

December 22, 2014

The New Normal



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The next issue of Capitol Journal will be available on January 12th.

Top Story

States have generally bounced back from the Great Recession, but slower growth and big time fiscal obligations present major challenges to come.

SNCJ Spotlight

State budgets improve but still dogged by pension, Medicaid costs

Most states will see improved fiscal conditions in 2015, but their economic growth rates remain below the levels they enjoyed before the Great Recession, according to a comprehensive new report.

“Economically speaking, states are a mirror of the nation,” said Scott D. Pattison, executive director of

A Cannon Perspective



With Lou Cannon

the National Association of State Budget Officers (NASBO).

Using a phrase coined by the economist Larry Summers, Pattison said the “new normal” for state economic growth is an average of 3 percent a year. Before the Great Recession, which started in December 2007 and ended 18 months later in June 2009, states routinely had economic growth rates of 5 percent or higher.

Forty-three of the 50 states will have higher general fund spending levels in 2015 than in 2014, but “for most states spending growth will be limited,” according to the NASBO report.

Voters sent their own message of fiscal restraint last November by electing a near-record number of Republican governors and state legislators. Several Democratic governors have also promised to keep a tight rein on spending.

The NASBO report said that states “face rising costs in critical areas of the budget, such as Medicaid and higher education, which continue to outpace inflation as well as general fund revenue growth.”

The NASBO findings come on the heels of a report by the Pew Charitable Trusts which shows that tax revenues have yet to reach pre-recession heights in 29 states. Another report, by the credit rating agency Fitch, found the state fiscal situation “stable” but said many states face tough decisions on Medicaid, “the area of state budgets that is usually most difficult to control.”

Meanwhile, unfunded pension liabilities remain a “dark cloud on the horizon of state budgets,” according to State Budget Solutions, a nonpartisan think tank. SBS estimates that this “cloud” totals \$4.1 billion for state-administered pension plans. The bill to cover future retirements is far higher. Last month California Controller John Chiang, the state’s paymaster, reported that the California State Employees Retirement System had \$281 billion on hand to cover the benefits promised to 1.3 million workers and retirees but needed an additional \$57 billion to meet future obligations.

Overall, state and local government retirement systems cover more than 14 million workers, about a sixth of the U.S. work force, with 8 million beneficiaries.

On fiscal performance, including pensions, there are enormous differences among individual states as well as regions of the country. States in the Midwest — with the conspicuous exception of Illinois — are doing well. Economic growth in the Northeast is slow. Most Southern states are holding their own. Energy-producing states such as Texas, North Dakota, and Wyoming are booming. California, not so long ago

The week in session

States in Regular Session: DC, MI, NJ, OH, US

States in Informal Session: MA

States in Recess: CA, IN, NY, ME

Special Sessions in Recess: DE “c”, VA “a”

States currently prefiling for 2015

Session: AR, AZ, CO, FL, GA, IA, KS, KY, MO, MT, ND, NH, NM, NV, NY, OK, OR, SC, TN, TX, UT, VA, WA, WY

Adjourned Sessions: AK, AL, AR, AR “a”, AZ, AZ “a”, CA, CA “a”, CO, CT, DE, DE “b”, DE “d”, FL, FL “a”, GA, HI, HI “c”, IA, ID, IL, IL “a”, IL “b”, IN, KS, KY, LA, MD, ME, MN, MO, MS, MS “a”, MS “b”, MT, NC, NE, NH, NJ “a”, NM, NV “a”, OK, OR, PA, PR, PR “a”, PR “b”, PR “c”, RI, SC, SD, TN, UT, VT, WA, WA “a”, WA “b”, WA “c”, WI, WI “c”, WV, WV “a”, WV “b”, WY

Letters indicate special/extraordinary sessions

— Compiled By JAMES ROSS
(session information current as of 12/17/2014)
Source: State Net database

an economic basket case, has stabilized under Gov. Jerry Brown (D), soon to begin a fourth term.

Pennsylvania and Illinois provide revealing case studies in fiscal adversity. In both states incumbent governors were overwhelmed by economic problems and lost to challengers of the other party in November. The winners are wealthy businessmen who must now work with hostile legislatures to reduce inherited deficits.

