
<td>$510 million</td>
<td>$24 billion</td>
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</tbody>
</table>

* Revenues from video lottery terminals, or VLTs, included in data for racinos.

**CONTINUED FROM PAGE 1**

### Illinois, Iowa in online poker mix

Still, there is appeal these days to proposals that can generate new jobs and revenue, and the “economic leakage” argument remains as strong as ever. In fact, it has become part of the debate over what Whittier Law School professor J. Nelson Rose predicts will be the next wave of state activity on gambling — laws that explicitly legalize and regulate online gaming.

“It’s the Wild West right now,” Iowa Democratic Sen. Jeff Danielson says about the state of video poker right now, “and that doesn’t work.”

He sponsored a bill this year (SF 2275) that would have authorized Internet poker, with the licenses to run the games being offered to Iowa’s existing casino operators. The bill was passed in the Senate but stalled in House.

“It’s not about trying to bring more revenues into state government, “ Danielson says. “That should be the last reason for trying to regulate Internet poker. It is about protecting consumers and dealing with an economic problem that is not going away.”

The economic problem, he says, is that the online activity is taking money away from the state’s in-state casinos and local communities, and instead sending it overseas. At the height of the nation’s poker craze, he says, $100 million was leaking out of Iowa because of the online activity.

Under his plan, Iowans could play poker online against fellow residents as well as players in other jurisdictions where the activity has been legalized. In addition to Iowa, Illinois is positioning itself to potentially be an early adopter of online poker.

### A brief history and overview of gaming in the Midwest: Milestones in expansion of lotteries, casinos and more

- **1972 — Michigan Launches a Lottery**
  Michigan becomes an early adopter of a state lottery through voter approval of a constitutional amendment. It is the first state in the Midwest to have a state lottery up and running. All other states in the region eventually follow Michigan’s lead, with **North Dakota** being the last to do so in 2003. This law only allows for participation in multi-state lotteries.

- **1988 — South Dakota Makes First Bet**
  **South Dakota** voters approve limited-stake gaming in the historic Old West town of Deadwood. The maximum bet was initially $5, but William Thompson, a professor at the University of Nevada, Las Vegas, and national expert on state gambling laws, says voter approval was a milestone. This year, the South Dakota Legislature raised maximum bets in Deadwood from $100 to $1,000.

- **1989 — Rise of Indian Gaming**
  The federal Indian Gaming Regulatory Act is signed into law, providing the regulatory framework under which tribal authorities can conduct gambling operations (state consent is required in some instances). Twenty-eight U.S. states now have Indian gaming, including **Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, South Dakota and Wisconsin**.

- **1993 — Route for Vegas to Come to the Midwest**
  A new Nevada law gives that state’s licensed casino operators the go-ahead to open facilities elsewhere. “The biggest investors, those from Las Vegas, went national,” Thompson says. In Ohio, for example, the gaming industry put money behind a 2009 ballot initiative authorizing casinos. “The casinos promised jobs,” Ohio Rep. Louis Blessing says, “and anybody who promised jobs that year was going to win.”

- **2007 — New Type of Casino Owner: State of Kansas**
  Kansas becomes the sixth Midwestern state to OK casino gambling. The new law also makes Kansas the first state to own casinos. According to the American Gaming Association, more than 20 U.S. states now authorize commercial casino gambling, including Illinois, Indiana, Iowa, Kansas, Michigan, Ohio and South Dakota.

- **2012 — Illinois in Front on Online Gaming**
  On March 26, Illinois becomes the first U.S. state to sell lottery tickets over the Internet. Illinois’ plans to launch Internet lottery sales also led to a milestone ruling by the U.S. Department of Justice. That decision gives states the go-ahead to authorize many types of online gambling, says professor J. Nelson Rose, a leading international authority on gambling law. Illinois and Iowa are often cited as likely early adopters of laws that authorize and regulate online poker.

- **2012 — Minnesota Transforms Charitable Gaming**
  Lawmakers in Minnesota — which has the nation’s largest charitable gaming industry — pass a bill that will bring electronic pull tabs and video bingo (players in different locations linked via an electronic device playing the same game) to hundreds of bars, restaurants and other establishments. Nonprofit organizations are licensed to conduct these games. In 2009, Illinois legalized video poker in restaurants and bars (not part of that state’s charitable gaming activities).

