States put more watchful eye on tax incentives and their impact

New laws in Midwest strengthen evaluations by legislatures

by Laura Tomaka (ltomaka@csg.org)

In the final weeks of this year’s legislative session, Minnesota Rep. Bob Barrett worked successfully to secure $100,000 in state funds for a city in his home district.

The money, which came from an existing economic development program, aims to help the city lower taxes and be more competitive within the state, as well as with neighboring Wisconsin. But as Barrett’s appropriations request made its way to final passage, he had to answer questions from colleagues. What will prevent you, the Minnesota Senate chair asked Barrett during conference committee, from coming back next year and requesting even more money?

“If this money doesn’t do what it’s intended to do, then I won’t be coming back,” Barrett told fellow legislators. But if it works, and we [create] new jobs, new businesses, new property taxes in my area, that would be telling you that it was money well spent, and I will be coming back and asking for more.”

This same bottom-line, results-oriented approach is also behind Barrett’s support of a new law in Minnesota (part of SF 888) that calls for greater legislative scrutiny of the state’s various tax-incentive programs. Whether it’s $100,000 for a city or millions of dollars for a business, he wants more accountability: Track how government is spending its money, and evaluate what is working and what is not.

“We give out an awful lot of money,” Barrett says, “and I want to know how well that money is being used.”

With the new law in place, Minnesota’s legislative auditor will evaluate at least one major tax incentive program each year. The auditor will also study “exclusive incentives” — those packages given to specific companies or projects. (One notable example of a recent “exclusive incentive” was the nearly $500 million in state and local subsidies for a new Minnesota Vikings stadium.)

Over the past 30 years, business incentives have become a significant part of state and local economic-growth strategies across the country. Every U.S. state, in fact, has at least one program that offers tax or financial incentives to businesses as a way to encourage job creation and growth.

In 2012, a New York Times investigation found that, collectively, state and local governments spend $80 billion annually on business-incentive programs. “Many of these incentives operate as automatic features of the state tax code, and they don’t really get evaluated in the same way that an expenditure program would,” says Peter Fisher, research director of the Iowa Policy Project.

As long as states are competing against each other for business activity and jobs (and local governments are doing the same), these programs will be part of economic development strategies. But the new law in Minnesota reflects a trend in state legislatures across the country: Lawmakers are demanding more oversight and accountability.

Demanding results, information

According to the Pew Charitable Trusts, 17 states — including Indiana, Minnesota, Nebraska and North Dakota in the Midwest — have passed laws since 2012 requiring a formal evaluation that analyses the effectiveness of individual incentive programs.

“It’s really been a nationwide movement to get better information about the results,” says Josh Goodman, a Pew researcher.

Path to establishing high-quality, successful legislative evaluations of economic development incentives

✓ Tailor evaluations to meet needs of legislators and circumstances in individual legislatures (session lengths, availability of nonpartisan legislative staff, use of interim committees, etc.)

✓ Determine who will evaluate and when and how often the evaluations will be done

✓ Assess the efficacy of the incentives based on their impact on the state economy as a whole and on the state budget

✓ Build the evaluations into deliberations over policy and budget decisions

Source: The Pew Charitable Trusts

The use of business incentives has become a common economic development tool for states and local governments. But are these incentives paying off? Recently enacted state laws have established more-thorough evaluation systems to answer this question.
Health & Human Services

Rates of uninsured falling, but still at or near double digits in some Midwestern states

In 2014, the first year that many provisions in the federal Affordable Care Act began to take effect, more than 300,000 people in Minnesota still did not have health insurance.

That figure amounts to 5.9 percent of the population — in a state where the rates of uninsured have been among the lowest in the nation and where Medicaid was expanded early on to cover more low-income residents.

“There is more hard work that needs to be done,” Stefan Gildemeister, program director for health economics at the Minnesota Department of Health, says about reducing the number of residents without health coverage.

The Affordable Care Act, while contributing to a rise in insurance coverage across the Midwest, has not been a cure-all. In fact, in some states, the percentage of people without coverage still hovers around the double digits, federal data for 2014 show (see map).

Who remains uninsured in this country? According to the Kaiser Family Foundation, many of these individuals (49 percent of the total uninsured population) are eligible for some kind of financial assistance, either through state Medicaid and children’s health insurance programs or via subsidies under the federal Affordable Care Act.

To help meet these goals, the minister has been given the authority to set new province-wide “targets” of the changing climate and keep them drinkable, swimmable and fishable for generations to come. “To help meet these goals, the minister has been given the authority to set new province-wide “targets” to protect the Great Lakes. And in one area, the minister is required to take action: developing plans to reduce harmful algal blooms. (Under an agreement signed earlier this year with Michigan and Ohio, Ontario has pledged to cut nutrient runoff into western Lake Erie by 40 percent over the next five years.)

New water monitoring and reporting requirements are also part of the new Ontario law. Specifically, the province must assess the impact of climate change on the lakes and track water quality, including the prevalence of harmful pollutants such as microplastics.

Three years ago, the province released a new “Great Lakes Strategy”: a document that lays out priorities and strategies for protecting the lakes.

The 2015 act “enshrines” the idea of having this kind of strategic plan in place, Dave Levac, speaker of the Ontario Legislative Assembly, told fellow Great Lakes Legislative Caucus members in September at their annual meeting in Buffalo.

And not just must this Great Lakes Strategy remain in place, Levac added, it must be updated every six years. He also highlighted the act’s inclusion of a newly formed “Guardians Council,” a forum for Ontario’s local leaders, scientists, and environmental and agricultural leaders to collaborate with one another.

Together, the council will develop priorities for Great Lakes protection and could also help shape the direction of “geographically focused initiatives.”

As envisioned in the Great Lakes Protection Act, the Affordable Care Act, we expected the market to settle by sometime in 2016,” Gildemeister says. “There needed to be time for the uninsured to learn about opportunities, to become familiar with the system and to recognize the value of having insurance coverage.”

There is another reason to believe the rates of uninsured Americans will continue to fall — starting in 2016, the ACA’s penalty for not having coverage stiffness, from $325 to $695 per adult. This change will likely convince more people to sign up for coverage through their employers or the exchanges.

In the Midwest, seven states — Illinois, Indiana, Iowa, Michigan, Minnesota, North Dakota and Ohio — have already expanded their Medicaid programs to cover more low-income people. (The federal government is fully funding this expansion through 2016.)

