The hows and whys of taxing farmland

by Carolyn Orr (orr@arl.us)

It is the single largest source of revenue raised by local governments (two-thirds of the total), and the single largest tax paid by farmers (44 percent of the total). The property tax is the lifeblood of rural schools and other critical public services, but can also be a burden on agricultural producers: Across the United States, the equivalent of one-fifth of the gross sales produced by farmland is paid in property taxes each year.

Such costs can impact the stability of many farms, particularly in a period of income shortfall such as the one encountered by some farmers in the Midwest during the drought of 2012.

State legislators are ultimately responsible for finding the balance that works, an agricultural taxation formula that sustains both rural communities and their farmers. “Policymakers should ensure that a logical approach is used, consistently applied and presented to taxpayers in a transparent fashion,” John Anderson, an agriculture economist at the University of Nebraska, says about the principles that guide decisions about how to tax agricultural land.

Keeping farmers farming, and ag land producing

“No farms, no food” is the message used by the American Farmland Trust, an organization that advocates for policies that protect agricultural land. One way to keep land in production is a sensible property tax system for the agricultural sector.

All land is taxed based on fair use or market value. However, every state provides some type of preferential treatment for farmland. Farm fields are assessed at below market value as long as they are being actively used for agriculture production. This preferential treatment began in the 1960s in response to the massive conversion of tens of millions of acres of rural land to non-agricultural uses.

Farmland left on the fringes of growing urban areas tends to jump in value, as a result, an agricultural producer’s income doesn’t keep pace with escalating property tax bills.

Preferential assessment, then, has been justified as a policy to protect family farms and to keep land in farm use.

In many cases, the preferential treatment now written into state law merely codified informal and inconsistent assessment practices that had previously provided property tax relief.

State codification of these policies has not been without controversy, though. Shouldn’t a farmer, wealthy on account of owning a valuable piece of land, be paying more in taxes? Some critics ask.

Yet these preferential-treatment policies have stood the test of time, and several studies have confirmed that they help slow metropolitan sprawl and keep land in agricultural production.

In addition, over the past 15 years, a series of “cost of community services” studies have shown that working agricultural lands generate more in public revenues (through property taxes) than they receive back in public services — even after the preferential tax treatment is taken into account.

The reason is that open farmland requires little public infrastructure and few public services. Its “cost of community service” is less than one-third that of residential land.
Economic Development

NGA report highlights economic drivers for states, and policy ideas

Taxes and regulations have a significant impact on business creation and development, including how fast businesses grow and where they decide to locate. However, other policies impact the robustness of state economies as well, according to two reports released in July by the National Governors Association.

Both publications are part of the NGA’s Initiative on “Growing State Economies,” which explores strategies to assess state economies and foster growth. The NGA’s current chair is Nebraska Gov. Dave Heineman.

The first report looks at six forces (beyond tax, spending and regulatory policies) that shape a state’s business environment: entrepreneurs, education and skills; innovation and technology; private capital; global markets and linkages; and industry clusters. Focusing policies on these economic drivers, the report concludes, can improve business conditions and spur job creation.

The report highlights the role of state policy in regard to each of these forces. For example, policies designed to boost education and skills should focus on increasing college attainment and on training that prepares the next generation of entrepreneurs and business owners.

The second NGA report spells out 12 steps that policymakers can take to help the private sector grow. Along with noting the importance of a competitive tax and regulatory environment, the report urges policymakers to prioritize entrepreneurial activity and focus on startup and high-growth companies.

Each of the 12 recommendations is accompanied by examples of state strategies that the report’s authors believe have been successful.

- Illinois’ One-Stop Career Center, which is a one-stop shop for job seekers and businesses.
- Ohio’s Third Frontier program, which is focused on creating a new economy in the state.
- Wisconsin’s Wisconsin Economic Development Corporation, which provides economic development services to businesses.

Brief written by Laura Tomaka, CSG staff liaison to the Midwestern Legislative Conference Economic Development Committee. She can be reached at ltomaka@csg.org. The committee’s co-chairs are Ohio Rep. Ted Celeste and South Dakota Sen. Mike Vehle.

Energy

Court ruling on spent nuclear fuel forces U.S. to reassess storage rules, environmental impact

In the Prairie Island Indian Community, some residents live as close as 600 yards from a facility storing highly radioactive spent fuel from a nearby 40-year-old nuclear power plant. The southeast Minnesota community has unwillingly become what state Public Utilities Commissioner David Boyd calls a “de facto storage site” for nuclear waste. And it is not alone.

Across the Midwest, in eight different states, a total of 16,900 metric tons of uranium is being stored at 22 nuclear power plants. One state in the region, Illinois, is home to nearly 13 percent of the nation’s 67,450 metric tons of uranium, the highest percentage in the country.

Due to delays in planning and building a national repository for this waste, plant operators in the Midwest have been forced to manage the nation’s “temporary” solution — on-site storage — for a long time. And a permanent solution still appears nowhere in sight.

Meanwhile, the Nuclear Regulatory Commission’s process and rules that allow for temporary storage are being revisited, as the result of a June decision by the U.S. Court of Appeals. The decision was the result of a lawsuit by several northeastern states, the Prairie Island Indian Community, and several environmental groups.

In particular, they challenged the NRC’s environmental review process in updating its Waste Confidence Decision and in approving an associated temporary-storage rule.

The court vacated the rules and sent both back to the NRC for further action. In September, the NRC announced that within two years, it would develop an environmental impact statement as well as revise the Waste Confidence Decision and its rule on the temporary storage of spent nuclear fuel.

“[State] public utility commissioners are in favor of having the waste confidence rule reviewed,” says Boyd, who serves as chair of a subcommittee on nuclear waste issues for the National Association of Regulatory Utility Commissioners.

In its June ruling, the appeals court told the commission “failed to properly examine future dangers and key consequences” related to on-site storage, thus putting it in violation of the National Environmental Policy Act.

The Waste Confidence Decision, issued in 1984, included the finding that spent nuclear fuel can be safely stored for at least 50 years beyond the licensed life of each plant. In 2010, the time line was extended to 60 years. The original decision also assumed that a permanent repository for nuclear waste would be built.