- **2014 — Gates Open for ‘Racinos’**
  Iowa becomes the first Midwestern state, and one of the first in the U.S., to legalize casino-type gambling inside racetracks. Most recently, Ohio authorized “racinos” this year (HB 386). **Indiana** is the other Midwestern state that permits racinos. In August, Illinois Gov. Pat Quinn vetoed SB 1849, which would have legalized racinos.

- **1990s — Casino Reach Land**
  During an era in which anti-gambling coalitions are mostly successful, **Michigan** voters’ narrow approval of land-based casinos in Detroit to a casino in Windsor, “and that doesn’t work.”

- **1994 — Gates Open for ‘Racinos’**
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**Sources of state gaming revenue, FY 2010**

- **Iowa**
  - Casino: $120 million
  - Racino: $17 million
  - Total: $130 million

- **Nebraska**
  - Racino: $32 million
  - Total: $100,000

- **South Dakota**
  - Casino: $120 million
  - Racino: $17 million
  - Total: $137 million

- **Wisconsin**
  - Casino: $104 million
  - Racino: $144 million
  - Total: $344 million

- **United States**
  - Casino: $16 billion
  - Racino: $4.5 billion
  - Total: $24 billion

**CONTINUED FROM PAGE 1**

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Senate Democratic President John Cullerton unveiled a plan earlier this year to create a Division of Internet Gaming within the Illinois State Lottery. With that new agency in place, the state would legalize online poker and open up the activity to Illinois residents as well as individuals around the world living in jurisdictions where it is legal.

Early adoption, combined with a single Internet gaming platform that can attract large pools of potential poker players, could make Illinois a hub of “i-gaming” activity, Cullerton believes. As a result, instead of economic leakage, Illinois would see an influx of dollars from out-of-state residents, he says.

Earlier this year, Illinois became the first state to begin selling lottery tickets over the Internet.

Those sales began less than a year after a U.S. Department of Justice ruling gave the go-ahead not only for Illinois’ plans, but for almost any other type of intrastate gambling proposals.

“The real-world impact was eliminating the federal law that prevented states from doing whatever they want inside their own borders,” says Rose, a leading international authority on gambling law. “And, in fact, it should even allow states to go across state lines or even international lines as long as it is legal on both ends.”

Rose, for example, envisions new interstate agreements popping up among states that have approved online gaming, similar to what states do currently with multi-state lotteries.

“The politics of this are, The states are desperate for money and there is so much gambling in this country already, so legalizing one more form like Internet poker is not that big a deal,” Rose says. “Once it’s up and operating in a few states like Nevada and Delaware, and maybe Iowa and New Jersey, you’re going to find a lot of states jumping on the bandwagon.”

“It’s not going to take decades,” he adds. “In less than 10 years, most of the states will have Internet gambling by any definition.”

Policymakers will face many thorny questions along the way. What is the societal impact of legalizing online gambling, of opening up a type of gaming that can be played without leaving the home and that is only a few computer clicks away? And what kind of economic effects will it have on in-person gambling operations?

“Nobody knows the impact,” Rose says. It is also unclear what will be legal, and what will be outlawed.

Danielson wants online poker authorized in his state, but he is emphatically against online slot machines.

“Poker is a game of skill, not a game of chance,” he says. “That is a huge difference, and there is broader consensus [for legalizing online poker] for that reason.”

But what happens, Rose asks, if a state-run online lottery begins putting the image of a scratch-off ticket on a computer screen?

“Then it becomes indistinguishable from a slot machine,” he says.

Minnesota is facing some of those dilemmas now as it begins to roll out electronic bingo and pull tabs.

Tom Barrett, executive director of the Minnesota Gambling Control Board, says the new games will offer “more animation, more bells and whistles.” But at the same time, electronic pull tabs cannot mimic slot machines — no spinning reels, for example. The state, then, must carefully approve the games before they are introduced to consumers in sites across the state.

Thid introduction of “e-gaming” marks a new era for gambling in Minnesota, and Barrett says other states are watching closely.

States have always been keenly aware of their neighbors’ gambling laws and activity, and that will only intensify as policymakers experiment with new forms of gaming.