But in states that have not expanded Medicaid, some individuals fall into a “coverage gap”: earning too much to qualify for Medicaid but not enough to qualify for subsidies through the exchanges.

This group accounts for 10 percent of the nation’s uninsured population, the Kaiser study found.

In all, more than 30 million people in the United States do not have health insurance, but this number is likely to decline in ensuing years. In Massachusetts, where the state adopted ACA-style health care reform in 2006, 3.3 percent of the state’s residents were uninsured last year.

Nationwide, the rate was 11.7 percent.

Great Lakes

New Ontario law encourages local initiatives as part of wide-ranging strategy to protect lakes

With enactment of the Great Lakes Protection Act in October, Ontario is not only deepening the province’s commitment to the freshwater system, it also is hoping to spur more locally driven projects and initiatives.

Glen Murray, the province’s minister of the environment and climate change, says the new law (Bill 66) is needed to help the lakes “withstand the impacts of the changing climate and keep them drinkable, swimmable and fishable for generations to come.”

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As envisioned in the Great Lakes Protection Act, these initiatives will be developed and implemented locally (with help from the province) — for example, plans within a single watershed to reduce phosphorus runoff, or within a community to prevent the loss of wetlands, protect beaches or maintain critical habitat.

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Pending trade deal opens markets for Midwest farmers, but raises concerns among some groups

Even without a new Trans-Pacific Partnership, U.S. agriculture producers have deep ties to the 11 other countries involved in the potentially historic new trade deal.

About 45 percent of the nation’s farm exports already have these nations as their destination, and as the U.S. Congress decides whether to approve the TPP, one of the deciding factors could be this: Will this deal open up key foreign markets even further, for the benefit of the nation’s farmers and ranchers?

Soon after the deal was announced, many major agriculture associations were praising the deal as a “win” for U.S. agriculture.

“[It] holds enormous potential for expanded beef, pork, lamb and poultry exports, which also means good news for our crop producers through increased feed sales,” says Barry Carpenter, president of the North American Meat Institute.

Under the deal, Japan’s tariff on beef, currently as high as 50 percent, would be cut to 9 percent.

There would be similar reductions in the country’s pork tariff, and Vietnam and Malaysia would eliminate beef and pork tariffs altogether.

According to Carpenter, these changes should result in immediate increases in red-meat sales to the Asian region’s 500 million consumers. Japan, Vietnam and Malaysia would also end most tariffs on fresh and processed fruits and vegetables.

The TPP, if approved, holds promise for U.S.-produced grains as well. Wheat sold to Japan, for example, faces a markup of $150 per ton; that would be cut by 45 percent over the next nine years. Also, tariffs on bread products would be eliminated — a potential boon for the Midwest’s Plains states, where wheat production is strong.

For dairy products, New Zealand has agreed to eliminate its tariffs, while Canada would open a share of its protected market. In return, the United States would eliminate most of its tariffs on imported dairy products.

Roger Johnson, president of the National Farmers Union, cites the opening of dairy markets as an example of why the TPP might be a double-edged sword for some Midwest dairy producers — they may get increased Canadian sales but face more competition at home.

“We are already exporting to most of these countries, so I don’t expect more than a small increase in market access and export sales as a result of TPP, which may be offset by increased imports,” Johnson says.

He warns, too, that the TPP does not address a fundamental problem with the trade relationship between the United States and some other countries: currency manipulation.

“While the agreement has some significant tariff reductions … there are no sanctions against a [country] lowering [its] currency value,” Johnson says. “The value of our dollar as compared to their currency greatly impacts exports in commodities.”

The 12 countries in the TPP (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam) make up 40 percent of the world’s economy.

Formal congressional debate on the trade deal will begin soon after negotiators finalize and then release the full text of the 30-chapter agreement. That debate may not always center on the deal’s impact on agriculture, but it will be a consideration for U.S. lawmakers who represent farm-dependent areas in the Midwest.

### Education

Iowa offering teachers new career pathways and higher pay

**Average starting teacher salaries in Midwest, 2012-13**

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<th>State</th>
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<th>Salary</th>
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<td>South Dakota</td>
<td>$34,696</td>
<td>West Virginia</td>
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*The U.S. average is $36,141.*

These new leadership roles (with salary supplements) must be made available to at least 25 percent of a district’s teachers. Not only are these instructors better compensated, they are able to share their methods with peers and help create a stronger instructional system — within the school, the district and, ultimately, the entire state.

“There are so many more opportunities for teachers to improve their practice, and for the best teachers to take on leadership roles, which will improve the overall culture and learning environment in schools,” Wise says.

The system is being phased in over a four-year period. When fully in place (for the 2016-17 school year), it will cost the state $150 million a year.

“Iowa had been leading the nation in student achievement, but growth started slowing and other states were passing us by,” says Wise, explaining the impetus for the new Teacher Leadership and Compensation system.

“We needed to put Iowa back on top, and the idea of teacher leadership as a key driver for system improvement in education started to come up.”

Success of the system will be measured locally (based on standards established in the district’s grant application) and through a statewide evaluation by the American Institutes of Research.

Brief written by Katelyn Tye, staff liaison to the Midwestern Legislative Conference Education Committee. She can be reached at ktye@csg.org. The committee’s co-chairs are North Dakota Sen. Kyle Davison and South Dakota Rep. Jacqueline Sly.
In 2016, ballot measures will determine fate of death penalty, wage laws

After a quiet year for statewide ballot measures in the Midwest, voters will be deciding the outcome of several high-profile issues in 2016, from the future of the death penalty in Nebraska to a youth minimum-wage law in South Dakota.

Only Ohio had ballot measures this fall. Voters approved changes to Ohio’s redistricting process (creating a bipartisan commission to draw legislative districts) and prohibited ballot initiatives from creating market monopolies. They rejected a proposal to legalize marijuana (for details, see article on this page).

Ohio’s legalization proposal captured national attention, and the same will be true of next year’s death-penalty measure in Nebraska.

Earlier this year, the unicameral legislature abolished capital punishment, but proponents of keeping it have since gathered enough signatures for a statewide vote in November 2016.

