Getting credit for work done

Tax program for lower-income workers enjoys bipartisan support, and may soon get boost in some Midwest states

by Laura Klieuwer (lklieuwer@csg.org)

Since its inception in the 1970s, the federal Earned Income Tax Credit (EITC) has enjoyed wide bipartisan support.

Designed to encourage and reward work, a low-wage worker’s EITC grows with each additional dollar of earnings until his or her wages reach a maximum value — an incentive for people to leave welfare for work and for low-wage employees to increase their work hours.

And the EITC is refundable: If the amount of the credit exceeds what the worker owes, he or she gets a refund.

“For conservatives, the EITC is pro-work, it is pro-personal responsibility. Liberals like that too, but also it is directed toward low-income people, so you get that mix,” says Chuck Marr, director of federal tax policy for the Center on Budget and Policy Priorities.

“Plus, it works. There is very rigorous research to show that it encourages more work.”

According to the IRS, the 42-year-old Earned Income Tax Credit is one of the nation’s largest anti-poverty programs. In tax year 2015, for example:

• More than 27 million filers received about $67 billion in earned income tax credits.

• Four of five people eligible for the EITC claimed it.

• The EITC and the separate Child Tax Credit lifted an estimated 9.4 million people out of poverty, including 5 million children.

In the 11-state Midwest, more than 4.6 million federal EITC claims for tax year 2015 provided almost $11.2 billion in credits.

The average refund was $2,343. (The maximum refund was $2,361.)

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The average refund was $2,343. (The maximum federal credit in 2016 ranged from $506 for a childless individual to $6,269 for a family with three or more children.)

“If you’re thinking about this group, what can be done to push back against the wage pressure that working-class people face, the EITC is one of the most powerful tools the government has,” Marr says.

Eligibility for the credit and the amount that a worker can receive depend on factors such as income levels and his or her number of dependent children.

For childless tax filers, the EITC’s income cap is much lower and the size of the credit much less generous. The largest credit goes to the parents of “qualifying children” with low wages. The credit for moderate-income workers is not as large because of a phase-down in the EITC.

In tax year 2016, the eligibility cap on earned income ranged from $14,840 for a single, childless filer to $53,505 for a married couple with three children.

State-level credits in place

The Earned Income Tax Credit also has proven to be popular in state legislatures.

In all, 26 U.S. states, along with the District of Columbia, offer an additional credit for state income taxes by matching the federal EITC, at rates that range from $506 for a childless individual to $6,269 for a family with three or more children.

Well more than 4 million tax filers in the 11-state Midwest receive tax credits through the federal Earned Income Tax Credit. Many states in the region match the EITC (at varying rates), and this year, legislative proposals have been introduced to increase these state-level credits for low- and moderate-income workers.
States consider new options for students, money for schools to bolster K-12 computer science

Student legislators in the Midwest are exploring a range of policy options this year that would give students greater access to computer-related courses while also providing instructors more tools for teaching in these subject areas.

These proposals mostly stem away from state mandates and focus instead on incentives for schools and more choices for students. Iowa’s SF 274, for example (passed by the Senate in March), would create a new state-level incentive fund to help schools build instructional expertise among their teachers. A House-passed legislative package in Michigan (HB 4315-4318) would make classes on computer science or computer coding among the options for high school students to complete as part of a three-credit graduation requirement on "21st century skills." (Michigan already has graduation requirements, but this proposal provides new alternatives to taking foreign language or arts classes.)

In Ohio, a bill introduced in March (HB 170) would allow a computer-science course to count toward high school graduation requirements in math or science.

Select state education policies on computer science

States has clear certification pathways for computer science teachers and allows computer science to satisfy a core graduation requirement

State has rigorous K-12 computer science standards in place and allows computer science to satisfy a core graduation requirement

State allows computer science to satisfy a core graduation requirement

“‘If a student wants to forgo Algebra 2 for a class on computers, I want to offer that option,’” says Ohio Rep. Rick Carfagna, a co-sponsor of the bill. “We want to offer a curriculum that resonates with them.” A second goal, he adds, is to better align the state’s workforce needs with what students learn in school.

“Computers are everywhere,” Carfagna says, “whether it’s an auto mechanic doing diagnostics on a vehicle, a software developer or a financial analyst.”

HB 170 also would establish a $2.5 million, needs-based grant program for schools to improve wireless bandwidth capacity or to purchase computers. Ohio’s Board of Education, meanwhile, would be tasked with adopting K-12 standards for computer science by 2018.

According to the national, nonprofit group Code.org, only one Midwest state, Indiana, currently has K-12 standards for computer science; they are being put in place in Wisconsin.

Along with creating a state-level K-12 standard in computer science, Iowa’s SF 274 would establish a teacher endorsement in this subject year.

Earlier this year, Gov. Terry Branstad outlined his vision for the future of computer education in Iowa: create a new professional development for teachers (he proposed $500,000 for fiscal year 2019; SF 274 included no funding amount) and develop new state incentives that lead to computer science being a part of the curriculum in all elementary and high schools.

Blank written by Tim Anderson, CSG Midwest publications manager and staff liaison to the Education Committee. He can be reached at tanderson@csg.org.

Midwest-Canada Relations

Proposed border adjustment tax raises questions about future of cross-border supply-chain

As some leading lawmakers in Washington, D.C., explore potential changes to the federal tax code, one idea in particular — the creation of a border adjustment tax — is likely to get more and more attention from many Midwest-based firms.

From the region’s manufacturing industry to its agricultural sector, U.S. and Canadian companies make many products together, through a cross-border supply chain that relies on the open movement of goods between the two countries.

As one example of how this binational production works, the authors of a recent Automotive Parts Manufacturers’ Association study tracked the making of a car seat. In that case, one Canadian manufacturer shipped the seat to the United States (2015)

<table>
<thead>
<tr>
<th>State</th>
<th>Value of components/materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>$225.5 billion</td>
</tr>
<tr>
<td>Indiana</td>
<td>$5.3 billion</td>
</tr>
<tr>
<td>Iowa</td>
<td>$1.9 billion</td>
</tr>
<tr>
<td>Kansas</td>
<td>$1.1 billion</td>
</tr>
<tr>
<td>Michigan</td>
<td>$15.7 billion</td>
</tr>
<tr>
<td>Minnesota</td>
<td>$7.6 billion</td>
</tr>
<tr>
<td>Nebraska</td>
<td>$693 million</td>
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<tr>
<td>North Dakota</td>
<td>$1.4 billion</td>
</tr>
<tr>
<td>Ohio</td>
<td>$9.9 billion</td>
</tr>
<tr>
<td>South Dakota</td>
<td>$388 million</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>$3.0 billion</td>
</tr>
</tbody>
</table>

Source: Brookings Institution analysis of U.S. Census Bureau data

The World Trade Organization requires signatory countries to treat imported goods in the same way as those produced domestically.