Tom Wolf, soon to be the new governor of Pennsylvania, was the sole Democrat in 2014 to oust a Republican gubernatorial incumbent. He routed Gov. Tom Corbett but inherited a \$2 billion deficit. As Wolf promised during the campaign, his key proposal

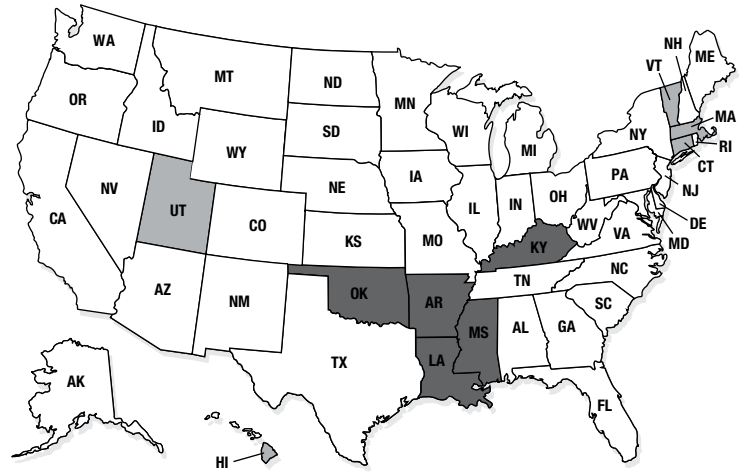
for addressing this shortfall is a new severance tax on shale-oil drilling. But a GOP-controlled legislature with new, conservative leadership is wary of tax increases.

Bruce Rauner, Republican governor-elect of Illinois, inherited a larger deficit — \$4 billion — and has an even steeper political hill to climb. Rauner, a former private-equity investor, spent \$26 million of his personal fortune and defeated Pat Quinn, the Democratic incumbent, in a mild upset. But Illinois Republicans fell one seat shy of breaking the Democrats' veto-proof hold of the House. Since Rauner campaigned against the Legislature — singling out the Democratic leaders of both chambers by name — he does not start out with much goodwill in Springfield.

Illinois, in Pattison's words "the only state that does not pay its bills on time," has long been a poster child of public pension dysfunction with an estimated \$111 billion in unfunded liabilities. As the *New York Times* put it recently: "Not only does the huge imbalance put workers' benefits in jeopardy, but as more and more are qualifying to retire and draw their benefits, the situation is also undermining the finances of the whole state."

Outgoing Gov. Quinn sought pension reform against legislative skepticism in his own Democratic Party. The legislators eventually compromised on a mild reform bill over the opposition of public employee unions. But even this relatively weak measure was struck down in November by a state judge who found that the law, which reduced

Bird's eye view



Source: United Health Foundation

Hawaii, Vermont, Massachusetts, Connecticut, Utah

Mississippi, Arkansas, Louisiana, Kentucky, Oklahoma

Hawaii healthiest state in America

Hawaii is the nation's healthiest state, according to the United Health Foundation's annual health rankings for 2014. The Aloha State's low rates of obesity, preventable hospital visits and cancer deaths helped earn it the top spot. Mississippi was the lowest-ranked state, owing to its high rates of physical inactivity and low birthweight, as well as its low rate of teen immunizations.



some benefits, violated a clause in the state constitution that makes pensions “an enforceable contractual relationship” that cannot be changed.

This decision is now under appeal to the Illinois Supreme Court. Since many states have constitutional provisions or laws prohibiting pension reduction similar to the Illinois clause, pension analysts widely anticipate that the issue ultimately will be decided by the U.S. Supreme Court.

Pension-reform advocates have been given hope by bankruptcy judges in Detroit, Michigan, and Stockton, California, who have ruled that public pensions are not necessarily inviolate.

It’s a big leap, however, from municipal bankruptcies to state pension laws. A more direct test is likely to come in Rhode Island, where a judge has scheduled an April 2015 jury trial on a union-backed lawsuit that seeks to strike down the state’s far-reaching 2011 pension reform law.

State Treasurer Gina Raimondo (D), who will take office as governor in January, tried earlier this year to strike a deal with firefighters, teachers and retirees, but the police union rejected the agreement. She continues to seek a settlement that would head off the scheduled trial.

The Rhode Island law suspended cost-of-living adjustments, raised the retirement age, moved workers into a hybrid pension plan and reduced future benefits for current employees. It’s become a model for other states and municipalities seeking to reduce pension liabilities.

Every state except Idaho enacted some sort of pension reform in the wake of the Great Recession. Although most of these laws fell short of what reformers were seeking, Pattison believes they’ve bought time in most states, postponing any day of reckoning on unfunded pension liabilities.