One year ago, South Dakotans agreed to raise the state’s minimum wage, to $8.50 an hour, and to adjust it annually based on inflationary increases. This year, with passage of SB 177, the legislature moved this new law by carving out a separate, lower minimum wage for workers under the age of 18 (set at $7.50, with no inflationary changes). SB 177 has now been referred to a statewide vote, which will take place next November.

Other ballot measures in the Midwest for 2016 will include:

• A legislatively referred constitutional amendment in Minnesota to create an independent council that establishes salaries for state legislators. (Right now, the legislature sets the pay for members.)
• A veto referendum in North Dakota that would overturn a 2015 law exempting certain members.)
• A legislatively referred proposal in Indiana to make hunting, fishing and the harvesting of wildlife among the protected rights in the state Constitution.

Other ballot measures may include proposals in Michigan to ban fracking and to legalize marijuana possession.

Laws on direct democracy in Midwest

Proposed constitutional amendments, statutes can be initiated by citizens and appear on the ballot without legislative approval

Citizen-initiated proposal can only amend legislative article of Illinois Constitution

Legislative approval required for measures to appear on ballot

Source: Ballotpedia and CSBS “The Back of the Ballot”

Ohioans say ‘no’ to legal marijuana; states continue to re-examine laws

In less than a decade’s time, national public opinion on marijuana legalization has changed dramatically, with the rate of people in support of such a change jumping from 32 percent in 2006 to 53 percent today.

Will this shift lead to changes in state laws in the Midwest?

Thus far, the answer has been a clear-cut “no.” Legalization bills have not come close to passing in any of the region’s 11 state legislatures, and this November, Ohio voters rejected by a wide margin a plan to legalize marijuana via a constitutional amendment.

But state legislatures in this region continue to re-examine their laws on marijuana, as evidenced by laws and legislative proposals in this region to decriminalize possession or allow the use of cannabis for medical purposes.

The decriminalization option

According to NORML (a pro-legalization organization), Minnesota, Nebraska and Ohio are among the 19 U.S. states that have decriminalized certain types of marijuana possession — classifying it as a criminal misdemeanor that does not carry the threat of jail time.

The decriminalization of marijuana has also received support from Illinois’ governor and legislature. Under HB 218, passed by the General Assembly in August, individuals possessing 15 grams or less of marijuana would no longer face longer jail time, but instead be issued a “uniform cannabis ticket” with fines up to $125. This civil offense would also be automatically expunged in order to prevent it from being part of an individual’s permanent criminal record.

But Gov. Bruce Rauner issued an amendatory veto to HB 218, in part because he wanted to decrease possession limits from 15 grams to 10 grams and increase the fine to $200. The legislature did not act in time to override his veto.

The medical marijuana option

Illinois, Michigan and Minnesota are among the 23 U.S. states that allow residents with debilitating medical conditions or diseases to legally purchase and consume marijuana. (While the U.S. Food and Drug Administration has not recognized or approved the marijuana plant as medicine, two FDA-approved drugs contain cannabinoid chemicals in pill form.)

As part of their new laws, these states have established patient registries and/or ID systems as well as developed a list of diseases and conditions for which marijuana can be legally dispensed.

But there also are key differences in the three Midwestern states’ medical marijuana statutes. For example:

• Illinois allows for the registration of cultivation centers and dispensing organizations.
• Minnesota directs the commissioner of health to register two in-state manufacturers for the production of all medical cannabis.
• In 2013, the Michigan Supreme Court ruled 4-1 that marijuana dispensaries in the state are illegal. As a result, patients in Michigan must grow their own marijuana or get it from a designated caregiver. That caregiver can have a maximum of five patients who use medical marijuana.

In 2016, with passage of SB 177, the Legislature will take place next November.

This year, with passage of SB 177, the legislature sets the pay for members.

In Illinois, patients may have 2.5 ounces of usable cannabis during a period of 14 days, while in Michigan, patients may possess up to 2.5 ounces of usable cannabis and 12 plants. In Minnesota, in-state manufacturers supply patients with up to a 30-day supply of non-smokable marijuana.

The legalization option

For now, although bills seeking to legalize marijuana were introduced this year in 21 states, state legalization laws remain confined to the American West, with voters in Alaska, Colorado, Oregon and Washington having approved separate initiatives over the past three years.

Ohio’s legalization proposal, Issue 3, was rejected by voters this fall by a nearly two-to-one margin.

Under the proposed constitutional amendment, anyone over the age of 21 would have been allowed to possess up to an ounce of marijuana, and individuals with a physician-certified medical condition would have been authorized to use medical cannabis. With a state license, Ohio residents could have possessed, grown, shared and cultivated up to eight ounces of marijuana and four marijuana plants.

But because of other provisions in Issue 3, many pro-legalization groups expressed ambivalence, if not outright disagreement, with the proposal.

As worded, the proposal would have created 10 “marijuana growth, cultivation and extraction facilities” in Ohio. These facilities, pre-selected by Issue 3’s financial backers, would have had exclusive rights to grow plants for commercial use.

Because of this controversial language, proponents say, the recent results in Ohio do not accurately reflect public opinion on legalization itself. Another test of its popularity may come next year in Michigan, where two different groups in support of legalization have launched separate petition drives in advance of next year’s election.

States in Midwest that have decriminalized marijuana possession and/or legalized use of medical marijuana*<br><br>Source: NORML

* Laws and initiatives have laws allowing for the use of cannabis extracts to treat serious, debilitating epileptic conditions (Nebraska) and autism disorders (Illinois only)

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Aricle written by Laura Kliewer, a CSG Midwest senior policy analyst. She can be reached at kliewer@csg.org.
New-member orientations serve as building block for legislative success

by Ilene Grossman (igrossman@csg.org)

or most new state legislators, only a few weeks separate their November election victories and their first day in office.

There is a lot to learn in that short time frame — everything from the legislative process and constituent services, to information about the staffing and resources available to them.

Orienting these new members, then, is crucial to helping make the legislative branch run smoothly, especially in states and in election years with high rates of turnover due to term limits and other factors.

Offered in every Midwestern state legislature, new-member orientations are run by nonpartisan staff, often with oversight from legislative leaders or a joint or bipartisan legislative committee.

In the Midwest, it is most common for a single orientation to be held for newly elected members of the House and Senate and to be overseen by a nonpartisan legislative service agency.