“Our trading partners could quickly get annoyed and target key U.S. exports with countervailing duties,” Freund notes.

Brief written by Ilene Grossman, staff liaison to the Midwestern Legislative Conference Midwest-Canada Relations Committee. She can be reached at igrossman@csg.org.

Brief written by Irene Grossman, staff liaison to the Midwestern Legislative Conference Midwest-Canada Relations Committee. She can be reached at igrossman@csg.org.
Agriculture & Natural Resources

New Iowa law limits damages livestock producers would pay if sued by unhappy neighbors

C utting the need for more legal and insurance stability for the state’s livestock industry, Iowa lawmakers have passed legislation designed to limit liability damages in cases filed by unhappy neighbors against producers.

"[It] provides a minimum level of protection for livestock producers that are following good management practices, but leaves the bad actors unprotected," Sen. Dan Zumbach says of SF 447, which was signed into law in March.

The measure allows for an affirmative defense and limits compensatory damages when an animal feeding operation is alleged to be a nuisance or otherwise interfere with a person’s enjoyment of life or property. These protections — the affirmative defense (which allows the producer to provide facts that falsify the legal consequences of the nuisance) and the damage limit — apply regardless of when an operation was built or expanded.

"One of the reasons that the legislation was introduced was industry instability due to the increasing cost of liability insurance," Zumbach says.

"Bad actors" won’t be protected, he adds, because the new law only protects livestock facilities that employ "prudent and generally utilized management practices."

Under SF 447, facilities found by a court to be a nuisance will be classified as a "permanent nuisance" rather than as a "temporary nuisance" (meaning they could not be sued again by the same plaintiff for continuing issues). In these cases, a complainant is eligible for three types of damages: compensatory damages due to negative changes in the fair market value of their property; damages due to adverse health conditions; and "compensatory special damages."

New limits are placed on the amount of “compen satory special damages” caused by the livestock operations — for example, the “loss of comfortable use and enjoyment of real property.” The amount of “special” damages cannot exceed one and one-half times the total sum awarded for an operation’s impact on a neighbor’s property value and health.

Farm income accounts for more than one-fifth of Iowa’s gross domestic product, and a big part of that economic activity is in the livestock industry. According to the U.S. Department of Agriculture, the state leads the nation in hog and pig production and ranks near the top for cattle and calves; in 2012, Iowa’s total value of livestock, poultry and related products topped $13 billion a year (second in the nation). Support for agriculture-related bills in Iowa often cuts across partisan lines, but this was not the case with SF 447, which generated extensive floor debate and amendments proposed by Democrats and defeated by Republicans (the GOP holds majorities in both of Iowa’s legislative chambers).

Under an amendment offered by Sen. Rita Hart, for example, confined animal feeding operations would have had to use siting recommendations from Iowa State University in order to be covered by this legislation. Another rejected amendment was aimed at protecting existing homeowners by exempting them from the new law if they were using a facility constructed after their home was built.

One change made, however, as SF 447 made its way toward passage. Language that would have required neighbors who sue and lose in court to pay the producer’s legal fees was removed. Still, opponents of the law say it will diminish local authority to regulate livestock operations and reduce residents’ legal rights by capping special damages.

Supporters of the law hope it will reduce the number of “nuisance” lawsuits in Iowa. Des Moines-based attorney Eldon McAfee, whose practice focuses on agriculture law, says there are currently at least eight active nuisance lawsuits involving Iowa livestock producers. There were 12 at this time last year, he says, compared to an average of three or four per year a few years ago.

Great Lakes

Future of Restoration Initiative in doubt; state legislators urge continuation of federal funding

O nly a few months after celebrating key congressional victories at the end of 2016, Great Lakes advocates are now fighting to prevent a complete elimination of funding for a federal program that has poured hundreds of millions of dollars into projects that protect habitat, stop the spread of invasive species and clean up “Areas of Concern.”

President Donald Trump’s budget calls for an end to the Great Lakes Restoration Initiative. It says “specific regional efforts,” such as those related to the Great Lakes and Chesapeake Bay, should instead be the responsibility of state and local entities.

Seventy-seven members of the Great Lakes Legislative Caucus signed on to a letter in April urging continued support of the initiative, which currently is being funded at $300 million a year.

"Eliminating the GLRI throws the continued economic and environmental viability of the Great Lakes into grave jeopardy," according to the letter, which was signed by lawmakers in each of the basin’s eight states.

The caucus letter also notes the importance of federal involvement in protecting a resource that touches 10 different jurisdictions (eight U.S. states and two Canadian provinces) and provides 84 percent of North America’s fresh surface water. The United States and Canada also have made mutual commitments to protect the waters of the Great Lakes, via a binational agreement that dates back to 1972.

“[State and local] programs benefit greatly from the strategic planning and resources provided by the GLRI” and “may cease to function” without this strong federal involvement, the letter notes.

In March, 63 U.S. House members (all representing Great Lakes states) sent a letter to congressional budget leaders urging them to fund the GLRI at $300 million in fiscal year 2018. The initiative has enjoyed bipartisan support since being established in 2010, as evidenced by the decision last year not only to fund the GLRI at $300 million, but to formally authorize it as well. (Formal authorization is considered an important step to securing yearly funding for a federal program.)

In a 2016 report to the U.S. Congress, the U.S. Environmental Protection Agency identified some of the major gains made under the initiative:

• Three “Areas of Concern” (environmentally degraded locations in the basin) have been delisted since the GLRI began. These include Deer Lake and White Lake in Michigan. The initiative also has accelerated cleanup efforts in Waukegan Harbor (Illinois) and in contaminated parts of the St. Clair River (Michigan), the Sheboygan River (Wisconsin) and the St. Louis River (Minnesota and Wisconsin).