Some states are worse off than others. Most notable in the “worse off” category apart from Illinois is New Jersey, where in 2011 Republican Gov. Chris Christie agreed to put more state money into the pension system in exchange for union concessions. In June of this year, however, Christie infuriated the unions by saying he would forego \$2.4 billion in payments into the pension fund during the next two years as he tries to close New Jersey’s budget gap.

Thomas Healey, a former Goldman Sachs partner who chairs Christie’s pension commission, said that the suspension of payments had exacerbated the plight of the state’s pension and health-benefits system, which is underfunded by \$90 billion.

“Every day you don’t fund it, it just gets bigger,” Healey said.

The NASBO report said that state spending increases in 2015 most heavily target education and Medicaid. Thirty-nine states enacted general fund increases

Upcoming elections

(12/19/2014 - 1/09/2015)

12/30/2014

Iowa Special Election

Senate District 12

01/06/2015

Georgia Special Election

House Districts 50 and 120

Iowa Special Election

House District 4

Virginia Special Election

House Districts 34 and 63

for K-12 education in the amount of \$11.1 billion. Forty states increased spending for higher education, for a net increase of \$4.4 billion. Thirty-six states increased spending for Medicaid, the federal-state program that provides health care for the poor, by \$8.5 billion.

In many states Medicaid provides mental health services for clients who are otherwise too poor to receive them. That's significant because a report by the National Alliance on Mental Illness (NAMI) warned that momentum to improve mental health services may be slowing. According to the report, 29 states plus the District of Columbia will increase mental-health spending in fiscal 2015. Thirty-seven states did so in fiscal 2014 in the wake of the massacre at Sandy Hook Elementary School in Newton, Connecticut.

Overall, state spending will continue on an upward arc in the year ahead. But it will in many cases be cautious and restrained. The new economic normal does not allow much running room for overspending.

— *By Lou Cannon*

Budget & taxes

NH SUPREME COURT OKAYS PENSION REFORM LAW: Last year the Superior Court in Merrimack County, New Hampshire invalidated a 2011 state law increasing the amount public employees — even those who've been on the job over 10 years — have to contribute to their pensions, on the grounds that it would violate a contract between the state and those workers. But last week the state's Supreme Court reversed the superior court's decision.

"The narrow question before us is whether, by enacting RSA 100A: 16, I(a), the Legislature unmistakably intended to establish NHRS member contribution rates as a contractual right that cannot be modified," Chief Justice Linda Dalianis wrote in the court's unanimous opinion. "We hold that it did not."

New Hampshire Attorney General Richard Head, who argued for the state, said the court also pointed to Michigan and Florida rulings in its decision.

"The New Hampshire Supreme Court's opinion is consistent with some of the other states that have ruled on this issue of employee contribution to the retirement system," he said.

Senate Majority Leader Jeb Bradley (R), the main sponsor of the bill mandating the pension contribution increases, was, naturally, pleased with the decision.

"I'm encouraged that the Supreme Court has upheld the right and duty of the Legislature to amend and improve the New Hampshire Retirement System. Unless we can address the \$5 billion unfunded liability in our state pension system, both

taxpayers and workers would be left with a huge financial burden,” he said in a statement. “This decision affirms the Legislature’s ability to make the changes we’ll need to preserve the New Hampshire Retirement System, protect taxpayers, and maintain employee jobs.”

The coalition of public employee unions that filed suit against the pension reform law was, just as naturally, disappointed with the ruling.

“The Court’s decision today unfortunately allows public employers to renege on their promise of security in retirement,” it said in a statement. (UNION LEADER [MANCHESTER], NEW HAMPSHIRE PUBLIC RADIO)

CA GOV EYING PUBLIC EMPLOYEE HEALTHCARE COSTS: California Gov. Jerry Brown (D) will target healthcare costs for retired state workers in his forthcoming budget proposal, a finance department spokesman said last week. That statement came shortly after the state’s controller, John Chiang, announced that the long-term burden of healthcare costs now exceeds the amount available to cover them by \$71.8 billion.

“The price tag associated with providing healthcare to retired state workers has quietly grown to rival or even eclipse the funding gap associated with public pensions,” Chiang said in a statement. “If we continue to do nothing, we will be sowing the seeds of a future crisis.”