But there are exceptions. In Kansas, only a portion of the training is done jointly, and in Michigan and Minnesota, much of the programming is developed separately for the House and the Senate. In Kansas and Michigan, the House clerks and Senate secretaries oversee orientations. These duties in Minnesota are handled by the Senate secretary and, for the House orientation, by a bipartisan legislative committee.

New legislators are not required to attend these orientations, but nearly all of them do. As a result, one of their first legislative experiences is getting to know colleagues from other parts of the state and from the other political party — through both the formal orientation sessions and social activities offered around them. In Minnesota, for example, the orientation for House members includes a three-day retreat.

This early chance at relationship-building can create lasting bonds in the legislature. (It is one reason states have been hesitant to move away from in-person orientation sessions.)

The length of these orientations varies from state to state, one day in South Dakota, for example, and five days in Nebraska.

Typical programming includes:

- an introduction to the appropriations process, and
- an overview of administrative procedures, which may include details on salaries, reimbursements and per diem.

In some states, representatives from the governor’s office and state Supreme Court may give short presentations as well.

Once sessions begin, much of the formal training by nonpartisan legislative staff ends. But learning opportunities remain for first-year legislators; examples include:

- continued training in Nebraska on the legislative process and rules;
- “lunch and learn sessions” offered in Iowa by the fiscal division of the Legislative Services Agency (open to all interested legislators);
- programming in Indiana on ethics and harassment avoidance;
- one-hour follow-up meetings for new members of the Minnesota Senate (held about a month after session begins); and
- a question-and-answer session offered by the Wisconsin Legislative Council once legislators are part way through their first year in office.

Capital Closeup is an ongoing series of articles focusing on institutional issues in state governments and legislatures. Previous articles are available at www.csgmidwest.org. This article is based on a CSG Midwest survey of the region’s legislative service agencies and other nonpartisan legislative staff.

The benefits of participating in high school sports extend well beyond the playing field: lower dropout rates; improved health and reduced obesity; lessons on teamwork, work ethic and commitment; and enhanced leadership roles.

Concerned that pay-to-play fees limit student opportunities, some lawmakers have proposed curbing or eliminating these charges.

In 2012, California lawmakers passed legislation (AB 1575) that prevents school districts from requiring students to pay a fee for a number of educational activities, including attendance at summer school, the use of books and lab equipment or supplies, and participation in sports. Schools are permitted to ask parents for a donation.

In Ohio, Sen. Cliff Hite, a former teacher who spent 22 years as a high school football coach, has been holding hearings across the state to learn about pay-to-play policies in school districts and to determine what lawmakers might do to either eliminate or cut those fees.

According to a 2013 survey by the National Federation of High School Associations, school districts in 21 states — including Indiana, Michigan, Minnesota, Ohio and Wisconsin — reported having participation fees in excess of $100 per student, per sport.

Because there are no national current surveys or studies showing the percentage of U.S. schools that have instituted “pay-to-play” fees, the prevalence of their use within a state is not always clear. However, there are some anecdotal examples:

- In Michigan, a little more than half of the high schools in the state assessed sports participation fees, ranging from $25 to $425 per student, in 2014-2015.
- In response to a 2014 survey by the Ohio High School Athletic Association, 46 percent of athletic directors in that state said their schools had some type of participation fee. That is up from 42 percent in a 2011 survey.

The idea behind these fees is to cut schools’ expenses related to various extracurricular activities (everything from sports and science club, to band or drama clubs) and to free up taxpayer dollars for other uses. But concerns have been raised about whether these fees prevent low-income students from participating in extracurricular activities.

According to a national poll conducted by the University of Michigan’s C.S. Mott Children’s Hospital, one in seven parents whose children did not play middle school or high school sports cited cost as the reason. In addition, only 30 percent of families earning below $60,000 per year had a child playing school sports, compared to 51 percent of families earning more than that amount. That same survey revealed the following:

- Sixty-one percent of respondents reported having to pay in order for their children to participate in middle school and high school sports.
- Only 6 percent of respondents got a waiver from the participation fee (12 percent for lower-income participants).
- The average cost of school athletic fees was $126 per child.

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States establishing more-thorough evaluation systems to track business incentives

Three years after it was published, *New York Times* study remains most complete review of cost and use of business incentives in the states

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<tr>
<td>North Dakota</td>
<td>$32.9 million</td>
<td>$49</td>
</tr>
<tr>
<td>Ohio</td>
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<td>$281</td>
</tr>
<tr>
<td>South Dakota</td>
<td>$27.8 million</td>
<td>$34</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>$1.53 billion</td>
<td>$268</td>
</tr>
</tbody>
</table>

In 2012, the *New York Times* ran a series of articles examining business incentives and their impact on jobs and local governments.

It found that state and local governments spend $80 billion annually on these incentives. Based on 2012 state tax collections, that $80 billion figure amounted to 10 percent of state revenues.

In addition to its series of articles, the *New York Times* made public a 50-state database that catalogs each state’s incentive programs as well as the recipients. This “United States of Subsidies” database is still available online.

The accompanying table summarizes the findings from 2012 for the 11-state Midwest.

The federal case for ending the ‘economic war’ among state governments for businesses and jobs

Twenty years ago, a Federal Reserve Bank of Minneapolis study proposed a way to end what it dubbed an “economic war among the states”: the ongoing battle for new jobs and companies that relies heavily on tax incentives and subsidies. To end the war, the study’s co-authors wrote, the U.S. Congress needed to intervene.

Other than a congressional bill being introduced in 1999, this idea has gained little traction inside or outside of Washington, D.C. But Art Rolnick, one of the study’s co-authors, still maintains that an act of the federal government is warranted — and the only way to end the use of tax subsidies and incentives as an economic development tool.

“At the local level, it’s hard not to be involved in this bidding war because you don’t want to lose those jobs,” says Rolnick, now a senior fellow at the University of Minnesota’s Humphrey School of Public Affairs. “Congress, under the Commerce Clause, has the authority to step in and say, ‘None of this anymore.’”

“Congress, under the Commerce Clause, has the authority to step in and say, ‘None of this anymore.’”

Art Rolnick, senior fellow, University of Minnesota Humphrey School of Public Affairs

Those public dollars would be better spent, Rolnick says, on core services such as education and infrastructure. Peter Fisher, research director with the Iowa Policy Project, agrees: “There’s a lot of research showing that those investments [in core services] pay off in the long run. The difficulty is that politics, unfortunately, has a short-term focus.”