• Advances in eDNA technology in fiscal year 2015 will simplify and accelerate the process for detecting one of the most destructive invasive species, Asian carp.

• Between 2010 and 2015, more than 875 projects have been launched (many completed) to preserve habitat and protect native species. In 2015, more than 3,800 miles of Great Lakes tributaries were reopened to help native fish, and 36,000 acres of habitat (including 7,000 acres of coastal wetlands) were protected.
Death rates from drug overdoses vary widely among Midwest states

Driven mainly by a rise in the use and abuse of opioids, drug overdoses have become the leading cause of injury death in the United States. “Our nation is in the midst of an unprecedented opioid epidemic,” according to the U.S. Department of Health and Human Services. But as illustrated by data from the Midwest on drug-related deaths (see maps below), this public health problem is much more severe in some states than others.

In 2015, 3,310 people died of a drug overdose in Ohio, a total that accounts for more than one-third of all such deaths that year in the 11-state Midwest. When adjusted for factors such as the age of a state’s population and its total size, Ohio has the fourth-highest rate of drug overdose deaths in the United States. (Neighboring West Virginia has the highest.) In contrast, Nebraska, South Dakota and North Dakota have the nation’s three lowest rates.

In an interview this fall with The Columbus Dispatch, Sam Quinones, author of “Dreamland: The True Tale of America’s Opiate Epidemic,” cited at least two reasons for Ohio “becoming the center of this whole problem” — one, a decision by heroin traffickers to avoid the gangs and violence in larger cities and to settle instead in central Ohio; and two, the large presence of “pill mills” in the state that oversupplied prescriptions.

In Ohio and many other Midwestern states, policymakers have adopted numerous strategies to prevent drug overdose deaths, Examples include:

• developing and enhancing prescription drug monitoring programs (see article to the right);
• increasing access among first-responders, school officials, treatment specialists and others to naloxone, an overdose antidote; and
• adopting “Good Samaritan” laws that encourage people to report an overdose by protecting them from certain drug crimes.

### # of deaths from drug overdoses in 2015 (U.S. rank in parentheses)

<table>
<thead>
<tr>
<th>State</th>
<th>% change</th>
<th># of deaths</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>-5.3%</td>
<td>25,249</td>
</tr>
<tr>
<td>Texas</td>
<td>+3.8%</td>
<td>20,174</td>
</tr>
<tr>
<td>Florida</td>
<td>+2.5%</td>
<td>15,363</td>
</tr>
<tr>
<td>New York</td>
<td>-0.1%</td>
<td>13,275</td>
</tr>
<tr>
<td>Illinois</td>
<td>+1.0%</td>
<td>11,519</td>
</tr>
<tr>
<td>Georgia</td>
<td>+3.5%</td>
<td>9,967</td>
</tr>
<tr>
<td>Michigan</td>
<td>-1.0%</td>
<td>9,674</td>
</tr>
<tr>
<td>North Carolina</td>
<td>-2.6%</td>
<td>9,293</td>
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<td>Pennsylvania</td>
<td>+1.0%</td>
<td>8,072</td>
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<tr>
<td>Ohio</td>
<td>-2.2%</td>
<td>7,946</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>+2.6%</td>
<td>7,473</td>
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</tbody>
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### # change in states’ drug overdose deaths: 2013 vs. 2015

<table>
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<tr>
<td>New York</td>
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</tr>
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<tr>
<td>North Carolina</td>
<td>-2.6%</td>
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<tr>
<td>Pennsylvania</td>
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</table>

With new laws and enhanced tracking of drug use, states advance fight against opioid abuse

Over the course of a two-week period in late March and early April, the rules for prescribing painkillers were tightened in Ohio, an improved drug-monitoring system was unveiled in Michigan, and nine bills to prevent opioid abuse won passage in the Wisconsin Assembly.

The flurry of activity in those three states illustrates just how big the opioid problem continues to be in many parts of the Midwest, as well as how much of a priority legislative leaders have placed on finding new ways to address it.

Near the top of that priority list is better controlling how prescription drugs are dispensed, prescribed and used.

Every state in the Midwest (and all but Missouri nationwide) now oversees a prescription drug monitoring program: an electronic database that allows providers to review a patient’s history with prescription drugs and that also can uncover inappropriate prescribing and dispensing practices.

But the effectiveness of these databases, and the rules governing them, vary across the country.

“A main emphasis right now is to try and improve them,” says Sherry Green, president of the National Alliance for Model State Drug Laws.

Launched in January, Wisconsin’s new database provides an example of the advances that states are making. According to Green, it provides more “data analytics” to users — a Wisconsin primary care physician, for instance, not only can view the prescription drug history of a single patient, but analyze broader trends among groups of patients, allowing for a comparison of his or her own prescribing patterns against those of other primary care doctors.

The enhanced monitoring system also is more interactive, Green says. Using a set of criteria, the administrator of the prescription monitoring program can identify a potential problem with a patient and alert practitioners.

Last year, Wisconsin lawmakers passed a bill (AB 364) to strengthen requirements related to the information going into the database, as well as how it is used. Under that new law, records must be submitted within 24 hours of a drug being dispensed, and before issuing a prescription, doctors must first consult the database. AB 364 also gives nurses and addiction counselors access to information on a patient’s prescription drug history.

This year’s nine-bill package in Wisconsin would authorize the opening of a charter school for recovering addicts, continue funding for treatment and diversion programs, and invest in programs that increase the state’s number of addiction specialists.

In April, Michigan opened its own enhanced Automated Prescription System. This database provides prescribers with a user-friendly portal to obtain information on drugs that have previously been dispensed to a patient. The state’s legislators, meanwhile, are considering bills (SB 166 and 167) that would require doctors to use this system when prescribing Schedule II through Schedule V controlled substances.

Another legislative proposal in Michigan (HB 4407) would have all of the state’s schools include information about opioid abuse in their health-education curriculum.

“More and more states are considering whether to require prescription drug education,” Green says.

Ohio schools already must meet this requirement, under legislation passed three years ago (HB 367).

More recently, Ohio lawmakers (SB 319) approved a bill in late 2016 that expands access to naloxone, an antidote to opioid overdoses. And in April, tighter prescription guidelines took effect: For adults, only a seven-day supply of opiates can be prescribed; for children, the limit is five days. Prescribers also are required to include a diagnosis or procedure code on every controlled-substance prescription; they must then enter that information into Ohio’s prescription drug monitoring database.