While Brown and state lawmakers have taken action to pare down the state’s pension costs, the healthcare costs have gone unaddressed. And unlike pension costs, which are funded through long-term investment accounts, healthcare costs are only covered on a year-to-year basis. (LOS ANGELES TIMES)

KS GOV FOLLOWING NJ GOV’S LEAD ON BUDGET WOES? Kansas Gov. Sam Brownback (R) seems to be reading from New Jersey Gov. Chris Christie’s (R) playbook when it comes to dealing with his state’s budget troubles. Last month he said he was “looking at everything,” including a tax increase, to fill a projected \$279 million hole in the state’s budget for the current fiscal year, which was very similar to Christie’s remark the month before that “everything is on the table for discussion” to shore up his state’s ailing transportation trust fund. And last month Brownback decided to solve his state’s budget problem in part by cutting payments into the state’s public pension system, precisely what Christie did back in May. (ASSOCIATED PRESS, LAWRENCE JOURNAL-WORLD, WICHITA EAGLE, NJ.COM, WASHINGTON TIMES, STAR-LEDGER [NEWARK]).

BUDGETS IN BRIEF: UTAH Gov. Gary Herbert (R) has proposed a \$14.3 billion state budget that includes the largest increase in per-pupil spending in 25 years, as well as funding for body cameras for all state troopers and his Healthy Utah plan to help the poor afford medical insurance (SALT LAKE TRIBUNE).

• Also in **UTAH**, Gov. Herbert (R) wants to tax e-cigarettes just like tobacco products. His office says doing so could generate \$10 million a year for the state (WASHINGTON POST, LEXISNEXIS STATE NET). • **FLORIDA** Sens. Rob Bradley (R) and Jeremy Ring (D) have filed legislation (SB 172) that would allow cities with troubled pension funds to use additional insurance premium tax revenues to bolster those accounts. The bill is similar to one that failed last year (TAMPA TRIBUNE). • Also in **FLORIDA**, state revenue estimators predict revenues for the current fiscal year will grow 5 percent more than expected this fiscal year and 4 percent more than expected next fiscal year, meaning the state will have roughly \$1 billion more in revenue (NAPLES DAILY NEWS). • Determining a source of revenue to provide at least \$1 billion in new revenue annually to maintain and improve **GEORGIA**'s roads and bridges is expected to dominate the legislative session that begins Jan. 12. "It is timely for us to take a serious look at it," Gov. Nathan Deal (R) said at a transportation summit last week. "The question of whether it's going to be new revenue, and the source of that revenue, is the most important question we need to answer" (ATLANTA JOURNAL-CONSTITUTION, LEXISNEXIS STATE NET). • **MARYLAND**'s two-year budget shortfall has grown to nearly \$1.2 billion due to sluggish economic growth, according to a revised state budget forecast (WASHINGTON POST). • **MASSACHUSETTS** Gov.-elect Charlie Baker (R) will face a \$750 million budget shortfall when he takes office next month, according to the Massachusetts Taxpayers Foundation, potentially forcing him to start his term by making unpopular spending cuts (BOSTON GLOBE, LEXISNEXIS STATE NET). • If oil prices drop below \$52.06 this year or \$52.56 next year for five consecutive months, **NORTH DAKOTA**'s oil extraction tax will be suspended for two years, potentially costing the state billions in revenue (BISMARCK TRIBUNE). • **IOWA** Department of Transportation Director Paul Trombino said state lawmakers may debate proposals including an increase in the gas tax, a wholesale tax on motor fuel and higher permit fees for oversized and overweight vehicles next year to generate \$215 million the state needs each year to meet its most critical transportation needs (DES MOINES REGISTER).

— Compiled by KOREY CLARK

In case you missed it

With Washington mired in perpetual partisan gridlock, the real policy action in recent years has shifted to the states. The coming year will be no different.

In case you missed it, the story can be found on our Web site at

http://www.statenet.com/capitol_journal/12-08-2014/html#sncl_spotlight

Politics & leadership

D **AVID VS GOLIATH STORY OF FIRST FRACKING BAN IN TX:**
On Nov. 4, a rag-tag group of local activists persuaded nearly 59 percent of the voters in Denton, Texas to approve a ban on fracking by “knocking on doors, staging puppet shows and performing song-and-dance numbers,” as *The Texas Tribune* put it. The *Tribune* noted that the group, Frack Free Denton, also received help from the national environmental group Earthworks, but its oil-and-gas-industry-backed opponents raised over \$700,000 — more than 10 times what it raised — for TV ads, PR and polling.