U.S. states will not end the bidding war on their own, and congressional action seems unlikely, so that leaves state lawmakers and economic development agencies with the task of making wise decisions over how and when to offer incentives to businesses.

“More people are asking whether these incentives are doing what they are supposed to do,” Fisher says. “In response, laws have been passed in several states requiring more-thorough evaluations of state incentive programs (see main article).”

He says policymakers should also try to make their incentive programs match their state’s existing economic advantages and strengths.

“You want to steer away from the very generous incentives, which can be so lavish that you are really just propping up an industry that doesn’t have a good reason to be in your state,” Fisher says.

“What you’d like to see is an incentive that jump-starts an industry that defines some natural advantage already in your state, and that may grow to be a significant part of your local economy but needs help getting going.”

According to Rolnick, going after out-of-state companies tends to be a risky strategy. “If it’s a home company and you know a lot about it, you have a better idea if the company is sustainable,” he says.
In 2013, Indiana legislators eliminated nine of its smaller economic development programs, the result of a state study showing that some state incentives were ineffective and/or underutilized.

The following year, Indiana lawmakers passed a bill (HB 1020) requiring that each of the state’s incentive programs be evaluated for its economic impact every five years. This analysis must include a calculation of the return on investment, a cost-benefit comparison of the foregone revenue and shifted tax burden, an estimate of the number of jobs created, and an assessment of whether the incentives have met program goals.

“If you want to see a state that’s done a really good job in their evaluations, thinking through the whole question of what happened because of the incentive and what would have happened anyway, Indiana’s a great example of that,” Goodman says. As Indiana Sen. Brandt Hershman noted earlier this year in an article written for Stateline Midwest, “The only way to know [whether tax incentives are working] is to be data-driven and vigilant.”

“Any tax incentive can outlive its usefulness,” he wrote of the importance of completing routine evaluations. “Policies that were once effective in encouraging growth or attracting jobs could lose their appeal due to changes in the economy.”

According to Fisher, these state evaluations should be timed to coincide with the sunset of a tax-incentive program. Legislators did this in Nebraska, a move that Watermeier says will help guide future decision-making.

“Now we know if we have a sunset coming and if we don’t like [an incentive program], we can let it sunset,” he says. “We [will] have the background to say the metrics are showing whether it’s actually effective.”

In Minnesota, Rep. Barrett says, the state’s increased scrutiny of tax incentives will allow legislators to revisit — and learn from — policies of the past.

“Too often we don’t look backward at previous laws and at whether those laws have actually accomplished the [intended] goals,” he says. “This doesn’t mean a state will ‘undo’ an incentive or subsidy already set aside for a specific company or project. But as part of its evaluation, the Minnesota Legislative Auditor’s Office will create a report on best practices for targeted or ‘exclusive’ incentives.

“This is a good-government effort,” Barrett says. “We are trying to do government better, more efficiently, more economically. We are trying to spend the money where it should be spent, and it’s a model that could be used in all areas of government.”
When he came to the Nebraska Legislature in 2009, Sen. Bob Krist had flown more than 100 combat missions for the U.S. Air Force and logged thousands of miles in the air.

But early on, the retired lieutenant colonel took some advice about the new job that he never would have heard as a pilot: Don’t worry so much about the direction it takes you.

“That turned out to be great advice,” Krist says. “It’s the same as I would give to anyone new to office. Don’t have preconceived ideas of what your niche or your contributions are going to be.”

Over the past six years, Krist has become an integral part of efforts to reform Nebraska’s troubled foster care system and to improve its juvenile justice and criminal justice systems.

Through his work on those initiatives, too, Krist has discovered something about himself as a legislator along the way — “a passion for advocating for those who don’t have a voice or can’t advocate for themselves.”

Krist initially joined Nebraska’s unique one-house, nonpartisan legislature via a gubernatorial appointment. Only two election cycles later, he is now one of the longest-tenured senators in the state’s term-limited Legislature, with duties that include serving as chair of its Executive Board.

But no matter how busy the legislative work gets, Krist still finds time for another passion that long precedes his time in the Capitol.

“I sometimes tell people, ‘If they make me quit flying, I may just quit everything,’” says Krist, whose 21 years in the Air Force included serving in Operation Desert Shield and Operation Desert Storm and who more recently has flown as a pilot for the U.S. Army Corps of Engineers.

“Flying is my release.”

He was inducted into the Nebraska Aviation Hall of Fame in 2014, and when we started traveling around the state to learn more about the system, I could see firsthand what was happening to kids — they were being put into foster care so that the state could pay for them with a certain pot of money.

Just because you run across a situation where a child is in a questionable situation, removing them from the family is not your first or best option, unless there is a safety or health issue. So we started looking for other options — for example, asking for a (federal) waiver to use money differently.

Through legislation and policy changes within the department, we’ve seen the number of kids in foster care reduced by approximately 32 percent over a period of three or four years. That is a significant number. The system is not perfect yet, but kids aren’t arbitrarily being placed into the system based on money choices. We’ve started thinking outside the box on how to help these kids.

Q: Nebraska has moved ahead with some major reforms of care government functions — child welfare, juvenile justice and corrections, for example. You’ve been a part of these changes. What have been some of the elements in helping the Legislature make these policy advances?

A: I feel extremely blessed to be in a state with a unicameral — a single house where you see a whole lot of nonpartisan discussion and cooperation. In my experience, the process works best when we as legislators don’t go in with a preconceived notion of how we’re going to fix something.

We’ve been able to look at empirical data and listen to testimony from the public in a nonpartisan way. And at the same time, we’ve had all three branches of government involved, analyzing what’s going to work and what’s not going to work.

Q: Let’s look at some of those areas where big changes have been made. First, why did there need to be an overhaul of Nebraska’s child welfare system, particularly foster care, and have there been signs of improvement since the Legislature enacted some of its reforms?

A: We had botched, horribly, a privatization effort in Nebraska, and when we started traveling around the state to learn more about the system, I could see firsthand what was happening to kids — they were being put into foster care so that the state could pay for them with a certain pot of money.

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Q: What advances have been made in the area of juvenile justice?

A: We’ve dramatically reduced the number of kids in detention; at one of our correctional facilities in Kearney, we’ve gone from having 780 youth people to an average of 250 or 300.