Article written by Tim Anderson, CSG Midwest publications manager. He can be reached at tanderson@csrg.org.
Who can introduce bills? Legislators, mostly...

by Jon Davis (jadviz@csg.org)

It's an axiom, especially to those of us reared on "Schoolhouse Rock": Bills originate in the legislative branch. That's certainly the case throughout the Midwest — anyone can suggest a bill, but only legislators can introduce them for consideration. Except in North Dakota. There, executive branch agencies and the judiciary can "pre-file" bills without legislative sponsors so they're ready and waiting for legislators when new sessions begin.

North Dakota Rep. Nathan Toman wants to end that practice. His proposal, HB 1397, would bar executive branch agencies and the judicial branch from introducing bills in the legislature unless requested to do so by a legislative management or standing committee. Those branches would need to find a legislator sponsor, whose bill would have to indicate which agency asked for the introduction. Exceptions would be made for budgets prepared by the governor's office or Office of Management and Budget.

HB 1397 passed the House (48-44) on Feb. 21 and, as of late March, was in a Senate committee. "It's a separation of powers issue; we're the legislative branch," Toman says. "We should be submitting these."

Opponents, primarily agency officials, say it would create another layer in the lawmaking process, and could unnecessarily complicate agencies' reactions to changes in federal regulations. North Dakota is unique among Midwestern states in that its legislature still only meets once every two years. (Only three other U.S. states meet biennially rather than annually.)

Introductory privileges

North Dakota, Michigan, Nebraska, Ohio and South Dakota let citizens introduce legislation via initiative petitions. For more information on citizen-initiated laws, please see the Capitol Closeup article in the February 2017 edition of Stateline Midwest.

In Iowa, bills can be proposed by the executive or judicial branches for legislative sponsorship, but only legislators can sponsor bills. The governor and state agencies can also have ideas drafted for consideration under legislative standing committee sponsorship as either House or Senate "study bills"; if they get committee approval, these study bills are then introduced for regular consideration, with the committee serving as the sponsor.

It's much the same outside the Midwest: In almost every legislative chamber, a member is the only one who can introduce a bill, although Alaska allows the governor to introduce bills via the Legislature's Rules Committees, and the Oregon House allows the governor and chief justice to introduce legislation on behalf of their respective branches on or before Dec. 15 of an even-numbered year. Even though Oregon's Legislature meets annually, that privilege is a holdover from the days when it met every other year (in odd years), says Obie Rutledge, the House reading clerk.

A curious exception to the "legislators-only rule" is in Massachusetts and its "Right of Free Petition," a colonial-era legacy under which any citizen can introduce or file a bill in the General Court of Massachusetts (the Legislature's official name). This right dates back to the 1641 Massachusetts Body of Liberties, and it was preserved in Article XIX of the Commonwealth's 1780 Constitution: "The people have a right, in an orderly and peaceable manner, to assemble to consult upon the common good; give instructions to their representatives, and to request of the legislative body, by the way of addresses, petitions, or remonstrances, redress of the wrongs done them, and of the grievances they suffer."

These Massachusetts bills are often listed as filed "by request," indicating that a legislator filed it at a citizen's request but doesn't necessarily support it.

Capital Closeup is an ongoing series of articles focusing on institutional issues in state governments and legislatures. Previous articles are available at csgwest.org.

QUESTION: Which Midwestern states apply a sales tax to streaming audio and video services?

At least 20 states, including five in the Midwest (see map), have enacted taxes on the "streaming" of media, such as music, movies or TV shows. Known colloquially as a "Netflix tax," the taxes allow states to adapt to new, Internet-based trends in entertainment consumption.

The Recording Industry Association of America, for example, reported that revenue from streaming music services surpassed $1 billion for the first time in 2015. And a 2016 survey of U.S. consumers by PricewaterhouseCoopers found that 78 percent of respondents subscribe to at least one streaming video service.

One interesting case is Iowa, which specifically exempts digitally delivered products from state taxes. In 2016, however, the state's Department of Revenue ruled that services offered through Amazon Prime and Prime Video fall under the category of "bundled services" and "pay television," both of which are subject to the state's 6 percent sales and use tax.

Nebraska and South Dakota have had laws on the books since 2008 that allow them to collect sales taxes on streaming media services. That year, both states adopted language that mirrored a set of uniform tax guidelines called the Streamlined Sales and Use Tax Agreement. Under the SSUTA language, streaming audio and video services are known as "specified digital products." The SSUTA requires members to specify, in statute, whether the tax applies to sales of digital products on a temporary or permanent basis, or when dependent on continued payments.

Other Midwestern states that have enacted sales taxes on streaming audio and video using SSUTA language are Wisconsin (in 2009), Minnesota (in 2013) and Ohio (in 2014).

Currently, lawmakers in Illinois are considering a sales tax expansion on many services, including video and audio streaming, as part of a solution to the state's budget woes. (Illinois has not enacted a complete budget since 2014 and owes over $12 billion in unpaid bills.) Under legislation introduced in March (SB 9), streaming services would be taxed at 6.25 percent, and the revenue would be deposited in a new fund dedicated to stabilizing the budget.

In 2016, as part of a similar sales tax expansion, Pennsylvania imposed a 6 percent tax on products delivered by digital streaming and download services. A fiscal note attached to the legislation (HB 1198) estimated the tax would generate $46.9 million in general fund revenue in fiscal year 2016-17.

Arkansas recently enacted a tax on streaming audio and video that will allow the state to provide a tax exemption on military benefits.

Other states that are mulling a "streaming" tax include West Virginia, Alabama and Maine. Conversely, California legislators earlier this year introduced the Streaming Tax Relief of Entertainment and Movies Act of 2017, which would put a moratorium on streaming taxes in the state until 2023.

*Article written by Katelyn Yee (kyee@csg.org), a CSG Midwest policy analyst. Question of the Month highlights an inquiry sent to the CSG Midwest Information Help Line: csgmi@csg.org or 630.925.1922.

** The Iowa Department of Revenue ruled in 2014 that Amazon Prime and Prime Video memberships are "bundled services" and "pay television," respectively, and subjected both to a 6 percent sales and use tax.
Rewarding work: Tax credits help raise low-income workers out of poverty

from 3.5 percent in Louisiana to 48 percent in Washington, D.C.