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### 10 states with largest charitable gaming industries, as reported to National Association of Fundraising Ticket Manufacturers (2011)*

<table>
<thead>
<tr>
<th>State</th>
<th>Total net receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minnesota</td>
<td>$1.0 billion</td>
</tr>
<tr>
<td>Ohio</td>
<td>$907 million</td>
</tr>
<tr>
<td>Texas</td>
<td>$706 million</td>
</tr>
<tr>
<td>Washington</td>
<td>$546 million</td>
</tr>
<tr>
<td>Michigan</td>
<td>$553 million</td>
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<tr>
<td>Indiana</td>
<td>$475 million</td>
</tr>
<tr>
<td>Kentucky</td>
<td>$393 million</td>
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<tr>
<td>New York</td>
<td>$265 million</td>
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<tr>
<td>North Dakota</td>
<td>$264 million</td>
</tr>
<tr>
<td>Nebraska</td>
<td>$240 million</td>
</tr>
</tbody>
</table>

* Not all states have reporting requirements, nor does all states report data to the association. Every state in the Midwest has laws authorizing charitable gaming. States of origin typically allowed include bingo, pull tabs and raffles as well as special events where “games of chance” — poker, roulette and blackjack — can be played.

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Conference agenda available online at www.csg.org/2012NationalConference
South Dakota Sen. Mike Vehle

Former banker, businessman considers supporting entrepreneurs and protecting state’s infrastructure his top legislative priorities

by Kate Tormey (ktormey@csg.org)

South Dakota Sen. Mike Vehle can thank many people for giving him advice and guidance that has shaped his career — and one of them is singer John Denver.

It was the mid-1970s, and Vehle was in his car on the 14th Street Bridge in Washington, D.C., where he was working for then-U.S. Rep. Jim Abdnor. Traffic had come to a grinding halt on a hot spring day, and he could barely hear himself think over the revving of engines around him. Then, John Denver’s “Rocky Mountain High” came on the radio. Vehle took it as a sign that it was time to head west — and back home to his native South Dakota.

After spending four years working for Abdnor, a longtime family friend, Vehle decided to try something new. He worked at a large grain business in central South Dakota with his father. Vehle eventually became president and planned to buy the company, but he was outbid by a major corporation. So he instead he went into venture capital and later launched a career in banking.

Vehle learned many lessons from these early life experiences, many of which have proven critical to his legislative success, he says. As a door-to-door book salesman working his way through college, Vehle learned the value of hard work. And one of Vehle’s colleagues in the finance industry once gave him some sound advice that he remembers to this day.

“He told me that people need money, but what they need more is advice — and advice they will accept,” Vehle recalls. “It’s the people you invest in, not the widgets.” Vehle, a Republican, would later use these lessons as a policymaker interested in economic development issues, particularly how his state can support entrepreneurs and small businesses.

In his former roles as an investor and the president of a large grain company, Vehle also learned the value of having a solid plan for the future. He’s now putting that philosophy to use as a member of the Legislature’s long-term planning committee. Made up of 11 legislators, the panel is charged with tackling big-picture issues that will affect your state over the next year and a half.

Now in his fourth two-year term in the Legislature (two in the House and two in the Senate), Vehle is chair of the Transportation Committee. Made up of 11 legislators, the panel is charged with tackling big-picture issues that will affect your state over the next year and a half.

As chair of the Transportation Committee, Vehle is charged with tackling big-picture issues that will affect your state over the next year and a half. One of the challenges is doing just enough to get by, everyone is doing it equally among all teachers.

Let’s say you are looking at putting a plant in your state, and you drive on our roads and they are terrible. You are going to have a lot of trucks driving on it but there are potholes and you’re wondering, “Is this is where you want to build another factory?”

We do it with our students. We give them better teachers [by serving as] good mentors; and if you’re a math teacher, you can use the money for that. And you’re going to have a lot of trucks driving on your roads and bridges, so we need to keep up.

As chair of the Transportation Committee, Vehle is an advocate of investing in the state’s infrastructure. Why?

“I don’t refer to it as ‘infrastructure’ because it’s a word people don’t connect with. Roads and bridges are something that we need to keep up. Since the price of oil has gone up, it has made it tough, especially for county roads, to keep up the road structure. We are letting oil roads go back to gravel and gravel roads go back to dirt. We don’t need to go backward.

Sometimes we have that wealth circulate within your community.

As chair of the Transportation Committee, Vehle is an advocate of investing in the state’s infrastructure. Why?

One of the things you feel strongly about is creating wealth locally. What do you mean by that and why is it so important for your state?