The court ruled that the NRC should have made an environmental assessment before determining that doubling the time line would not have a significant impact. The court cited the dangers of fires at storage sites, where spent fuel rods are kept in cooling pools. If the pools were to leak, the rods could catch fire.

The permanent repository planned for Yucca Mountain in Nevada has stalled and may never be built. The Obama Administration canceled the project in 2010, instead creating a commission to develop alternatives.

Brief written by Ilene Grossman, who serves as staff liaison to the Midwestern Legislative Conference Energy Committee. She can be reached at igrossman@csq.org. The committee’s co-chairs are Iowa Rep. Chuck Rodenberg and Nebraska Sen. Deb Fischer.
Great Lakes

Newest U.S.-Canada water-quality pact seen as potentially historic "force for good" in protecting lakes

When the history is written about Great Lakes policymaking in the early 21st century, at least two groundbreaking initiatives will stand out.

The first was enactment of a state compact and companion agreement with the provinces to prevent diversions of Great Lakes waters and improve basin-wide management of them. The second was the Great Lakes Restoration Initiative, an unprecedented funding commitment by the U.S. government to clean up and protect the lakes.

On paper at least, says Andy Buchsbaum of the National Wildlife Federation, a new biennial agreement has the potential to be added to this short list of history-making Great Lakes protections.

"It really depends on how the parties implement it," says Buchsbaum, executive director of the federation's Great Lakes Regional Center. "It could be an incredible force for good for the Great Lakes, or it could simply be a nice paper that sits on the shelf."

Few parties will matter more in implementation, he adds, than the Great Lakes states.

Many years in the making, and signed by U.S. and Canadian officials in September, the revised Great Lakes Water Quality Agreement is much broader in scope than its predecessors. Previous versions of the agreement (first signed in 1972) have focused largely on preventing the discharge of toxic substances into the lakes, along with cleaning up environmentally degraded "hot spots" in the basin, known as "Areas of Concern." The revised accord has been expanded to address other threats: invasive species, habitat degradation and climate change, for example.

States, in particular, will play a lead role in a portion of the agreement that calls for reductions in the amount of phosphorus entering the lakes. Phosphorus causes harmful algal blooms and dead zones (low-oxygen areas that don't support marine life) in the Great Lakes system — a problem most prevalent in parts of Lake Erie.

The agreement requires that phosphorus-reduction targets be set for Lake Erie within three years and that an action plan be in place within five years. The time line for the other four lakes is more open-ended. "States are going to have to figure out where the phosphorus is coming from now, what types of reductions have to be made, and then how those reductions will be made," Buchsbaum says. "The major sources are agriculture and wastewater treatment plants."

With regard to invasive species, the new agreement calls for a new basin-wide early detection and rapid response action plan to be developed within two years. The two countries have also agreed to develop new tools to understand and predict — and ultimately mitigate — the impacts of climate change on the Great Lakes.

There have been notable hits and misses in implementing previous versions of the pact. Though the agreement is often cited as a catalyst in reducing point-source pollution and levels of toxic pollutants, only four of the 43 "Areas of Concern" have been de-listed.

Estimated vaccination coverage for adolescents ages 13 to 17 (2011)*

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<tr>
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<td>63.7%</td>
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<tr>
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<td>28.4%</td>
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<tr>
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<td>49.8%</td>
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<td>80.5%</td>
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*Combined vaccine against diphtheria, tetanus and pertussis (whooping cough)

Health & Human Services

U.S. data on teen immunizations show most coverage rising, but little change in HPV vaccination

More of the nation's teenagers are getting immunized against diseases such as meningitis and diphtheria, but U.S. vaccination rates also show wide variances among the states. In addition, federal data show little progress in the percentage of girls receiving the human papillomavirus (HPV) vaccine.

"We are very concerned about plateauing in HPV vaccination rates," says Dr. Melinda Wharton of the U.S. Centers for Disease Control and Prevention.

"It seems that providers may not be making a strong recommendation for administering the vaccine at the recommended age in the same way they do for the other adolescent vaccines."

The three-dose HPV vaccine guards against a sexually transmitted disease linked to cervical cancer in women. It is recommended at age 11 or 12 and Canadian officials in September, the revised Great Lakes Water Quality Agreement is much broader in scope than its predecessors.

Previous versions of the agreement (first signed in 1972) have focused largely on preventing the discharge of toxic substances into the lakes, along with cleaning up environmentally degraded “hot spots” in the basin, known as “Areas of Concern.” The revised accord has been expanded to address other threats: invasive species, habitat degradation and climate change, for example.

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*Combined vaccine against diphtheria, tetanus and pertussis (whooping cough)

Brief written by Kate Tomney, staff liaison to the Midwestern Legislative Conference Health and Human Services Committee. She can be reached at ktomney@csg.org. The committee's co-chairs are South Dakota Sen. Jean Hunhoff and Illinois Sen. Mattie Hunter.
Poverty rates, income inequality up in most Midwestern states

Poverty rates and income inequality are on the rise in most parts of the Midwest, new U.S. Census Bureau data show, with the former reflecting current economic woes and the latter continuing a decades-long trend. Most states in the region still fall below the U.S. poverty rate of 15.9 percent, with Indiana, Michigan and Ohio being the exceptions. Those three states and Illinois had “statistically significant” increases in poverty rates between 2010 and 2011. In all, 17 U.S. states reported such increases.

In contrast, North Dakota, South Dakota and Wisconsin were three of only four U.S. states to experience a drop in poverty rates over the previous two years, though none of the declines in the Midwest was statistically significant. Minnesota continues to have the lowest rate in the region.

Here are other some of the noteworthy national findings about poverty in the United States:

- Rates are highest among people under 18 (21.9 percent) and lowest among those 65 and older (4.7 percent).
- There is a large disparity among different races: 27.6 percent of blacks and 25.3 percent of Hispanics live in poverty, compared to 9.8 percent of non-Hispanic whites.
- The poverty rate for married-couple families is 6.2 percent; it is 31.2 percent for families headed by a female with no husband present.
- Most states in the Midwest (and 20 nationwide) had statistically significant increases in income inequality: Illinois, Michigan, Nebraska, Ohio and Wisconsin.