Nine states in the Midwest currently provide some kind of match to the federal EITC: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, Ohio and Wisconsin. (South Dakota has no income tax.) In each of these nine states except for Ohio, the EITC is also refundable.

This mix of federal and state credits can have a big impact on low- and moderate-income workers with children. (The program is much less generous for childless workers.)

Take, for example, the hypothetical case of a single mother raising two children in the state of Nebraska with yearly earnings of $30,000. She is eligible for a federal tax credit of $3,080 on that earned income. On top of that, Nebraska’s tax credit provides another $308, for a total of $3,388 a year (approximately $282 a month). In some states, such as Iowa, Kansas, Minnesota and Wisconsin, the EITC match is higher (see table).

Expansions, contractions of the EITC

T
he federal Earned Income Tax Credit has been expanded in some way by each of the past seven U.S. presidents, but at the state level, the policy trend in recent years has been more mixed.

Since 2013, seven states have increased their EITC, including Iowa and Ohio in the Midwest:

• In Iowa, a package of tax cuts in 2013 (SF 295) increased the state EITC from 7 percent to 14 percent for tax year 2013 and again to its current level of 15 percent in tax year 2014.
• Ohio doubled its state EITC to 10 percent of the federal EITC in tax year 2014.

In both states, tax credits for them to put money directly back into their pockets. “The minimum wage is simply not enough for families to make ends meet, so we need to create tax credits for them to put money directly back into their pockets,” said Scott Walker Governor of Wisconsin. “As part of a larger package dubbed “Wisconsin Works for Everyone,” Gov. Scott Walker wants to increase the state’s EITC for families raising just one child, from 4 percent to 11 percent of the federal credit.

Democrats in Wisconsin’s Republican-led Legislature want to raise the credit for all families, no matter how many children they have. Here are the other bills from the Midwest this

Changes at federal level have enhanced Earned Income Tax Credit, mostly for workers with kids

The federal Earned Income Tax Credit dates back 42 years, and since its enactment, changes at the federal level have expanded eligibility and eligibility for childless workers. (For example, in tax year 2016, up to $5,200 for families with three or more children compared to $500 for workers with no qualifying children.

Eligibility for federal Earned Income Tax Credit in tax year 2016

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<tr>
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<th>Single, head of household or widowed</th>
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<tbody>
<tr>
<td>No children</td>
<td>Maximum earned income of $14,880; maximum EITC of $506</td>
<td>Maximum earned income of $20,430; maximum EITC of $506</td>
</tr>
<tr>
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</tr>
<tr>
<td>Two children</td>
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<td>Maximum earned income of $50,198; maximum EITC of $5,572</td>
</tr>
<tr>
<td>Three or more children</td>
<td>Maximum earned income of $47,955; maximum EITC of $6,269</td>
<td>Maximum earned income of $53,505; maximum EITC of $6,269</td>
</tr>
</tbody>
</table>

Source: IRS

The current law provides a much more generous EITC to workers with children — for example, according to the Center on Budget and Policy Priorities, the average EITC for a family with children was $3,186 in tax year 2015, compared to $293 for a family without children. In addition, the income level of a childless adult working a full-time, minimum-wage job makes him or her ineligible to receive any credit at all.

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year that seek changes in states’ EITCs:
• Under HSB 187, Iowa’s EITC would be nonrefundable. Individuals would not receive any refund beyond their tax liability (this is part of a larger effort to reduce tax credits available to Iowa businesses, industries and individuals).
• Illinois SB 9 would increase the state’s EITC to 15 percent of the federal tax credit (the current rate is 10 percent). This legislation is part of a package of 13 bills that aims to reduce state spending while not disproportionately harming low-income workers and families. During his 2017 budget address, Gov. Bruce Rauner expressed support for increasing Illinois’ EITC.
• SB 370 in Indiana would raise the amount of that state’s EITC from 9 percent to 10 percent of the federal credit.
• Minnesota Gov. Mark Dayton has proposed changes to his state’s Working Family Credit (its version of the EITC) — for example, boosting the size of the credit and allowing workers between the ages of 21 and 24 to qualify for it. Before 1998, Minnesota’s Working Family Credit was set similarly to other state’s EITCs, as a percentage of the federal credit. But a state law enacted in 1998 restructured Minnesota’s credit so that it is now a percentage of earnings (see chart on page 6). Claimants must continue to meet federal eligibility requirements before they can apply for the Minnesota Family Credit.
• In Nebraska, three bills were introduced to raise the state’s EITC: to 17 percent of the federal credit starting in 2018 (LB 313); to 11 percent starting in 2018 and then to 12 percent in 2019 (LB 129); or to 13 percent in 2019, 17 percent in 2020 and 20 percent in 2021 (LB 69).
• Ohio’s SB 35 would make the state’s tax credit refundable beginning this year. In addition, a taxpayer who qualifies for the state credit would receive the full 10 percent of the federal credit. Under current Ohio law, for taxpayers whose adjusted gross income exceeds $20,000 (joint or separate, and after subtracting personal exemptions), the state EITC cannot exceed 50 percent of the tax due after subtracting all other nonrefundable credits other than the joint filing credit. The power of outreach in Iowa
Another way states can boost the reach of their EITCs is through education and outreach.

### About one-fifth of those eligible for the credit either don’t know about it or don’t claim it for other reasons. Iowa is among the U.S. states that offers funding ($195,678 in FY 2017) for outreach services, including free tax-preparation services.

Since the state’s first appropriation in 2005, these have gone to The Iowa Center for Economic Success. The center, in turn, distributes a combination of state and federal funding to partners in communities across Iowa.

For tax year 2015, 27 partners and more than 700 volunteers served more than 20,000 taxpayers, resulting in $11.6 million in federal and state EITC refunds, says Michelle Bartusek, the center’s director of education and resources.

## Four states in Midwest offer tax credits to help low- and moderate-income workers pay for child care

For workers with children, two other types of tax credits can help ease their financial burdens and, in some cases, lift them out of poverty — the federal Child Tax Credit and the Child and Dependent Care Tax Credit.

First enacted in 1997, the Child Tax Credit provides a maximum tax credit of $1,000 per eligible child and is refundable, thus providing an additional boost to low-income workers’ earnings. It phases in for low-income families with earnings of more than $3,000 and begins to be phased out at higher income levels ($75,000 for single filers and $110,000 for married couples filing jointly). To be eligible, tax filers must be the parent of a child under 17 at the end of the tax year.