It’s nice to have the “big box” stores, but we have lost a lot of local entrepreneurs along the way — a lot of small, independent businesses. It’s those small, independent businesses that grow and become a part of your community. Not only do they hire people in your community, but they are the people making donations, or being part of something new in the community. …

There is a difference between having that wealth locally and having it based out of San Francisco or Minneapolis or Kansas City, because where do those business people put their personal wealth? When that personal wealth resides in your area, people start other businesses there. When they are philanthropic, they give major [sums of] money. Let’s say I live in Minneapolis and I have a store here in Mitchell, S.D. There is a big push for something in the local community and there is a civic center being built in Minneapolis. Where am I going to give my money? In Minneapolis. I don’t know the people in Mitchell — I just built a store there, went there for the grand opening and went home. It is important to

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What you can’t do is take the money and divide it equally among all teachers.

Let’s say you have two teachers teaching the same grade. One is just doing a bang-up job, everyone is happy and the kids are learning, and the other one is doing just enough to get by. And you’re going to pay them the same? … What’s fair about that?

What is wrong with rewarding excellence? We do it with our students. We give them better grades and they get into better colleges and so on. Isn’t that an American concept, rewarding excellence? Obviously there were some people against it, but I am hopeful that we will be able to maintain [those reforms].

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A rare bipartisan victory
Fiscal pressures override party polarization as lawmakers in Iowa work together to reform state’s mental health system

by Iowa Sen. Jack Hatch (Jack.hatch@legis.iowa.gov)

I n years past, Republicans and Democrats routinely joined together to work on tough economic and social issues. But the past four years have not been conducive to repeating this camaraderie. As a result, it has been more difficult to address the major issues facing our states.

Now, to put this in perspective, state legislatures are nowhere near as deadlocked as the U.S. Congress, so there is continued hope of advancing good public policy in our states.

A refreshing example is our passage of major mental health reform legislation in Iowa in 2012. With Senate File 525, we completely restructured the delivery and financing of our system, moving from the antiquated county-base approach to a statewide system, regionally managed and locally delivered. But this didn’t come easily. The General Assembly had convened subcommittees, work groups and interim committees for the past five years — and nothing happened. But the pressure to meet the financial obligations grew stronger, something that every state is experiencing.

In 1996, we committed more financial resources from the state, but as budgets became tighter, our commitment to funding county-based services weakened. We tried to match Iowa’s mental health needs with federal, state and county resources, but the state never met its obligation. The financing was always out of balance.

As a result, county supervisors blamed legislators from both parties knew that we had to work together.

To address the major issues facing our states.

Political challenges loom
It wasn’t going to be easy; Republicans now controlled the Iowa House, the Democrats continued to control the Senate and we had a new Republican governor. It seemed as if we were destined to start acting like Congress.

But something strange happened. While the Democrats proposed a new regional structure to replace the county-based system, the House Republicans dismantled the system’s financing by repealing the entire county property tax levy that funded the county share of the $1 billion mental health financing structure.

The House repeal was part of a supplemental appropriation bill the new governor requested, and after weeks of moving this bill back and forth between the two chambers, it was signed and we were off to the races. Now we had to do something — because of property tax reduction, we opened the door to re-creation of a new mental health system.

As the metaphor suggests, “You can’t put the genie back into the bottle,” and now the legislature was unavoidably committed to its task.

In the most toxic political environment I have ever experienced, we had to deal with the pros and cons of the regional structure, and of financing and delivering the services, to discuss the pros and cons of the regional structure, and of course, to remind legislators of the cost and future financial cliff we needed to avoid. In the end, the state appropriated twice the previous year’s amount and we reinstated the local property tax levy.

Ironing out the details
The Department of Human Services staff and its director, Chuck Palmer, were crucial in bridging all the different versions into a single consensus piece of legislation. They volunteered thousands of hours to analyze the details of financing and delivering the services, to discuss the pros and cons of the regional structure, and of course, to remind legislators of the cost and future financial cliff we needed to avoid. In the end, the state appropriated twice the previous year’s amount and we reinstated the local property tax levy.

Country officials are still cautious and some are still hostile, but the great majority finally embraced the new system.

The final vote was a bipartisan accomplishment, and in late May, Gov. Terry Branstad signed the bill into law at a community health center in Waterloo.

Now we have one year to implement the new system, but this debate is not over. As any responsible legislature must do, we will monitor and adjust where necessary, but at least we accomplished a major reform at a time when Congress couldn’t even decide when to adjourn.

Sen. Jack Hatch, a Democrat from Des Moines, was first elected to the Iowa Senate in 2002.