In this region, disparities in income are most pronounced in Illinois, but even that state’s Gini Index (the measurement used to determine income inequality) is lower than the nation’s. Among the 11 Midwestern states, income is most evenly distributed in South Dakota.

An analysis of state Gini Indexes by the online news site 24/7 Wall St. found that income inequality tends to be greatest in highly populated states with relatively low levels of educational attainment among the adult population.

States across the country, though, have been experiencing an increase in income inequality since at least 1969.

## Rates of poverty, levels of income inequality in Midwest (2011)

<table>
<thead>
<tr>
<th>State</th>
<th>Poverty rate (U.S. rank)</th>
<th>Income inequality, as measured by Gini Index (U.S. rank)*</th>
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</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>15.0% (25)</td>
<td>.472 (13)</td>
</tr>
<tr>
<td>Indiana</td>
<td>16.0% (21)</td>
<td>.466 (14)</td>
</tr>
<tr>
<td>Iowa</td>
<td>12.8% (37)</td>
<td>.434 (41)</td>
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<tr>
<td>Kansas</td>
<td>13.8% (31)</td>
<td>.446 (37)</td>
</tr>
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<tr>
<td>Wisconsin</td>
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<td>.437 (40)</td>
</tr>
<tr>
<td>United States</td>
<td>15.4%</td>
<td>.475</td>
</tr>
</tbody>
</table>

* Gini Index ranges from 0.0 (perfect income equality) to 1.0 (perfect income inequality).

Sources: U.S. Census Bureau and CSG Midwest calculations.

## Calm after the storm: Repeat of ‘wave’ election cycle appears unlikely

Over the past two years, some of the Midwest’s state legislatures have found themselves in an unusual place — atop national news coverage about American politics. Protracted walkouts by legislative caucuses in Indiana and Wisconsin, votes on contentious changes to union laws in those states as well as others, and controversial voter-ID measures have attracted attention around the world.

Those events, though, were the result of political races in 2010 that received scant public attention.

The battle for partisan control of state legislatures is once again being largely ignored, but the outcomes this November will have a profound impact on the direction of U.S. public policy.

Louis Jacobson, a staff writer for PolitiFact who has handicapped state races since 2002, says there likely won’t be a repeat of the “wave election” of 2010 that delivered Republicans full control of several statehouses — including Indiana, Kansas, Michigan, Minnesota, North Dakota, Ohio, South Dakota and Wisconsin in the Midwest. (Of those eight states, only Minnesota has a Democratic governor.)

“It’s going to be more of a mixed pot; it’s not all going to tilt one way like it did two years ago,” he says. “That, in itself, would be good news for Republicans considering the extent of their gains in 2010.

On the face of it, a national swing back toward Democrats would seem likely considering recent U.S. electoral trends (a party gains a large number of seats one year, then loses them two years later) and the fact that, as of early September, President Barack Obama was leading in the polls.

But Jacobson points to a few factors that could pour cold water on Democrats’ hopes for a wave election.

First, because they controlled the redistricting process in so many states this time around, Republicans were able to protect vulnerable seats with redrawn political maps.

That could be particularly helpful in swing states such as Michigan, Ohio and Wisconsin. In an August forecast of state legislative elections that appeared in Governing magazine, Jacobson gave Republicans the edge in controlling all six legislative chambers in those three states. Of those six, he says, Democrats have the best chance of securing a majority in the Michigan House and Wisconsin Senate.

A second factor is that the 2010 elections may have marked the last phase of a long-time realignment in some states in favor of the Republican Party. That is particularly true in southern states where Democrats had retained control of state legislatures even though voters favored Republicans in national elections.

But Jacobson also points to Indiana, where a “generational shift” may have occurred in 2010. For several years, the lower chamber in that state has gone back and forth between Democratic and Republican control. Republicans, though, now enjoy a 20-seat edge in the Indiana House, and Jacobson says the GOP appears poised to maintain its political dominance.

In his forecast of which party will control each of the Midwest’s 20 partisan legislative chambers, Jacobson lists two races as “toss-ups”: the Iowa Senate, where control is now split, and the Minnesota House.

“Iowa is always interesting to watch because of its nonpartisan redistricting process,” he says, “and it will be interesting to see whether Minnesota voters give their Democratic governor two legislative chambers controlled by Democrats.”

### 2012 election outlook: The race for partisan control of statehouses, analysis by Louis Jacobson of PolitiFact

<table>
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<th>State</th>
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</tr>
<tr>
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<td>Safe hold for Republicans in House and Senate</td>
</tr>
<tr>
<td>Iowa</td>
<td>Likely hold for Republicans in House, tossing for control of Senate</td>
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<tr>
<td>Kansas</td>
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</tr>
<tr>
<td>Michigan</td>
<td>House “leaning” toward Republicans holding majority; no Senate elections (GOP controls chamber)</td>
</tr>
<tr>
<td>Minnesota</td>
<td>Tossup for control of House; Senate “leaning” toward Republican hold of majority</td>
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<tr>
<td>Nebraska</td>
<td>nonpartisan, unicameral legislature</td>
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<tr>
<td>North Dakota</td>
<td>Safe hold for Republicans in House and Senate</td>
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<tr>
<td>Ohio</td>
<td>House “leaning” toward Republican hold of majority; safe hold for GOP in Senate</td>
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**STATELINE MIDWEST SEPTEMBER 2012**
QUESTION: Which states in the Midwest require training for school board members, and what does the training entail?

Illinois, Minnesota and North Dakota are among the 21 U.S. states that require some type of training for individuals elected to school boards, according to a recent survey by the National School Boards Association.

Over the past decade, several states have either adopted new training requirements or strengthened existing statutory provisions. A mix of factors has contributed to this national trend—the increased complexity of the job (due to more state and federal regulations and larger local school budgets, for example), the push for greater accountability in education, and concerns about student performance.