Six states, but none in the Midwest, currently provide a match to this federal Child Tax Credit. Iowa, Minnesota, Nebraska and Ohio are among the 23 U.S. states that provide a match to the federal Child and Dependent Care Tax Credit (EIC), which helps individuals pay expenses for the care of children, adult dependents or an incapacitated spouse. Families can claim up to $3,000 in dependent care expenses for one child/dependent and $6,000 for two children/dependents per year.

Under the federal program, eligible families with a maximum gross income of $15,000 or less can claim 35 percent of these expenses, for a maximum potential credit of $1,050 (one child) or $2,100 (more than one child). This percentage steadily decreases for higher-income families. For incomes of $43,000 or more, the credit is equal to 20 percent of expenses.
Ohio Rep. Dorothy Pelanda can think of no higher calling than to serve others and one’s community. For the Ohio native, who grew up on a farm on the outskirts of the town of Marysville, public service was a way of life.

"By example, my parents taught me that service to the community was integral to being a good member of the community," Pelanda says.

Her father was a lawyer and a judge who served on the local board of elections; her mother was a teacher who worked in local polling places.

“We learned from Mom and Dad how important it was to vote,” Pelanda recalls, “and how important it was to be involved in the events of the day.”

That civic-minded belief system eventually brought Pelanda to the state Capitol in 2011, when she was appointed to an open House seat. She has been serving her central Ohio legislative district ever since, while also moving up the leadership ranks in the Republican caucus — she currently holds the position of House majority floor leader.

“It’s most gratifying to be able to give back to the people who gave so much to me in my growing years and my years as an attorney,” says Pelanda, whose 30 years in the legal profession include work in a prosecutor’s office, as a criminal defense attorney for indigent defendants, and as a civil litigator focused on family and domestic law.

She hopes her next phase of public service is as Ohio’s secretary of state; Pelanda announced her candidacy for the statewide position in March.

“The job is one of the most critical in Ohio,” she says. “Voting is the most fundamental way that Ohioans and citizens of our nation can participate in democracy. It’s critical that you have a chief elections officer — the secretary of state — who can assure our voters that their vote matters and that it will be counted correctly.”

In a recent interview with CSG Midwest, Rep. Pelanda reflected on her time in office to date, her legislative accomplishments and her run for Ohio secretary of state. Here are excerpts:

Q: How has your background as an attorney contributed to your role in the Ohio General Assembly?
A: [It] taught me to think analytically, to always question the premise, and to understand that there are multiple sides to every issue, not just one or two. Thinking logically and analytically is so critical in the job I have now as a legislator, and so is always questioning the premise — get to the core of the issue and then decide whether this is a problem in search of a solution, or it’s a solution in search of a problem, which it sometimes is.

Q: Through your various leadership positions, how have you viewed your role or responsibility in helping new members to the legislature?
A: The success of any business centers around relationships, not only with the supporters but it, we got it over the finish line.

Q: What are some of the biggest legislative issues that you and your colleagues are working on now?
A: I would bet that every single member of the House of Representatives would agree that the opioid and drug crisis is the biggest issue facing our nation and the state of Ohio. We can’t incarcerate our way out of the problem. We’ve got to have an understanding that we’ve got to treat the drug traffickers differently than the drug addict. We’re getting there, but we’ve still got some work to do.

Q: You’ve made the decision to run for Ohio secretary of state. When you leave the state House, what do you think you’ll miss most?
A: I will miss the community — the community of legislators and the ability to have so many diverse opinions come together to create a solution. It’s an honor to be among so many people who care so much about the future of Ohio and its citizens. I will miss the community of thinkers and people who share a passion for making Ohio the best it can be.”
Regaining the public’s trust

Citing need for greater transparency, lawmakers in Michigan plan sweeping reform of Freedom of Information Act

by Michigan House Speaker Pro Tempore Lee Chatfield

Trust in government continues to be at all-time lows. According to the Pew Research Center, only 19 percent of Americans today trust the federal government to do what is right “just about always” (3 percent) or “most of the time” (16 percent).

Michigan-specific data is no different. According to Michigan State University’s most recent State of the State Survey, trust in state government ranks only a few percentage points higher than trust in the federal government. [Editor’s note: The rate is somewhat higher in a national poll conducted by Gallup; see map.]

I believe that a significant portion of the widespread distrust in government, other than the typical partisan distrust, stems from a lack of accountability to the people we are elected to serve. One way to decrease the distrust is to increase public access to government information.

Michigan’s lack of transparency

In November 2015, the Center for Public Integrity published a survey that slumped Michigan with an “F” grade for transparency and ethics in government. The survey’s authors stated that “dead-last Michigan” has failed to adopt the types of ethics and open-records laws common in many other states. While all 50 states have some form of an open-records law, Michigan is the only state to statutorily exempt its governor’s office (Massachusetts has done so through court and administrative rulings). Six other states provide blanket exemptions for their legislatures (Alaska, Georgia, Massachusetts, Minnesota, Oklahoma and Oregon), but many states exempt specific legislative records from disclosure (for instance, California exempts caucus records).

Since joining the Michigan House of Representatives in 2015, I have been part of a group of Republicans and Democrats working together to craft a package of bills that reform Michigan’s Freedom of Information Act.

Taxpayers have a right to know exactly how their money is being spent, and who we are spending our time with while making public policy.

The proposed plan, which unanimously passed the Michigan House again this session, includes two parts. First, the plan amends FOIA to subject the offices of governor and lieutenant governor, and their employees, to the act beginning on Jan. 1, 2019. The remaining bills in this legislative package create the new Legislative Open Records Act under FOIA to provide for the public inspection of nonexempt legislative records created after Jan. 1, 2019.

This proposed Legislative Open Records Act mostly contains sections that correspond to existing sections in our state’s FOIA, including the same provisions relating to the format of the request, response requirements, labor and material fees, security deposits and grounds for appeal. Under our proposed only records that are at least 15 days old will apply to this act, in order to minimize politically driven requests that are intended to derail specific bills moving through the legislative process. In addition, incoming communications from constituents who contact their legislator for assistance or to voice their opinions would be protected to safeguard private information and the personal nature of their cases.