Submissions welcome
This page is designed to be a forum for legislators and constitutional officers. The opinions expressed on this page do not reflect those of The Council of State Governments or the Midwestern Legislative Conference. Responses to any FirstPerson article are welcome, as are pieces written on other topics. For more information, contact Tim Anderson at 615.925.1929 or tanderson@csg.org.
2012 ‘Book of the States’ now available

CSG’s signature publication is premier reference source for state government data and analysis

How much does your state spend on education? It seems like an easy enough question. And, like most state policymakers, you probably know the answer.

But what about special education? Or the construction of new schools? Or the amount spent on school administration versus school operations? These questions might prove to be more elusive.

Since 1935, The Council of State Governments has produced “The Book of the States” — the encyclopedia of state government profiling politics, policy, programs and spending across the states and U.S. territories — which seeks to answer these tough questions and provide an annual snapshot of activities in the states.

Each volume of “The Book of the States” contains more than 30 original articles by state leaders, practitioners, noted academics and other experts looking at state government today and the policy trends that will impact states tomorrow.

With more than 180 charts and tables containing more than 100,000 unique pieces of data, it is a one-stop shop for understanding the workings of modern state government.

“The Book of the States” has become an iconic CSG product. For 77 years, it has been the reference tool of choice for those seeking to better understand the intricacies of American state government.

CSG’s new The Book of the States Online web tool provides immediate access to the articles, charts and tables in the current edition as well as access to previous editions of the series back to 2004.

As the tool grows, users will be able to access charts and tables in more than 50 different categories and create custom reports based on queries of information dating back to 1935.

A look inside: Latest edition features in-depth articles on key state policy areas

“The Book of the States” includes articles by CSG policy analysts, academics and other top experts in state government. Examples of articles from the 2012 edition include:

- Trends in Congressional Pre-Emption
- Pillars of Hope: Attorneys General Unite Against Human Trafficking
- Using Evidence-Based Practices in Sentencing Criminal Offenders
- Amazon and the States: New Momentum for States to Recoup Sales Taxes on e-Commerce Transactions
- States Turn to Commissions, Task Forces for Transportation Funding Solutions
- States Making Early Steps in Journey Toward Common Core State Standards Implementation
- Long-Term Care and Support: A Tool for Targeting State Improvement
- The Call to Leadership: Medicaid as a Driver in Health Care Reform
- Reentry Evolution: The Federal Role in Supporting State and Local Efforts
- Hydraulic Fracturing: An Introduction and Policy Considerations for States

View the entire 2012 edition, along with past editions, online at http://knowledgecenter.csg.org.
MLC’s renowned BILLD program offers leadership training for new lawmakers

In August, 37 lawmakers from 11 Midwestern states and four Canadian provinces attended the 18th annual Bowhay Institute for Legislative Leadership Development (BILLD).

The five-day program — produced by the Midwestern Legislative Conference in partnership with the University of Wisconsin Robert M. La Follette School of Public Affairs — provides professional development and leadership training for newer legislators. This year’s agenda included:

• policy sessions on the regional economy, corrections reform and the U.S.-Canada economic relationship;
• professional development workshops on topics such as time management, effective communications and consensus building;
• a panel of legislative leaders from the region who shared their insights on how to become more effective policymakers; and
• a closing session featuring a conversation with Thomas Jefferson, portrayed by humanities scholar and author Clay Jenkinson, who discussed the values and vision of the United States’ third president and how those ideals apply in today’s political and social environment.


Applications for the 2013 BILLD program will be available early next year. For more information, contact Laura Tomaka at ltomaka@csg.org.

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Row 2: Rep. Mike Kuglitsch (Wisconsin); Rep. Paul Torkelson (Minnesota); Rep. Jill Billings (Wisconsin); Rep. Paul Farrow (Wisconsin); Sen. Lydia Brasch (Nebraska); Rep. Rebecca Kubaska (Indiana); MLA Cameron Friesen (Manitoba)

Row 3: Sen. Dan Schaible (North Dakota); Sen. Barbara Bollier (Kansas); Rep. Jim Balin (South Dakota); Rep. Ann Williams (Illinois)

Row 4: Rep. N. Joel Fry (Iowa); Rep. Ron Guggisberg (North Dakota); Sen. Allen Schmidt (Kansas); Rep. Andreas Kieffer (Minnesota); MPP Monte McNaughton (Ontario); Rep. Dorothy Pelanda (Ohio); Rep. Mike Sinziano (Ohio)

Row 5: Rep. Aric Nesbitt (Michigan); Rep. Spencer Hawley (South Dakota); MLA Mike Allen (Alberta); Rep. Pam Roth (Iowa); Sen. Charlie Janssen (Nebraska); Rep. Kristin Coutant (South Dakota); Rep. Rick Billinger (Kansas)

Row 6: Rep. Daniel Biss (Illinois); Rep. Mark Lofgren (Iowa); Rep. Ken Yanker (Michigan); MLA Paul Merriman (Saskatchewan); Sen. Doug Eckerty (Indiana); Rep. Kevin Mahan (Indiana)
In Michigan, big changes coming to teacher retirement system

Under a restructuring of the state’s retirement system for public school employees, Michigan teachers will be paying more for their benefits.