Illinois is one of the latest U.S. states to adopt a requirement. As part of SB 57, a comprehensive education reform bill signed into law in 2010, anyone elected to or appointed to a local school board after June 13, 2011, must complete a minimum of four hours of training.

The Illinois statute spells out specific topics to be covered during training: education and labor law, financial oversight and accountability, and the fiduciary responsibilities of a school board member. The Illinois Association of School Boards is offering online and in-person training to help its members fulfill the requirement.

In Minnesota, the School Boards Association provides training in school finance and management to each newly elected school board member.

North Dakota requires each newly elected school board member to receive in-service training within a year of taking office. That training, led by the North Dakota School Boards Association, must include presentations on finance and on the role and duties of a school board member.

The National School Boards Association's survey details some of the variances in state laws. For example, some states, such as Minnesota and North Dakota, allow only a school board association to conduct the training; others, such as Illinois, open it to other providers approved by the state.

Most of the mandatory-training states require training for all board members, but others only mandate it for newly elected officials. It is most common for school districts to pay for the training.

States also have varying ways of enforcing the requirement—removing the nonconforming school board member from office, for example, or simply listing noncomforming members on a website. In the survey, some states reported no mechanism for enforcing the training requirement.

In this legislative session alone, more than 6,000 bills were introduced in the Illinois General Assembly, covering a long list of subjects that reflects not only the scope of state government, but the complexity of state lawmaking.

"No legislator can be versed in every single thing," Illinois Republican Rep. Renee Kosel says. "There is no way that I can be an expert on roofing, and dentistry and banking and real estate."

For just about every subject area, a lobbyist is ready to provide Kosel and other lawmakers with information on the myriad bills that come before them.

"We live in an incredibly complex world," says Brian Rude, a former Wisconsin senator who now lobbies on behalf of an electric cooperative. "And no legislator, no matter how bright or engaged, could begin to do a good job of representing his or her constituents without the information lobbyists provide."

Hundreds, sometimes thousands, of lobbyists are registered in each of the 11 Midwestern states—from 369 in Nebraska to 2,412 in Illinois. Their presence inside state capitols is a source of unease among the public and legislators themselves. But professor Brian Rosenthal says concerns about lobbyists having an undue influence on policy must be balanced with the useful role they have long played in American democracy—namely, representing interests and contributing to public debate and discourse.

"Organizing is a natural thing to do to make views known," says Rosenthal, a professor of public policy at Rutgers University's Eagleton Institute. "It's not all going to be grassroots, mass-movement politics. Professional lobbying is a way to open up the system. Are there dangers? Yes. But there are always dangers in democracy."

States, then, have sought to strike a middle ground: Accept lobbying as a part of the policymaking process, but regulate the activity to guard against some of those dangers.

Every state in the Midwest now requires lobbyists to register with the state. (All but Iowa, Michigan and Minnesota charge a registration fee.) In addition, state laws commonly require lobbyists to file disclosure reports and restrict them from giving gifts to legislators.

These state laws have changed the culture inside state capitols for the better, Rosenthal and Rude say, by making the lobbyist-legislator relationship less cozy and more professional.

In most Midwestern states, gift-giving is not completely banned, but it is limited to some set monetary value. And Rep. Kosel says such monetary restrictions should be enough.

"You have to make sure that in mind, there is no way a lobbyist is going to turn your mind around with a dinner."

She would, however, like to see stronger disclosure laws in place in Illinois. Specifically, she wants to reform a comprehensive education and labor law, financial oversight and accountability, and the fiduciary responsibilities of a school board member. The Illinois Association of School Boards is offering online and in-person training to help its members fulfill the requirement.

In Minnesota, the School Boards Association provides training in school finance and management to each newly elected school board member.

North Dakota requires each newly elected school board member to receive in-service training within a year of taking office. That training, led by the North Dakota School Boards Association, must include presentations on finance and on the role and duties of a school board member.

The National School Boards Association's survey details some of the variances in state laws. For example, some states, such as Minnesota and North Dakota, allow only a school board association to conduct the training; others, such as Illinois, open it to other providers approved by the state.

Most of the mandatory-training states require training for all board members, but others only mandate it for newly elected officials. It is most common for school districts to pay for the training.

States also have varying ways of enforcing the requirement—removing the nonconforming school board member from office, for example, or simply listing noncomforming members on a website. In the survey, some states reported no mechanism for enforcing the training requirement.

"If you lose their reputation (among legislators), they are done," he says. "It is no longer smart to have them around."

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of 25 U.S. states that employ this type of system. In the Cornhusker State, agricultural land is assessed at market value, but only 75 percent of that value is taxed. In comparison, residential and commercial property is taxed at 100 percent.

Most states in the Midwest, though, employ some version of use-value assessment — assess the property based on the income a farmer can be expected to earn, rather than the land’s market value. Generally, the income of a farm field is calculated by the land-grant university in a state, with factors such as commodity prices, soil productivity, rental rates and production expenses all taken into account.

There is another part of this formula, too, that can make a potentially huge difference in land values and, as a result, agricultural property taxes: the interest rate for farm mortgage loans. The lower the rate, the higher the value of the land because the cost of owning it is reduced.

In North Dakota, a recent change in how the capitalization rate is calculated led to a 26 percent increase in land values across the state’s 43 counties. Prior to 2012, a capitalization-rate minimum, or floor, had been used to keep the rate artificially high (the floor was 7.4 percent in 2011). This year, the floor was removed; as a result, the actual 10-year average of mortgage interest rates was used. The result was a dramatic rise in land-use values, and potentially higher property taxes without adjustments made at the local level of government. Three years ago, when South Dakota moved from a market-based system to use-value assessments, the Legislature stipulated that the capitalization rate be set at 6.6 percent.

“Legislative requirements that the conversion be revenue neutral and involve no tax shift between different categories of land put significant constraints on the actual formula used to calculate land-use value,” says Republican Sen. Larry Rhoden, chair of the state Legislative Agricultural Land Assessment and Oversight Task Force.