The Michigan Constitution prohibits legislators from being “questioned” by the executive or judicial branches over communications made in the performance of their duties. It also prohibits legislators from being liable in civil actions for acts done in the performance of their duties. This means that a court might not enforce a judgment or penalty against an offending legislator, as FOIA would ordinarily require.

Even if a court could generally force compliance on the legislative branch, a strong argument can be made that the legislature cannot waive the speech and debate protections for individual legislators in the future. Thus, while there is no constitutional issue with subjecting the governor to FOIA, it is unlikely that FOIA could constitutionally be enforced against violating legislators. The result would likely be increased costs and administrative burdens, without any real increase in transparency.

But our proposed Legislative Open Records Act, a stand-alone act that largely mirrors FOIA, assures a more open government. Aggrieved requesters could appeal to a nonpartisan entity within the Michigan Legislature, the Legislative Council administrator, instead of allowing judicial review of fee determinations and denials. This benefits citizens and the media because instead of hiring an attorney and paying filing fees in court, they simply need to appeal to the administrator for a fee of between $50 and $75.

This method preserves legislative immunity and prevents separation-of-powers issues, while also expanding our Legislature’s self-policing powers and reinforcing its independence.

Inspect vs. expect

Those of us elected to serve are trusted to use resources that don’t belong to us. Taxpayers, therefore, have a right to know exactly how their money is being spent, and who we are spending our time with while working through the budget process or while making public policy.

I am reminded of my grandfather’s cautionary advice growing up: “People do what you inspect — not what you expect.” With this legislation, Michigan will finally allow inspection of its policymakers, because no government, at any level, should operate in secrecy.

Transparency is about people, and I don’t believe people can have faith in their government if it fails to set an example for honesty and openness. I am very thankful to be part of this push for much-needed transparency reform that is long overdue.

It’s time that we set a new standard for future legislators and future administrations.

Speaker Pro Tempore Lee Chatfield, a Republican from Levering, was first elected to the Michigan House of Representatives in 2014.

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 First Person article are welcome, as are pieces written on other topics. For more information, contact Tim Anderson at 630.925.1922 or tanderson@csg.org.

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Public trust in federal government, 1958-2015*

- Percentage of survey respondents who say they trust the government in Washington, D.C., to do what is right “just about always” or “most of the time.”

Source: Pew Research Center

% of Midwestern residents confident in their state government, 2015

Source: Gallup
A leading expert on government and technology has been added to the list of featured speakers for this summer’s Midwestern Legislative Conference Annual Meeting.

Bill Eggers, executive director of Deloitte’s Center for Government Insights, will explore strategies that help states use the power of technology to improve the performance of state government. He joins:

- Isabel Wilkerson, a Pulitzer Prize-winning writer whose book “The Warmth of Other Suns” chronicles the 20th century’s Great Migration and its effects on participants and the communities they joined and left behind. She will discuss how history can help us understand ourselves, our country and the current era of upheaval.
- Kenneth M. Quinn, president of the Des Moines-based World Food Prize Foundation (and a former U.S. ambassador to Cambodia). He will discuss the foundation’s global effort to fight hunger.
- Denise Kiernan, author of The New York Times best-seller “The Girls of Atomic City.” She will talk about the women who unknowingly worked on the atomic bomb project during World War II, and the secretive conditions in which they worked.
- Harry Enten, a senior political writer and analyst at FiveThirtyEight.com. He will analyze the national political landscape and discuss FiveThirtyEight’s unique methodology for analyzing polling data.

The 72nd Annual Meeting of the Midwestern Legislative Conference will be held July 9-12 at the Des Moines Marriott Downtown. A $50 discount is available by registering on or before May 18. Registration must be completed online at csgmidwest.org. The registration deadline is June 5.

The four-day event will feature a session related to the MLC Chair’s Initiative — Healthy Birth Outcomes, chosen by this year’s chair, Iowa Sen. Janet Petersen.

It will also include meetings of the conference’s six standing committees — Agriculture and Natural Resources, Criminal Justice and Public Safety, Economic Development, Education, Health and Human Services, and Midwest-Canada Relations — on July 9. The committees will sponsor sessions the next day of the meeting.

Overview of this year’s featured speakers

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Justic e Center-aided bill gets wide support in North Dakota

With technical assistance from the CSG Justice Center, North Dakota was well on its way as of early April toward enacting myriad reforms to its criminal justice policies that would improve public safety and save taxpayer dollars.

At press time, HB 1041 — overwhelmingly approved by the House in February and unanimously approved by the Senate on March 30 — was in a conference committee and expected to reach Gov. Doug Burgum’s desk.

HB 1041 is the end product of the Incarceration Issues Committee, a special interim committee formed in 2015 by the state’s Legislative Assembly and comprised of legislators, judges, local state’s attorneys, law enforcement and the state’s attorney general. North Dakota Sen. Ron Carlisle served as the committee’s chair.

This group’s work was informed by a data-driven analysis performed by The Council of State Governments Justice Center, which looked at how to reduce North Dakota’s prison population, contain spending, and reinvest the savings in strategies that can reduce recidivism and increase public safety.

If no action is taken, North Dakota’s prison population is projected to grow by 36 percent by fiscal year 2022, at a cost of $115 million.

Issued in January, the CSG Justice Center’s final report outlined policy recommendations and options that, if enacted, would avert a minimum of $63.8 million in projected costs by 2022.

CSG’s New York-based Justice Center has more than 130 employees and has offices in Washington, D.C.; Bethesda, Md.; Austin, Texas; and Seattle. Its in-depth research is tailored to individual states or counties seeking to improve their justice systems.

Seven Midwestern states have worked with and received technical assistance from the CSG Justice Center (csgjusticecenter.org).
Selection panel to name 2017 BILLD Fellows; sponsorships still available

On May 6, the Bowhay Institute for Legislative Leadership Development (BILLD) Steering Committee will meet to name recipients of this year’s BILLD fellowships.

BILLD is the top training program in the Midwest for the region’s new state legislators. The program, including the selection process, is overseen by a bipartisan committee of legislators from each of the 11 Midwestern states.

Nearly 100 applications for 37 available fellowships were received from Midwestern legislators. Fellowships are awarded on a competitive, non-partisan basis. A full list of 2017 BILLD Fellows will appear in the May edition of Stateline: Midwest and will be available at csgmidwest.org.