So how did the group manage to overcome that opposition and bring about the first fracking ban in Texas, a state built on oil and gas? Evidently it did so in part by raising awareness — opponents say fear-mongering — about the potential health and environmental risks of fracking. The process, which entails using millions of gallons of water and chemicals to break apart rock deep underground and free up the oil and gas contained inside it “is a brutal, brutal process for people living around it,” said Cathy McMullen, president of Frack Free Denton.

Bobby Jones, a local general contractor, rancher and the treasurer of Denton Taxpayers for a Strong Economy, a group formed to oppose the fracking ban, said the ban also passed because the oil and gas industry was very slow to react to fracking opponents’ organizing and because of the local newspaper’s scrutiny of the industry. And he mentioned one other factor: Most Denton residents don’t own the rights to the minerals beneath their property, meaning they don’t receive hefty royalty checks from drilling like his family does, having owned an 82-acre plot of land on the west side of town along with its minerals for generations.

“They don’t have their minerals,” he said. “So there’s the problem.” (TEXAS TRIBUNE [AUSTIN])

UBER’S PIONEERING GOVT RELATIONS STRATEGY: Uber Technologies has not only pioneered a new kind of taxi service but also a new way to deal with the government regulations that stand in the way of its growth. The approach is bold: Enter local markets regardless of the regulatory environment, build a large customer base as fast as possible and mobilize when challenged through a combination of new-age and old-school tactics.

For instance, when a key regulatory decision is imminent, Uber riders are sent alerts on their phones to sign petitions. The company says over 450,000 riders have signed such petitions, and they’ve done so quickly, sometimes at the rate of seven electronic signatures a second.

But the company has also assembled an empire of lobbyists, including former state legislators and gubernatorial aides, with ties to both major parties. Over the past two

years, it has hired over 160 lobbyists in at least 50 U.S. cities and states, and between July and November it spent \$475,000 on lobbying California lawmakers alone.

The strategy has been very successful. Measures allowing the company to operate have been approved in 17 cities and states over the past eight months. And the company now operates in 138 U.S. cities, up from just 28 a year ago. (WASHINGTON POST, STATE NET)

OTTOWA ATTACK TO RENEW FOCUS ON STATEHOUSE SECURITY:

Statehouse security varies considerably across the country. Some state capitols have armed security guards, X-ray machines and metal detectors. Others offer open public access. But the shooting attack on the Canadian Parliament in October will likely have state lawmakers taking a closer look at the balance between those extremes in their respective seats of government when they return to work next year.

“After Ottawa, everyone does an immediate assessment of what it means to them,” said Terrance Gainer, former sergeant-at-arms for the U.S. Senate and an adviser for Securitas USA. “Openness and security, that’s the balance.” (STATELINE.ORG)

POLITICS IN BRIEF: Last week GOP leaders in **VIRGINIA**’s House of Delegates proposed a cap of \$100 on gifts of any kind to state officials. That limit is tighter than the one the Legislature imposed on itself earlier this year as well as what an ethics panel appointed by Gov. Terry McAuliffe (D) recommended earlier this month (WASHINGTON POST).

— *Compiled by KOREY CLARK*

Governors

CUOMO BANS FRACKING IN NY: Citing potential health and environmental risks, New York Gov. Andrew Cuomo (D) has barred the controversial gas drilling practice of hydraulic fracturing, or fracking.

Cuomo’s decision has been years in the making. Former Gov. David Paterson (D) first imposed a moratorium on fracking — which entails shooting chemically-treated water deep into the ground to break up shale deposits that hold natural gas — in 2008. Cuomo has been under intense pressure from both fracking opponents and its supporters ever since coming to office in 2010, the former seeking to have the moratorium made permanent and the latter wanting to see it removed. Last Wednesday, opponents got their wish. After a meeting with Cuomo and other cabinet members, state Health Commissioner Dr. Howard Zucker announced the state would begin drafting rules to permanently ban the process.

“We don’t have definitive evidence to prove or disprove the health effects,” he said. But that uncertainty, he added, is exactly why the state needs to exercise the most caution.

“We lack the necessary data,” he said. “The potential health risks are too great.”