“We set our capitalization rate at 6.6 percent to meet the revenue-neutral goals.” In general, the formula economists use to calculate use-value assessment is this: UVA=net income/interest rate + property taxes.

This formula comes closest to determining what a farmer can afford to pay for land at current commodity and production costs. When commodity prices, yields or cash rents increase, or interest rates decrease, the assessed value rises.

The actual property tax is then determined by multiplying the use-value assessment by the tax rate set by the local taxing authority.

**Same formula, different applications**

Illinois, Indiana, Iowa, Kansas, North Dakota, Ohio, South Dakota and Wisconsin are among the states that employ some type of use-value assessment. These assessment systems, however, can vary widely from state to state.

In determining net income, some states use actual commodity prices and input costs, while others use cash rental rates.

Another key difference is whether caps are in place to control year-to-year increases or decreases in an agricultural property’s assessed value. Illinois (10 percent), Iowa (4 percent) and South Dakota (10 percent) are among the states that have such statutory limits.

Some states allow local assessors to adjust for conditions like flooding, while others use boards of community residents who are appointed by elected officials. And some states only tax a portion of the final use-value assessment — for example, 30 percent in Kansas, 33.33 percent in Illinois and 85 percent in South Dakota.

Nationally, 11 states provide automatic enrollment of farmland into their use-value assessment program; 38 states require landowners to apply. A few states, too, levy a penalty when land is
removed from a use-value assessment program and developed for another use. The reason for this penalty is to guard against property owners taking advantage of the preferential tax treatment until they can sell the land at a good price.

A high penalty per acre that declines with years of enrollments is thought to defer development for years. Professor Anderson encourages states to impose this type of penalty.

Anderson, too, says policymakers should make a point of carefully reviewing their methods of determining capitalization rates and net income. Only then, he adds, can they be sure that a fair and rational approach is being used to tax agricultural land.

Regardless of the formula, agricultural taxation is posing challenges to the region’s policymakers. In states with no statutory cap to limit increases in assessed land value, taxes have the potential to spike up due to rises in commodity prices and productivity as well as decreasing mortgage interest rates. The base rate in Indiana, for instance, (a state that has no cap) has increased 70 percent over the past five years.

In states with a cap, there is a growing disparity between the farm’s actual value and the level at which it is being assessed.

South Dakota is a case in point. As Sen. Rhoden notes, the state’s old market-based system had already created wide disparities in the appraisal of agricultural land from county to county. The 10 percent cap under the new use-value assessment, he says, made it impossible to close those disparities and to close the gap between a land’s taxable value and its actual value.

This year, the Legislature loosened the cap: Taxable values will be allowed to increase 15, 20 or 25 percent annually depending on the county.

### North of the border: How neighboring Canadian provinces tax farmland

- **Alberta** — Each municipality in the province oversees taxation, basing it on agriculture use value and adjusting the assessment for location.

- **Manitoba** — Farmland is assessed every two years and taxed at 26 percent of market value. If the farmland is developed for other use, a tax payback equivalent to up to five years is required to make up for the preferential tax treatment given to the farmland.

- **Ontario** — Farmland must be at least 50 percent Canadian-owned to be eligible for the preferential rate, which is 25 percent of current market value. Only farmer-to-farmer sales data are used to calculate the value.

- **Saskatchewan** — Farmland is taxed at 55 percent of market value, which is set by an independent agency.

### Farm real estate value in 2012, $ per acre, and % change from 2011*

<table>
<thead>
<tr>
<th>Value</th>
<th>% Change</th>
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<tbody>
<tr>
<td>$1,240</td>
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<tr>
<td>$4,250</td>
<td>+8.4%</td>
</tr>
</tbody>
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* The average value of U.S. farm real estate in 2012 is $2,650 per acre, up 10.9 percent from 2011.

Bio-sketch of Rep. Steven Olson

- Republican who is serving his fifth term in the Iowa House of Representatives
- elected speaker pro tem in May 2012; previously served in 2005 as House assistant leader
- active farmer who lives in the eastern Iowa town of DeWitt
- served in the Iowa Army National Guard
- chair of the Environmental Protection Committee and serves on the Agriculture, International Relations and Public Safety committees
- member of CSSG Midwestern Radioactive Materials Transportation Committee

Steven Olson had served two terms on a local school board, but in his decades of living in the eastern Iowa town of De Witt, he had never given much thought to running for higher office.

But the idea had occurred to some members of his community. Ten years ago, a member of the local Republican Party left a voice-mail message at Olson’s home encouraging him to run for a seat in the Iowa House. At first, Olson didn’t think he was interested. But after talking with his wife, Eunice, the couple decided to answer the call to serve.

“We decided we needed to step forward so that some of the opportunities and freedoms that we had growing up are still there for our grandkids and great-grandkids,” Olson recalls.

So Olson, a father of two and now grandfather to four, began campaigning for the fall 2002 race. He won that election, and is now finishing his fifth term in the legislature. To do this, some of the issues that spurred him to run for office in the first place are still priorities.

“The budget issue is very troubling to me,” he says. “While we’re not in too bad a shape in Iowa, when you start talking that for the average family, their share of the federal debt is a couple hundred thousand dollars, that is kind of scary.”

Olson, a longtime farmer who grows corn and soybeans and raises cattle, is passionate, too, about environmental protection and agriculture policy. He has served as chair or ranking member of these committees throughout his legislative career, putting him in the position to help shape state policy on critical issues such as renewable fuels and soil and water conservation.

And this year, he has taken on a new leadership role — having been elected speaker pro tem by his legislative colleagues in May.

Last month, CSSG Midwest spoke with Olson about his legislative career, policy priorities and reflections on leadership. Here are some excerpts from the interview.

Q: You were one of the lead sponsors of 2006 legislation that addressed renewable fuels in Iowa. Tell us about the legislation.

A: It was the beginning of the renewable fuels issue [in Iowa]. While it was not a mandate, we put an incentive package together for retailers to try and promote ethanol and ratchet it up [over time]. If they continue to increase their sales, the tax credit increases as well.