This year’s BILLD training program will be held Aug. 11-15 in Minneapolis.

While in its 23rd year, this will be the first time that CSG’s Midwestern Legislative Conference is partnering with the Center for the Study of Politics and Governance at the University of Minnesota’s Humphrey School of Public Affairs to offer leadership training to its members: legislators from the 11 states as well as from the MLC’s four affiliate provinces.

BILLD is designed for legislators in their first four years of service. In addition to focusing on leadership training, the program includes policy workshops on issues such as health care, the economy and transportation, as well as professional development training on media relations, priority management and consensus building.

The critical role of BILLD sponsors

BILLD is made possible by funding from corporate and foundation sponsors who believe in the importance of providing legislators with the tools necessary to improve their leadership and policymaking skills.

BILLD offers a range of sponsorship levels and widely recognizes its partners during the five-day institute and through a variety of BILLD publications produced throughout the year. Sponsors are also given the opportunity to spend time with BILLD Fellows by attending the institute in Minneapolis.

To learn more about BILLD sponsorship, or to become a sponsor, visit the CSG Midwest website (csgmidwest.org/BILLD/sponsorship.aspx) or contact Laura A. Tomaka (630.925.1922; ltomaka@csg.org).

Future of Indiana’s water infrastructure focus of recent CSG Midwest Under the Dome initiative

Indiana Sen. Ed Charbonneau, a member of the Great Lakes Legislative Caucus Executive Committee, speaks in March at a CSG Midwest Under the Dome policy workshop at the Indiana Capitol. The session focused on the state’s aging water infrastructure, the challenges associated with repairing and replacing it, and the impact of the current system on pollution in the Great Lakes.

The two featured presenters were Molly Flanagan of the Alliance for the Great Lakes and Jim McGoff of the Indiana Finance Authority. Under the Dome is a series of legislator-initiated workshops organized by CSG Midwest. The caucus, a nonpartisan group of legislators from the eight U.S. states and two Canadian provinces in the Great Lakes basin, sponsored the Indiana event. It receives staff support from CSG Midwest. (photo: Lauren Beatty, deputy press secretary for the Indiana Senate Majority Caucus)
Kansas law bars DNR orders for children without parents’ OK

A new law in Kansas will bar “do not resuscitate” or similar physician’s orders for unemancipated minors unless at least one parent or guardian has been told of the intent to issue such an order.

SB 85 requires that parental notice be given orally and in writing, and prohibits a DNR or similar order if there is a refusal of consent. Also under this measure, the minor’s medical record must include information about the DNR order and the nature of efforts to contact both parents.

The law is named for Simon Crosier, born in September 2010 in a Missouri hospital to Kansas parents. He was diagnosed with a chromosomal disorder and died in December of that year. The Crosiers subsequently learned that a DNR order had been placed on Simon’s chart without their knowledge or consent.

The advocacy group Protecting Children by Empowering Parents lists Kansas and Michigan as among the 11 U.S. states with statutory language defining and protecting parental rights. In other states, these protections have come from the courts. Under Kansas’ existing statute (even prior to Simon’s Law), parents have a “fundamental right” to control the medical care of their minor children. The Michigan statute defines a “natural, fundamental right” to “direct the care, teaching, and education of their children.”

New laws in Illinois, Michigan aim to update, improve justice systems

Two of the Midwest’s governors recently signed bipartisan legislation to overhaul aspects of their states’ criminal justice systems.

Based in part on recommendations from the Illinois State Commission on Criminal Justice and Sentencing Reform, Illinois SB 2872 requires the state to help local authorities with strategic planning and technical aid in addressing trauma victims’ experiences. It also strengthens judicial discretion in sentencing, including probation as an alternative to incarceration, and expands opportunities for former inmates to receive rehabilitative services.

In Michigan, 10 different bills approved by the Legislature will update parole policies and provide new tools to prevent repeat criminal offenses. For example, the Department of Corrections will create a “Parole Sanction Certainty” program for high-risk parolees in at least the state’s five largest counties. In addition, parole and probation programs will be required to employ evidence-based practices. Other bills in the legislative package redline recidivism in state statute, establish an expedited commutation or pardon process for prisoners with medical conditions, and limit the maximum sentence for technical violations of parole to 30 days for the first three violations.

Indiana looks to put new budget requirements in state Constitution

Indiana voters will decide next year whether their Constitution should be changed to require balanced budgets and actuarially funded public pensions.

The proposed state constitutional amendment, SB 7, received final approval by lawmakers in April. (In Indiana, all constitutional amendment must first receive approval by the General Assembly.) The Indiana Constitution already restricts the General Assembly from incurring debt in most circumstances. SB 7 adds language to prohibit state spending from exceeding state revenue, unless two-thirds of the legislature agrees that emergency spending is necessary.

According to the National Association of State Budget Officers, most states in the Midwest constitutionally require their legislators to pass balanced budgets. The lone exceptions are Iowa and Nebraska, where the requirements are in state statute, and Indiana.

Less common is constitutional language on the funding of public pensions. States in the Midwest instead tend to have such requirements in statute, the National Association of State Retirement Administrators notes in a 2013 study. The change in Indiana would require the state’s biennial budget to “actuarially fund the accrued liability of all (the state’s) pension funds.”

South Dakota adopts new tax incentive to protect its waterways

South Dakota legislators agreed this year to provide new tax incentives for private landowners who help protect the state’s water resources from agricultural runoff.

The goal of SB 66 is to encourage the use of buffer strips that filter out nutrients and keep these pollutants from reaching a water body. The law applies to agricultural land within 120 feet of certain lakes, rivers or streams (a total of 375 lakes and 11,000 miles of streams, according to South Dakota Gov. Dennis Daugaard). Eligible riparian buffer strips will be assessed at 60 percent of the land’s agricultural income value; also under the law, grazing is prohibited from May 1 through Sept. 30.

Under a 2015 law in Minnesota, new perennial vegetation buffers of up to 50 feet must be placed along rivers, streams and public ditches to prevent nutrient runoff. The law provides flexibility for landowners to install and maintain the buffers. Financial support to meet this new requirement comes from a mix of federal, state and local conservation programs.

Nearly three-quarters of Minnesota’s counties are already between 60 percent and 100 percent compliant with the buffer requirement, Gov. Mark Dayton announced in March.