Even so, Zucker and Cuomo each said they believed the science is clear enough to support the concerns of opponents, who believe fracking could possibly lead to contamination of the state’s water supplies among other serious risks. Zucker said he was concerned enough himself that he would not want his own children living near a fracking site. Cuomo took that sentiment one step further.

“If you don’t believe your children should live there, I agree...no child should live there,” Cuomo said.

Cuomo had consistently refused to take a firm stand one way or the other on fracking throughout his first term or during his re-election campaign this fall. Several Empire State local governments have since established their own bans or moratoriums. Last June, the state Court of Appeals upheld the right of those governments to do so. (NEW YORK TIMES, NEWSDAY, NATIONAL JOURNAL)

In the hopper

At any given time, State Net tracks tens of thousands of bills in all 50 states, the US Congress and the District of Columbia. Here’s a snapshot of what’s in the legislative works:

Number of 2014 Prefiles last week: 128

Number of 2015 Prefiles last week: 2,159

Number of Intros last week: 412

Number of Enacted/Adopted last week: 174

Number of 2014 Prefiles to date: 22,830

Number of 2015 Prefiles to date: 10,729

Number of 2014 Intros to date: 86,567

Number of 2013 Session Enacted/Adopted overall to date: 40,747

Number of 2014 Session Enacted/Adopted overall to date: 28,574

Number of bills currently in State Net Database: 92,798

— Compiled By JAMES ROSS
(measures current as of 12/17/2014)
Source: State Net database

SHUMLIN BAILS ON VT SINGLE-PAYER HEALTH PLAN: Calling it “one of the most difficult decisions of my public life,” Vermont Gov. Pete Shumlin (D) abandoned his longstanding plan to make the Green Mountain State the first to implement a publicly-funded single-payer health insurance plan for all residents. Shumlin said the plan would simply be too costly, creating a \$500 million budget hole that would have required an 11.5 percent payroll tax and a 9.5 percent hike to the state income tax to close. That, he said, was simply too much too soon and would probably kill any chance of getting a single-payer system in place in the future.

“I am not going [to] undermine the hope of achieving critically important health care reforms for this state by pushing prematurely for single-payer when it is not the right time for Vermont,” he told reporters in announcing his decision.

Shumlin had signed legislation in 2011 that called for Vermont to have a workable plan for moving to a single-payer system by 2013. But no matter how they worked the numbers, he said, it just didn’t pencil out without foisting major new costs on businesses and residents alike. It did not help that in recent weeks his health team determined the state would be receiving \$150 million less than anticipated from the

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federal government to help with the plan, which came on top of learning it would also receive \$150 million less in Medicaid assistance. Given that, Shumlin said, he had no choice but to call the whole thing off.

“The bottom line is that, as we completed the financing modeling in the last several days, it became clear that the risk of economic shock is too high at this time to offer a plan I can responsibly support for passage in the Legislature,” the governor told reporters.

The move drew the ire of Vermont Workers Center director James Haslam, who said Shumlin had greatly disappointed thousands of single-pay supporters who had trusted him to deliver on his vow that “health care is a right and not a privilege.”

“Obviously this is a deep disappointment to lots of us,” he told Vermont Public Radio. “And it’s a slap in the face to a lot of people that worked really hard.”

In an open letter published in the *Burlington Free Press* on Thursday, Shumlin acknowledged what he called “a huge disappointment to many Vermonters.” But he also called for ongoing health care reforms he said would make the system more efficient and drive costs he said “will lay the groundwork for future efforts to implement a publicly-financed health care system.” (BURLINGTON FREE PRESS, VERMONT PUBLIC RADIO, VALLEY NEWS [WHITE RIVER JUNCTION])

MCAULIFFE UNVEILS VA GUN CONTROL PROPOSAL: Gov. Terry McAuliffe (D) introduced a gun control package last week that would, among several things, limit Old Dominion residents to one handgun purchase per month and require universal back ground checks on people buying guns at gun shows. Other regulations would include barring gun possession for people subject to domestic protection orders and those convicted of crimes such as stalking or sexual battery and revoking concealed-carry permits for those who are delinquent on child support payments. McAuliffe’s proposals are expected to face strong resistance in the General Assembly, where Republicans hold strong majorities in both chambers. (VIRGINIAN-PILOT [NORFOLK], RICHMOND TIMES-DISPATCH)

INSLEE PROPOSES WA CAP-AND-TRADE PLAN: For the last two years, Washington Gov. Jay Inslee (D) has watched proposed gas-tax increases tank in the state Legislature, leaving transportation projects languishing on the drawing board. But last week he pitched an alternative approach to help the state meet its transportation funding needs: charging big polluters for the carbon they emit via a cap-and-trade program he said would reduce the state’s carbon emissions and produce almost \$1 billion in new revenue to help fund transportation and other projects.