[Editor’s note: The 2006 legislation, HF 2754, put in place a state renewable fuels standard that started at 10 percent in 2009 and will reach 25 percent in 2019. It also provides retailers with tax credits for selling ethanol (2.5 cents to 6.5 cents per gallon of ethanol blended with gasoline) and E85 (at a rate beginning at 25 cents per gallon in 2006 and decreasing gradually through 2020). In addition, $13 million in state funding was provided to help offset the infrastructure costs to retailers of offering these products.]

Q: Why is promoting renewable fuels one of your priorities?

A: First of all, renewable fuel reduces our dependence on foreign oil. Secondly, being from the Corn Belt, it is an outlet for some of the corn to be utilized as fuel. …

Of course, wind energy in Iowa is kind of a big deal. Iowa is one of the top producers of wind. … There are some blade manufacturers that have come to our state, so it provides jobs through the manufacturers of the blades as well.

The biggest issue we have there is finding a way to transfer the energy; the infrastructure is not necessarily in place, nor the storage capacity. The energy has to be used when the wind is blowing, and it isn’t something that can be stored or turned off and on.

Q: You have experience in serving on the local school board, and you have said that education reform is going to be a high priority for the legislature next year. What are some of the issues that need to be addressed?

A: Everyone’s idea is that we need to increase teacher pay. I don’t have a problem with that, but we need to go to some sort of a system where the good teachers are rewarded and the so-so ones are not. [Right now] everyone is treated the same, so a low-end, poorer teacher is paid the same as the outstanding one.

In the private sector, you are rewarded for the quality of work you do, and that is one of the big issues we need to deal with. Come up with some sort of evaluation system so there is accountability and transparency to the parents. And [we need to] give parents some choice, whether it’s a private school, a charter school or something else. I know that the transparency and accountability issues are two of the biggest things the governor wants to work on.

Q: You’ve said that one of the most common concerns among your constituents is property taxes. What would you like to see the legislature do next session in this area?

A: In Iowa, our commercial and industrial properties are taxed at 100 percent of their valuation, and we need to do something about that. … We need meaningful tax reform both from the standpoint of property tax as well as income tax.

In our commercial and industrial tax system, we need some stabilization; Iowa’s laws limit the growth of farmland and housing [valuation] to 4 percent a year [statewide], and I think that we could possibly tie in the industrial and commercial property, too, so that the owners of those properties have some predictability. If they have some predictability and the ability to plan long-term, they would be satisfied.

The governor’s proposal is to reduce [commercial and industrial taxes] 40 percent, but I’m not sure we can get that accomplished. Maybe we could get them reduced by 10 to 20 percent and then get some predictability long-term.

We also need to streamline and expedite our regulatory system. I had a local chiropractor make a comment to me a couple of weeks ago … that the regulatory demands have become too difficult. … I think that whether it’s environmental, business, banking or anything else, we have to take into consideration how much of the red tape we put in place for those people.

Q: You’ve said that you have a leadership style that has served you well since you were president of your high school class. What is it?

A: I try to lead by example and also try to be a mentor. A lot of our freshman legislators stop by my desk and ask what I think about this or that, and I try to give them my honest opinion. I tell them, “You have to make your own decision, but this is what I think and the route I would maybe go.” I hope that I can be a resource to them without having to get up in front and preach.
Help and hope on the way for children, families affected by autism

New Michigan law will improve diagnosis, care and support

by Michigan Lt. Gov. Brian Calley (brian.calley@michigan.gov)

Autism spectrum disorders affect one out of every 88 children, and boys are four times more likely than girls to have autism. My family and countless others in Michigan have experienced the daily challenges of raising a child with autism.

Although it is so widespread and affects so many people, autism is one of the most misunderstood and misrepresented health problems in our country today. Despite its prevalence, ASD receives a fraction of the attention and treatment efforts of diseases that affect significantly fewer people.

In Michigan, however, we are taking steps to raise its profile to help our young people and their families get the treatment they deserve. Ensuring access to evidence-based therapies will give these kids a real shot at fulfilling and independent lives.

There is no "cure" for autism, and the cause or causes remain unknown. Just as there is no single type of autism and no single cause, no two people with autism are alike.

Some common characteristics include difficulties in social situations, verbal and nonverbal communication deficits and repetitive behavior. However, these disabilities can also be accompanied by extraordinary abilities in areas such as mathematics, music and art.

In Michigan, there are an estimated 15,000 children affected by autism, and the challenges of providing treatment are immense. Until recently, many couldn't get critical therapy. The systemic exclusion of coverage from most insurance policies in Michigan resulted in a woefully insufficient number of clinical providers. But these challenges do not mean we shouldn't try — it means we should try harder.

Last April I had the honor of signing reform legislation (SB 414, 415 and 981) to improve autism coverage in Michigan. Before we acted, Michigan was rated one of the 10 worst states for people with autism. Now we've joined 31 other states that have acted to improve autism coverage.

I am pleased lawmakers were able to put aside their political differences and thankful that they combined to get this important legislation approved in the state House of Representatives.

Although it is so widespread and affects so many, autism spectrum disorder receives a fraction of the attention of diseases that affect significantly fewer people.

The law requires Blue Cross Blue Shield, health maintenance organizations and insurers to provide coverage for evaluations for diagnosis and evidence-based treatment such as psychiatric, psychological and therapeutic care (including applied behavior analysis). In addition, the law creates an incentive fund allowing carriers to apply for a reimbursement of claims paid for autism diagnosis and treatment.

In June, Gov. Rick Snyder also issued an executive order to establish an Autism Council to oversee Michigan’s Autism Spectrum Disorders State Plan. The council will serve as an advisory body to review, adopt and implement our state plan, which will be updated yearly.

This plan will provide for comprehensive, lifetime supports to individuals with ASD, and their families, through access to information and resources, coordination of services, and implementation of evidence-based practices.

The plan will be a key factor when implementing coverage, enabling the entities that are engaged in research, education and treatment to be better aligned and work more efficiently toward more-effective outcomes for people with ASD.

Effective coordination is essential to achieving our goals, and the Michigan Autism Council will help ensure that our state plan becomes a reality.