That is because we’re looking for other options for many young people other than detention — whether it be use of a GPS tracking system or services in the community. This was an important policy goal for me because I think we needed to do a much better job of differentiating.

For some kids, someone with a minor violation, keeping them in the community and providing them alternatives to detention makes sense. If you lock them up in the same place as someone with serious, gang-related violations, you’re just giving criminals an opportunity to breed more criminals. That’s a risk as a state that we don’t need to take.

Q: Most recently, you’ve been involved in corrections reform and served on a working group of all three branches of government that examined “reinvestment strategies.” (The Council of State Governments Justice Center provided technical assistance to this group.) That resulted in this year’s passage of LB 605, which aims to reduce prison populations and improve probation and parole supervision. Why did Nebraska need to change its approach to criminal justice?

A: We’ll be doing some things that aren’t popular with some county attorneys, with some judges or people who would say, “The best thing to do is, no question, be tough on crime.”

But CSG really brought us to an awakening point, because it showed us the empirical data behind how our correctional system was working or not working. That’s when I really became a believer; we needed to use that data to look at ways of correcting the system.

I think this reinvestment will be huge for us. We’ve had a revolving door here in Nebraska [of people going to prison, leaving and returning], and we needed to find a way to break that cycle.

My [perspective] is that we need to spend some money on the front end. If we’re spending money in the plappern with kids and solving some other issues on the front end — with behavioral health or mental health treatment — we’ll spend significantly less money in the state “pen.”

Nebraska Sen. Bob Krist

Veteran of the U.S. Air Force has been part of major policy reforms, from foster care to criminal justice, since landing in the Legislature

by Tim Anderson (tanderson@csg.org)
Helping victims become survivors

Iowa becomes region’s latest state to adopt ‘Safe at Home’ confidentiality program to thwart domestic violence, stalking

by Iowa Secretary of State Paul Pate (Paul.Pate@os.iowa.gov)

During my 2014 campaign for Iowa secretary of state, one of the top issues I ran on was implementing a Safe at Home program: an address confidentiality program for victims of domestic violence, sexual abuse, trafficking and stalking.

The program is already active in 32 other states, and I felt that it was long past due for Iowa to take this important step toward helping victims become survivors. Safe at Home enables participants to become active members of society by providing a legal substitute address to use in place of their physical address. The substitute address can be used by participants for correspondence with government agencies and private organizations.

Early in the 2015 Iowa legislative session, state Rep. Dean Fisher approached me about passing the Safe at Home Act immediately. A former constituent of Dean’s had been forced to leave Iowa, with her young daughter, to escape an abusive ex-husband. They moved to California, which already had an address confidentiality program in place.

This separation from the constituent’s family and friends was heartbreaking on many levels. Two loving parents missed their daughter and grand-daughter terribly. They missed some milestones in their granddaughter’s life as she grew. Rep. Fisher was adamant that we institute Safe at Home as soon as possible so other survivors of violent crimes can have that layer of protection in Iowa.

Dean, myself and my staff quickly began lobbying legislators to support the Safe at Home Act. We also took our case on the road, conducting Safe at Home roundtable discussions in communities across Iowa. We wanted to gather input from various stakeholders, including victims’ rights advocates, law enforcement and county auditors, while also promoting the program through local media.

Victims’ advocates told us that one of the first things victims ask is whether there is a way to prevent their abuser from finding out where they live. Those words inspired us even more to get this program in place.

Government is supposed to be here to help citizens. The Safe at Home program is one way we can do that.

When the time came for the Iowa House to vote on the bill, we had little doubt the Safe at Home Act would pass. All 100 representatives voted in favor of the legislation. We were surprised by the overwhelming support. It is rare that a bill passes the Iowa House 100-0. A 99-0 or 98-0 vote happens occasionally, with a legislator or two not present or abstaining. However, in this case, all 100 supporting representatives made it a point to be on the record supporting this important legislation.

We continued our Safe at Home roundtable discussions and media outreach across the state while waiting for the Senate to take up the bill. A few weeks later, senators passed the Safe at Home Act, 45-0. The bill was then sent to Gov. Terry Branstad’s desk for approval, and he signed it into law on May 7. Safe at Home launches on Jan. 1. Passing the bill was relatively easy compared to implementing the program. There are numerous variables involved with making sure all government agencies are informed about, and in compliance, with the Safe at Home Act.

City, county and state offices — such as city clerks, county auditors, county treasurers, schools, the Department of Transportation, the Department of Human Services and other similar offices — must accept the substitute address when presented with a participation card from a program participant. Private organizations requiring a mailing address must also accept the substitute address as the participant’s legal address.

Each participant in the Safe at Home program will be given a Des Moines address, no matter where they live in the state. We have added a full-time position in the Iowa secretary of state’s office to work exclusively on Safe at Home.

As we prepare to launch the program, we find that we are constantly overcoming new hurdles in the process. Our fellow Midwestern states that already have Safe at Home programs have been very helpful in offering advice on how to implement this program. Based on numbers provided by other states, we estimate around 500 Iowans will use Safe at Home by its second year.

This program has a chance to make a very real and very positive impact on Iowans’ lives. It is my hope that the Iowa Legislature takes further steps to help survivors in the future.

Safe at Home is but one step, but it is a definite step in the right direction.

One of the first things victims ask about is whether there is a way to prevent their abuser from finding out where they live.

Facts on domestic violence, stalking and sexual violence in United States

- An estimated 22.3 percent of women and 14.0 percent of men have experienced at least one act of severe physical violence by an intimate partner during their lifetimes.
- An estimated 15.2 percent of women have experienced stalking during their lifetimes that made them feel very fearful or believe that they or someone close to them would be harmed or killed. 5.7 percent of men have been victims of stalking during their lifetimes.
- Among females, 60.8 percent were stalked by a current or former intimate partner, nearly one-quarter by an acquaintance, 16.2 percent by a stranger and 6.2 percent by a family member. Among males, 43.5 percent were stalked by an intimate partner, 31.9 percent by an acquaintance, 20.0 percent by a stranger and 9.9 percent by a family member.
- An estimated 19.3 percent of women and 1.7 percent of men have been raped during their lifetimes.
- An estimated 42.8 percent of women and 23.4 percent of men have been victims of sexual violence other than rape; the majority of victims of all types of sexual violence knew their perpetrators.