“We can clean our air and water at the same time we are fixing our air and our roads,” the governor said. “It is indeed a twofer.”

The proposal is designed to help the state meet strict emissions reductions adopted by lawmakers in 2008 and would cover about 85 percent of the state’s

greenhouse gas emissions. Modeled after a similar cap-and-trade program in California, the Carbon Pollution Accountability Act would establish a statewide cap on carbon emissions and require the state's top 130 emissions producers and fuel distributors — which each generate about 25,000 metric tons of greenhouse gas emissions annually — to pay a fee for each metric ton of pollution they emit. The per-ton price would be set at an auction and polluters that ultimately cut their emissions below the cap can then sell their leftover permits, or allowances, to other entities who are not able to follow suit.

If approved by lawmakers, Inslee's proposal would go into effect in July, 2016. He estimated the allowance auctions would generate approximately \$947 billion in revenue for fiscal year 2017, with annual yields growing after that. That money would be used for a variety of transportation and education needs as well as tax relief for low-income families and assistance to companies that are most affected by higher energy costs.

But getting that endorsement may be tough. Republicans recently took control of the Senate while his fellow Democrats hold a slim majority in the House. The proposal drew immediate criticism from Senate Energy, Environment and Telecommunications Committee Chairman Doug Ericksen (R), who called it "a tax on freedom." But Inslee was undaunted, saying he would find allies from both parties to support the idea if only because the state is now facing an estimated \$2.35 billion budget gap for the 2015-17 biennium and will need the revenue cap-and-trade will produce.

"Write this down, because it's going to come to pass," he told reporters, saying even Republicans "may conclude it's better to tax pollution than voters." (SEATTLE TIMES, TACOMA NEWS TRIBUNE, WASHINGTON GOVERNOR'S OFFICE)

GOVERNORS IN BRIEF: MONTANA Gov. Steve Bullock (D) announced that a Republican, Rep. Jeff Welborn, will carry his legislation seeking to allocate \$380 million for Treasure State infrastructure projects in the upcoming legislative session (MONTANA GOVERNOR'S OFFICE). • Also in **MONTANA**, Bullock issues Executive Order No. 13-2014, which creates the 21-member Montana Invasive Species Council, tasked with advising him and lawmakers on how to deal with the growing threat of invasive species in state waterways (STATE NET). • **NEW JERSEY** Gov. Chris Christie (R) issued Executive Order No. 169, which extends an earlier order that allows minors between 14 and 17 to work as volunteers for nonprofits engaged in housing and construction projects related to Superstorm Sandy. The new order allows those minors to continue volunteering through Dec. 31, 2016 (STATE NET). • **MICHIGAN** Gov. Rick Snyder (R) issued Executive Order 2014-11, which abolishes the state Food Advisory Council. The Council was created to advise the state Department of Agriculture on issues related to food policy. Snyder said the Council's efforts will now be undertaken by the Department instead (STATE NET).

— Compiled by RICH EHISEN

Upcoming stories

Here are some of the topics you may see covered in upcoming issues of the *State Net Capitol Journal*:

- **Common Core**
- **State worker exodus**
- **Legalizing pot**

Hot issues

B **BUSINESS: NEW YORK** Gov. Andrew Cuomo (D) signs AB 739, which bars Empire State residents from adorning their pets with tattoos or piercings. The law, which exempts procedures done for medical reasons or identification, takes effect in 120 days (STATE NET, NEWYORK.CBSLOCAL.COM). • **MICHIGAN** Gov. Rick Snyder (R) signs a package of bills (HB 5216-18) that collectively require the state Department of Corrections to provide prison parolees with “certificates of employability” detailing completed educational programs, conduct history and work record; ensure a record of incarceration cannot be used to establish lack of moral character during the job licensing process; and protect employers from possible lawsuits based on their decision to hire an ex-offender (MCHIGAN GOVERNOR’S OFFICE, DETROIT FREE PRESS, STATE NET).