We have come a long way in a short period of time in the treatment of autism. Little more than a decade ago, only one state required health insurance coverage and less than $50 million was dedicated to researching the spectrum.

Today nearly two-thirds of U.S. states have improved health care access for people with autism and almost a quarter-billion dollars are dedicated to its research and related services.

People with autism often have remarkable and unique abilities that are revealed when they get the support they need. In Michigan, thousands of families now have hope and are imagining a better, brighter and more independent future they dared not dream of in the past.

Score one for families and taxpayers.

Michigan Lt. Gov. Brian Calley, a Republican from Portland, was elected in 2010 after serving two terms in the state House of Representatives.

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 630.925.1922 or tanderson@cs.org.

The Autism Society estimates that the lifetime cost of care for a child with autism ranges from $3.5 million to $5 million. Michigan faces an estimated $56 billion in lifetime costs. However, the society believes the lifetime cost can be cut by two-thirds with early diagnosis and intervention. Providing this crucial early treatment in Michigan will improve the quality of life and reduce costs for affected families, the general public and health care providers.

More than a mandate

Michigan's children deserve the highest-quality care available, and this new law ensures that families will receive insurance support for ASD diagnosis and treatment.

Michigan was rated one of the 10 worst states for autism spectrum disorders. The law requires Blue Cross Blue Shield, health maintenance organizations and insurers to provide coverage for evaluations for diagnosis and evidence-based treatment such as psychiatric, psychological and therapeutic care (including applied behavior analysis). In addition, the law creates an incentive fund allowing carriers to apply for a reimbursement of claims paid for autism diagnosis and treatment.

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Although it is so widespread and affects so many, autism spectrum disorder receives a fraction of the attention of diseases that affect significantly fewer people.
Awardsing innovation: CSG honors two programs in Midwestern that aim to protect Great Lakes, Black Hills

Two innovative state programs are being honored by the Council of State Governments for helping protect two critical and beloved natural resources in this region: the Great Lakes and the forests of the Black Hills.

The programs were winners of CSG’s 2012 Innovations Awards and will be recognized at a ceremony this fall at the CSG National Conference in Austin, Texas.

For 26 years, the CSG Innovations Awards program (www.csg.org/programs/innovations.aspx) has worked to bring greater visibility to exemplary state programs.

In the Midwest, a bipartisan group of legislators — the Midwestern Legislative Conference Innovations Committee, led by Minnesota Rep. Carol McFarlane — chooses two winners annually. This year, the committee selected The Great Lakes-St. Lawrence River Basin Water Resources Compact and South Dakota’s Black Hills Forest Initiative.

Below are two articles written by CSG staff on this year’s winners from the region.

Great Lakes accord sets common goals for states to protect common interest

Water is critically important to most states, but particularly in the Great Lakes basin, which contains 20 percent of the world’s fresh water.

“Water is the very backbone of our economic engine of tourism and natural resources,” says Patty Birkholz, a former state senator and current director of the Michigan Office of the Great Lakes. “Water is very important for our tourism economy, and that water has to not only be abundant, there and accessible, but it also has to be clean enough to drink and it has to be clean enough to swim in.”

In 2001, governors of the Great Lakes states — Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania and Wisconsin — formed a compact that recognized the importance of the lakes to the region and the need to protect them for future generations. The multi-year effort culminated in December 2008 with final approval of the Great Lakes-St. Lawrence River Basin Water Resources Compact.

The Great Lakes includes parts of eight states, two Canadian provinces, and there are numerous competing interests, different needs, different histories and different programs in place,” Naftzger says.

“Common goals have been set, but there are significant areas of flexibility for how each of the states will go about achieving those goals,” he says. “It’s very costly, “ he says. “Not everyone can afford to [treat their trees]. I understand that. But if you don’t do it, you aren’t going to win the battle. It’s that simple.”

Sowers says mountain pine beetles generally attack older trees that are at least 12 inches in diameter. If South Dakota and other western states can’t come to grips with this insect, he says, it will have some very long-lasting effects.

“With an epidemic that kills off all the old trees, it causes abrupt changes in the ecosystem and creates a short- and long-term impact economically,” he says. “It hurts the tourism industry. [Visitors] don’t like seeing a lot of dead trees.

“More detrimental is the impact of this to the timber industries that utilize the wood that normally comes off the Black Hills. That wood may not be available and may not be available like we currently have for the next 60 to 120 years. You can see that the economic impact to our wood industry is likely to be severe.”


The Council of State Governments was founded in 1933 as a national, nonpartisan organization to assist and advance state government. The headquarters office, in Lexington, Ky., is responsible for a variety of national programs and services, including research, reference publications, innovations transfer, suggested state legislation and interstate consulting services. The Midwestern Office supports several groups of state officials, including the Midwestern Legislative Conference, an association of all legislators in 11 states: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. The Canadian provinces of Alberta, Manitoba, Ontario and Saskatchewan are MLC affiliate members.
The Council of State Governments recently joined briefs supporting state and local governments in two cases being heard by the U.S. Supreme Court.

The briefs, filed by the State and Local Legal Center, both involve the interpretation of the Clean Water Act.

In Decker v. Northwestern Environmental Defense Center, a dispute arose over how to handle storm water runoff from logging roads in a state forest in Oregon. Lower courts had ruled that federal permits were required for the storm water discharge, even though the EPA disagreed. In the brief joined by CSG, the State and Local Legal Center argued that not only was the lower court wrong in its decision, but also that requiring loggers to obtain federal permits would be costly to state and local governments, and these areas are typically regulated under state, not federal, law.

The second case, L.A. County v. Natural Resources Defense Council, is about Los Angeles County discharging polluted storm water runoff into four rivers regulated by the Clean Water Act. The lower courts considered this to be a violation of the county’s federal permits. CSG’s brief makes several arguments; among them, that the county should not be solely responsible for pollution from storm water runoff it has little control over and that state laws adequately address pollution concerns from this type of discharge.

Both cases are scheduled for oral arguments before the Supreme Court this term.