Source: U.S. Centers for Disease Control and Prevention (estimates based on 2011 survey)

Iowa Secretary of State Paul Pate was elected in 2014 to his second term in that position. A Republican, he previously served as secretary of state from 1995-1999, state senator from 1989-1995 and mayor of Cedar Rapids from 2003-2006.

Submissions welcome

This page is designed to be a forum for legislators and constitutional officials. 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@csg.org.
Congress relies on CSG committee for expertise on spent nuclear fuel

A leader of the CSG regional committee that helps ensure the safe transportation of radioactive waste through the Midwest testified this fall before the U.S. Congress.

Kelly Horn, co-chair of the Midwestern Radioactive Materials Transportation Committee, was invited to speak to the U.S. House Subcommittee on Environment and the Economy.

At its Oct. 1 hearing, the congressional subcommittee examined several important safety issues related to the transport of nuclear materials; it tapped The Council of State Governments’ committee for expert testimony. For decades, CSG Midwest has brought the region’s states together to work with one another and the U.S. Department of Energy to resolve issues related to the movement of radioactive waste.

“The Midwest has a very large stake in the future federal program to transport spent fuel from commercial nuclear power plants,” Horn, who works for the Illinois Emergency Management Agency, told members of Congress.

Not only do many states in the region have nuclear plants and a sizable inventory of spent fuel, he said, the waste from commercial nuclear facilities in other parts of the country will have to travel through the Midwest on its way to a repository.

The federal government has not determined where that permanent repository will be. (President Obama has rejected the Yucca Mountain site.)

“We are working cooperatively with DOE’s Nuclear Fuels Storage and Transportation Planning Project, and we’re making some progress,” Horn said about planning for spent fuel shipments. “The pace of progress will understandably be slow, however, until a definite path forward is identified for the nation’s civilian radioactive waste management program.

That point was made time and again during the congressional hearing: to make real progress on transportation planning, the DOE first needs to have a destination for the waste.

But there was also discussion about the technical, legislative, and societal challenges that will come with transporting spent fuel.

Right now, the waste from nuclear power plants is being stored across the country. Removing radioactive waste from shutdown nuclear sites allows unused land to be repurposed, and moving it away from sensitive locations, such as the Great Lakes, will better protect natural resources. However, public concerns about shipping spent nuclear fuel will have to be overcome.

“States recognize that the public will hold large-scale shipments of spent fuel to a higher standard than that for other DOE shipments,” Horn said.

Meeting that standard, he added, will require the involvement of states in identifying routes and developing a reciprocal inspection program for rail shipments. States also need federal assistance to augment their training and shipment safety programs.

About CSG’s Midwestern Radioactive Materials Transportation Committee

- Brings Midwestern states together to work with each other and with U.S. Department of Energy on regional issues related to transport of radioactive waste and materials, including spent nuclear fuel
- Made up of representatives of executive and legislative branches of government in 12 states
- CSG Midwest provides staff support; for more information, contact Lisa Janairo at ljjanairo@csg.org

Kansas turning new justice policies into practice

How can a state help improve the outcomes of people on probation and parole? It is a central question for all lawmakers seeking to reduce corrections spending and increase public safety, and in Kansas, the state’s policy answer is now being turned into practice.

“Kansas has become a national leader in providing integrated services to people on probation and parole who need mental health or substance use treatment,” The Council of State Governments Justice Center noted in an article earlier this year.

In 2012 and 2013, the CSG Justice Center conducted a data-driven analysis of Kansas’ criminal justice system. One of its key findings was the strong correlation between access to treatment and whether or not individuals successfully complete their community supervision.

The Kansas Legislature responded in 2013 by passing HB 2170, which increased the state Department of Corrections’ capacity to provide quality treatment and supervision.

As a result, new treatment professionals have been hired to conduct clinical assessments, manage crisis situations, and partner with community-supervision officers. The state is also providing more training and education on behavioral health to community-supervision officers.

More than 1,000 individuals have been referred to treatment services with the new funding from Kansas’ justice reinvestment.

“Service recipients have more timely access to better quality behavioral health resources, including inpatient and outpatient treatment, medications and individualized therapy,” the CSG Justice Center article notes.

Kansas is one of several U.S. states that have partnered with the CSG Justice Center and its justice reinvestment initiative.

The article on Kansas’ new approach to behavioral health treatment can be found at csgjusticecenter.org/jr. It was written by Allison Berger of the CSG Justice Center.
A part of a four-year partnership between The Council of State Governments and U.S. Department of Defense, a working group of state officials has developed recommendations to improve the voting process for members of the military and other citizens living overseas.

The group will present its findings at this year’s CSG National Conference, which will be held Dec. 10-13 in Nashville, Tenn. “States will quickly realize the value and relative ease in adopting the practices, which will provide a greater level of service to military members, their families and overseas citizens,” said Matt Boehmer, director of the Department of Defense’s Federal Voting Assistance Program.

Ideas for improving the absentee voting process include:

- designate a portion of election-office web-sites and social media/platforms to content specifically designed for U.S. military and citizens overseas;
- ensure that these sites are easily accessible;
- provide notice for both the acceptance and the rejection of an overseas absentee ballot; and
- provide information to an overseas voter detailing why a ballot was rejected and how to correct the problem.

The goal of these recommendations is to improve the return rate of overseas absentee ballots.

“In Wisconsin, we have 1,853 municipalities who each process and administer ballots to their military and overseas voters,” notes Meagan McCord Wolfe, overseas voting coordinator for the Wisconsin Government Accountability Board and a member of the CSG working group. “It is important for us to collaborate with other election officials and states to develop best practices that can be used to train our local election officials so that all military and overseas voters have a consistent experience regardless of which municipality they request their ballot from.”

Work is part of a four-year partnership with U.S. Department of Defense.

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**# of ballots sent to overseas voters for 2014 elections**

<table>
<thead>
<tr>
<th>State</th>
<th># of Ballots Sent</th>
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<tr>
<td>Michigan</td>
<td>347</td>
</tr>
<tr>
<td>Minnesota</td>
<td>561</td>
</tr>
<tr>
<td>Iowa</td>
<td>332</td>
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<tr>
<td>Wisconsin</td>
<td>597</td>
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<tr>
<td>Illinois</td>
<td>4,157</td>
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<tr>
<td>Indiana</td>
<td>1,315</td>
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<tr>
<td>Kentucky</td>
<td>2,999</td>
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*Forty-six percent of the ballots transmitted to overseas voters were for members of the military.