SB 1040 was signed into law in August. Proponents of the measure hailed it as a necessary cost-saving move, noting that the rate that school districts pay toward employee retirement benefits has doubled since 2002. Opponents said the measure takes away an earned benefit and will dissuade young people from entering the teaching profession.

According to the Detroit Free Press, SB 1040 will require school employees either to make larger pension contributions or receive reduced pensions. It also calls for a cost-benefit analysis of moving new hires into a 401(k)-style defined-contribution plan.

Michigan is changing the retiree health care system for teachers as well. Most current retirees will have to pay more (20 percent), and retirees will have to pay more (20 percent) of their premiums. Some state officials have called for larger pension contributions or receive reduced pensions.

North Dakota lawmakers say speeding drivers should pay higher cost

If a driver in North Dakota gets stopped by police for driving 65 miles per hour in a 55-mph zone, he or she leaves the scene with a $10 fine. That amount is too low, an interim legislative committee has decided, as are many of the state’s penalties for speeding. According to The Bismarck Tribune, the committee is backing a plan to increase many highway speeding fines by double or more. For example, the penalty for the aforementioned violation would rise from $10 to $50. During committee hearings, proponents of making these changes said North Dakota’s fines were no longer serving as an effective deterrent. The proposed changes will be taken up by the legislature in 2013.

According to the U.S. Department of Transportation’s 2011 “Summary of State Speed Laws,” North Dakota’s fines for speeding fall between $5 and $100, depending on how fast the motorist was driving over the speed limit. This type of “fee scheduling” is common in state statutes — for example, speeding fines range from $60 to $425 in Iowa, $10 to $300 in Nebraska, and $50 to $100 in Wisconsin. Indiana, Kansas, and South Dakota cap speeding fines at $500. Illinois, at $1,000, and Ohio at $150. Conversely, Michigan’s statutory language sets minimum fine amounts — between $10 and $50.

Illinois creates fund for sexual assault services with ‘skin tax’

Over the past five years, state funding for Illinois’ 32 rape crisis centers has declined by 28 percent.

State lawmakers took actions in 2012 to reverse that trend, by creating a new revenue source that will be dedicated to funding these centers.

The “skin tax,” as it is sometimes called, imposes a $3 per patron surcharge on strip clubs that serve alcohol or a flat fee based on a club’s taxable receipts.

Under HB 1645, signed into law in August, money from the tax will go toward a new Sexual Assault Services and Prevention Fund. Dedicated revenue from the tax to rape crisis centers is appropriate, proponents of the bill say, because alcohol consumption at strip clubs has been linked to sexual assault, sexual harassment and prostitution.

Lt. Gov. Sheila Simon noted in a May press release that Illinois is following the lead of Texas, which passed a similar law in 2007. The Texas measure has since withstand a legal challenge that it was an unconstitutional violation of free speech.

According to the Chicago Sun-Times, Illinois’ new tax is expected to raise up to $1 million a year.

Ohio voters will get final say on who should draw political maps

Ohio voters will decide in November whether the task of redistricting should be taken away from state elected officials and put in the hands of a 12-member commission.

The proposed constitutional amendment would have an immediate impact; the ballot proposal calls for new maps to be redrawn prior to the 2014 election.

Under current Ohio law, the General Assembly is put in charge of the congressional map while a five-member board of state elected officials has purview over state legislative districts. In contrast, the newly formed 12-member commission could not include current and former officeholders, their family members, or lobbyists and big political donors.

According to the Brennan Center for Justice, six U.S. states already have put politician-free commissions in charge of redistricting. In the Midwest, legislatures get at least the first crack at drawing and at approving new political maps. Iowa, though, is often singled out for its unique process: nonpartisan legislative staff develops a map, which then must be approved or rejected, without modification, by the legislature. If the legislature fails to approve staff’s first two plans, it may amend the third map as it would any other bill.