State and Local Legal Center keeps states updated on Supreme Court; webinars available online

CSG is one of the “Big Seven” state and local organizations served by the State and Local Legal Center. The center files amicus curiae briefs in support of state and local governments in the U.S. Supreme Court.

It also provides other assistance to states and local governments in connection with Supreme Court litigation, including hosting webinars on cases of interest to policymakers and keeping state officials up to date on key court cases.

It has offered two webinars in recent months on the 2011 and 2012 U.S. Supreme Court terms, which included several cases of importance to states, such as those regarding the Arizona immigration law, redistricting in Texas and the federal Affordable Care Act.

More information about the center and archives of its webinars are available at www.statelocal.org. Lisa Soronen serves as the executive director. She can be reached at lsoronen@sso.org.

13 Midwestern policymakers graduate from CSG Toll Fellows leadership program

In September, 13 policymakers from the Midwest completed The Council of State Governments’ Toll Fellows program — one of the premier leadership programs for officials from all three branches of state government. The six-day institute includes sessions on topics such as media training, crisis management and leadership personality assessment. More information is available at www.csg.org/LeadershipCenter.

First row (left to right): Mildred Edwards, executive director, Kansas African American Affairs Commission; Iowa Rep. Dan Kelley; Kansas Rep. Gail Finney; North Dakota Rep. Karen Rohr; and Wisconsin Sen. Lena Taylor. Second row: Joyce Campbell, Ohio municipal court judge; Gregory Tedder, strategic advisor, Michigan governor’s office; Dustin Johnson, chief of staff, South Dakota governor’s office; and Michael Hensch, chief justice, Nebraska Supreme Court. Third row: Jerry Bonnet, general counsel, Indiana secretary of state’s office; James Schwukler, commissioner, Minnesota Management & Budget; South Dakota Sen. Craig Tieszen; and Spencer Cronk, Minnesota commissioner of administration.
As REAL ID deadline nears, Iowa OKs plan for new licenses, ID cards

Iowa will issue driver’s licenses and state identification cards next year that meet the initial security standards set out under the federal government’s REAL ID program.

According to the Quad City Times, all new driver’s license applicants will be given Iowa’s new cards. Individuals with existing licenses will not have to make the switch.

The U.S. Department of Homeland Security has given states until Jan. 15 to be “materially compliant” with new security standards developed as a result of the REAL ID Act of 2005. Eighteen benchmarks are being used to evaluate the security of state driver’s licenses and ID cards. After Jan. 15, individuals with non-compliant licenses and ID cards will have to provide alternative documents or undergo additional screening at the nation’s airports and federal facilities.

According to the Coalition for a Secure Driver’s License, as of July 31, five states in the Midwest were materially compliant with all 18 benchmarks: Iowa, Kansas, Ohio and South Dakota. In addition, Michigan is offering “enhanced” licenses and ID cards that may be deemed acceptable by the Department of Homeland Security. Illinois was the only state in the Midwest meeting 10 or fewer benchmarks, the coalition reports.

Nebraska DUI law key to rise in use of interlock ignition devices

A new Nebraska law is dramatically changing how DUI offenses are handled, the Lincoln Journal Star reports, with the use of interlock ignition devices on pace to increase by 20 percent in 2012.

The state is using the term “No Interlock, No Keys” to describe how the system works under LB 667, which took effect in January. Individuals arrested for a first or second time on charges of driving under the influence can apply for an ignition interlock permit. Their car is then equipped with this device, and won’t start unless the driver records a breath-alcohol concentration level of under .08.

The advantage of this option for DUI offenders is that they continue to have driving privileges. Nebraska’s number of license-revocation hearings, meanwhile, has declined due to the number of arrestees choosing the interlock option. This trend, in turn, is saving law enforcement time and money.

According to the Governors Highway Safety Association, Nebraska, Illinois and Kansas are among the 17 U.S. states that require or highly incentivize the use of interlock devices in all DUI convictions. Michigan, Minnesota and Wisconsin only require the devices in certain cases (repeat offenders and/or those who recorded a high blood-alcohol content level). In other states, discretion is given to local judges.

States look to weed out use of automated “sales-tax zappers”

Concerned about the potential of “sales-tax zappers” to sap state and local governments of revenue, lawmakers are exploring new measures to stop this method of tax evasion.

Earlier this year, the Michigan Legislature approved two bills (SB 768 and SB 769) that make it a felony to sell or use devices that skim cash sales. These automated sales-tax devices are installed in electronic cash registers or point-of-sales systems. Zapper software gives retailers the ability to hide the amount of cash transactions. The Michigan bills were passed following a federal investigation into a chain of Detroit-area restaurants, which allegedly “zapped” more than $20 million in sales over a four-year period.

Sales-tax zappers have also gotten the attention of Indiana lawmakers, who explored various policy options in September. One idea is to join Michigan and seven other states that now explicitly ban the devices. (The Council of State Governments’ latest docket of draft bills under its Suggested State Legislation program includes a Utah measure banning automated sales-suppression devices.)

The province of Quebec has gone a step further; it requires restaurants to use an anti-fraud device known as a sales recording module — a move that netted $160 million in revenue in 2011.

Minnesota now lone Midwest state to publicly finance legislative races

In Minnesota, close to 400 people are running for seats in the Legislature as nominees of the state’s two major political parties. A vast majority of them — 87 percent — have received a public subsidy for their campaigns.

The recently released state data show the extent to which candidates have bought into Minnesota’s public financing system, which provides the subsidy in exchange for a candidate agreeing to abide by spending limits. The limits in 2012 for legislative races range between $34,300 and $90,000.

In all, this year’s candidates are receiving $1.9 million in public subsidies, the Minnesota Campaign Finance and Public Disclosure Board reports. The money comes from a tax check-off program and a $1 million general-fund appropriation.

Minnesota is the only Midwestern state that provides direct public financing to legislative candidates. Wisconsin did away with its Election Campaign Fund last year, and in Nebraska, a 1992 campaign-finance law was ruled unconstitutional this summer by the state Supreme Court. Under this law, a subsidy was provided to a candidate who agreed to a spending limit and whose opponent exceeded it.