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**% of overseas ballots submitted that were counted in 2014 elections**

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<thead>
<tr>
<th>State</th>
<th>% Counted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michigan</td>
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<tr>
<td>Minnesota</td>
<td>99.3%</td>
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<tr>
<td>Iowa</td>
<td>99.2%</td>
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<tr>
<td>Wisconsin</td>
<td>98.8%</td>
</tr>
<tr>
<td>Illinois</td>
<td>100.0%</td>
</tr>
<tr>
<td>Indiana</td>
<td>97.1%</td>
</tr>
</tbody>
</table>

*Not available* 71.8%

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Twelve state officials from the Midwest successfully completed The Council of State Governments’ Henry Toll Fellowship leadership program in September. The six-day training program is for emerging leaders in all three branches of state government. This year’s Toll Fellows are listed below, from left to right.

**Row one:**

**Row two:**

**Row three:**

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**Congratulations to 2015 Toll Fellows Class from Midwest**

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**CSG National Conference**

- **December 10-13, 2015**
- Nashville, Tennessee
- Contact: Kelley Arnold (karnold@csg.org) 800.800.1910
- www.csg.org

**Great Lakes Legislative Caucus Meeting**

- **July 15-16, 2016**
- Milwaukee, Wisconsin
- Contact: Lisa Janairo (ljanairo@csg.org) 920.458.5910
- www.greatlakeslegislators.org

**71st Annual Meeting of the Midwest Legislative Conference**

- **July 17-20, 2016**
- Milwaukee, Wisconsin
- Contact: Gail Meyer (gmeyer@csg.org) 630.925.1922
- www.csgmidwest.org

**22nd Annual Bowhay Institute for Legislative Leadership Development (BILLD)**

- **August 12-16, 2016**
- Madison, Wisconsin
- Contact: Laura Tomaka (ltomaka@csg.org) 630.925.1922
- www.csgmidwest.org

**CSG Henry Toll Fellowship Program**

- **August 26-31, 2016**
- Lexington, Kentucky
- Contact: Kelley Arnold (karnold@csg.org) 800.800.1910
- www.csg.org/LeadershipCenter/TollFellows.aspx
Ohio law strengthens state oversight of charter schools

Ohio lawmakers approved legislation this fall that will require more accountability and transparency in charter schools, which now educate one of every 10 students in the Buckeye State.

Between 2003 and 2013, federal data show, enrollment in these alternative public schools jumped from 3.4 percent to 10.0 percent in Ohio. This increase in its use, along with reports of poor academic performance and fiscal mismanagement in some charters, led to the bipartisan passage of HB 2. Under the bill:

- The state will annually rate the sponsors of charter schools based on several factors, including the performance of students. Ratings of “poor” will result in the revocation of sponsorship authority.
- Low-performing charter schools cannot switch to a new sponsor, unless that sponsor has been deemed “effective” by the Ohio Department of Education.
- Agreements between a sponsor and its governing authority must contain certain standards related to academic performance and fiscal management.

Charter schools operate in all but three Midwestern states: Nebraska, North Dakota and South Dakota.

Midwest states take sides in fight over EPA’s Clean Power Plan

With new federal regulations on power plants set to take effect in December, every Midwestern state is weighing in on a legal battle that will determine the future direction of U.S. energy policy.

Attorneys general from 24 states — including Indiana, Kansas, Michigan, Nebraska, Ohio, South Dakota and Wisconsin — filed a lawsuit in late October to block the Clean Power Plan. This coalition of states argues that the rules are a costly, and illegal, overreach of the U.S. Environmental Protection Agency’s authority. North Dakota has filed a separate lawsuit opposing the EPA’s actions.

The plan calls for mandatory reductions in carbon pollution by 2030. The amount of those cuts varies from state to state — for example, 23 percent in Indiana vs. 67 percent in South Dakota. These figures are based on the EPA’s determination of a state’s ability to make the transition away from coal-fired power plants.

The Illinois, Iowa and Minnesota attorneys general have filed a motion (along with 22 other states and cities) in support of the Clean Power Plan. The new rules, they say, will help states mitigate the threats that climate change poses to human health and the environment.

Michigan raises standard for seizing property under forfeiture law

Under a seven-bill legislative package recently signed into law, Michigan is changing its laws on civil asset forfeiture, a move that proponents say will better protect citizens’ civil liberties and private property rights.

According to the Detroit Free Press, lawmakers have raised the standard for when property can be seized through civil forfeiture. The standard had been a “preponderance of the evidence”; it is now “clear and convincing.”

Michigan’s law enforcement agencies will also be required to submit an annual report on their forfeiture activities.

Forfeiture laws allow money or property to be confiscated if police and prosecutors suspect that it is tied to criminal activity. But in Michigan and other states, civil-liberties groups have raised concerns that state laws make it too easy for individuals’ property to be taken. According to the Institute for Justice, most Midwestern states use a “preponderance of the evidence” standard. However, for property to be seized in Nebraska, law enforcement must prove “beyond a reasonable doubt” that the property is tied to a crime. In Indiana and Wisconsin, law enforcement must transfer its proceeds from a forfeiture to schools.

Math scores fall in Midwest as part of national trend

The math scores of the nation’s fourth- and eighth-graders fell between 2013 and 2015, and several states in the Midwest followed this trend, according to recently released data from the National Assessment of Education Progress.

In Minnesota, Kansas and North Dakota, fourth-graders’ performance on the math portion of “the nation’s report card” fell. The scores of eighth-graders dropped in four Midwestern states: Kansas, North Dakota, Ohio and South Dakota. However, students in most Midwestern states continue to outperform their peers on this national measure of math achievement. Here are some of the results:

- Minnesota fourth- and eighth-graders have the nation’s second-highest proficiency rates (behind only Massachusetts): the percentage of students with scores considered proficient or advanced.
- At both grade levels, Indiana, Iowa, Nebraska and Wisconsin students have math proficiency rates higher than the national average. Ohio’s fourth-graders outperformed their U.S. peers as well.
- Michigan is the only Midwestern state where students’ math proficiency rates fall below the U.S. average.