CRIME & PUNISHMENT: The **OHIO** Senate gives final approval to SB 177, which would allow Buckeye State judges to include household or companion animals in court-ordered protection orders for domestic abuse victims. The measure moves to Gov. John Kasich (R), who is expected to sign it into law (COLUMBUS DISPATCH). • The Supreme Court of the United State rules that police officers don’t necessarily violate a person’s constitutional rights when they stop a car based on a mistaken understanding of the law. The ruling stems from a **NORTH CAROLINA** case in which officers pulled over a driver for having a broken tail light and then subsequently found illegal narcotics in the vehicle. The defendant challenged the conviction on grounds that he should not have been pulled over because it is not against the law in the Tar Heel State to drive with a broken tail light (NATIONAL PUBLIC RADIO). • The **MICHIGAN** Senate gives final approval to a package of bills that collectively would lower the blood alcohol content threshold from .10 percent to .08 percent to qualify for drunken operation of a boat, snowmobile or off-road vehicle, bar anyone under 21 from operating those vehicles with any level of alcohol in their system and increase penalties for those who violate these standards. The measures move to Gov. Rick Snyder (R), who is expected to sign them all into law (DETROIT FREE PRESS).

EDUCATION: The **MICHIGAN** Senate endorses HB 6074, legislation that would codify that athletes at Wolverine State public colleges and universities are not school employees and therefore not eligible to form a union. The measure moves to Gov. Rick Snyder (R) for review (SPORTS ILLUSTRATED).

ENVIRONMENT: President Barack Obama makes permanent a 2010 executive order deeming **ALASKA's** Bristol Bay off limits to oil and gas exploration. The president's original order was set to expire in 2017, but now can only be overturned by a new executive directive from a new president. Bristol Bay is the center of one of the world's most productive and valuable fisheries (NEW YORK TIMES).

HEALTH & SCIENCE: President Obama signs HR 83, a \$1.6 trillion dollar spending bill that, among other things, bars the Department of Justice from spending any federal funds to arrest or prosecute operators of medical marijuana facilities in states where medicinal marijuana has been legalized (LOS ANGELES TIMES).

IMMIGRATION: The United States Supreme Court allows to stand an order from the U.S. 9th Circuit Court of Appeals barring **ARIZONA** from denying driver's licenses to young immigrants authorized to stay in the U.S. and work under President Obama's deferred-deportation program. Justices rejected an emergency appeal from outgoing Gov. Jan Brewer (R), who claimed the state should have the right to choose for itself who should get a driver's license (LOS ANGELES TIMES).

SOCIAL POLICY: The United States Supreme Court declines to hear a challenge to an appeals court ruling that blocked an **ARIZONA** law that prohibited women from taking the abortion-inducing drug mifepristone after the seventh week of pregnancy. The court declined to overrule the U.S. Court of Appeals for the 9th Circuit, which blocked the law from going into effect while it is being challenged in the courts (WASHINGTON POST).

POTPOURRI: The **MICHIGAN** House unanimously approves SB 926, a bill that would prohibit the use of a drone aircraft to interfere or harass a hunter, and impose a misdemeanor sentence of up to one year in jail and a \$2,500 fine for more than one violation. It has returned to the Senate (STATE NET, DETROIT FREE PRESS).

— *Compiled by RICH EHISEN*

Once around the statehouse lightly

MOM KNOWS BEST: We all have a relative (or, heaven help us, two or more) who just will not stop talking politics at family gatherings, or at least not until doors are slammed, tires are screeched or blood is spilled. That is probably what Raleigh, North Carolina resident Joy Woodhouse was imagining last week when her two sons, Brad and Dallas, were debating the Affordable Care Act on C-SPAN's Washington Journal. The Woodhouse boys are on opposite sides of the issue — Brad is a senior official at the Democratic National Committee, Dallas is a former state director for Americans for Prosperity — and were pretty much doing what they always do: bickering non-stop. The show's host halted them to take a caller, who turned out to be...Joy! While the two brothers looked on aghast, Ms. Woodhouse proceeded to take them to the proverbial woodshed, calling them out for their constant fighting and saying she was glad they had spent Thanksgiving at their respective in-laws instead of bringing their thrust-and-parry act home. She also made it clear she expected them to get the squabbling out of their system that day because she wants to have "a peaceful Christmas." Go mom!

SATAN IN DA HOUSE: If you're visiting the Michigan statehouse in Lansing this Christmas season, don't waste your time looking for the usual nativity scene. Not one there. There is, however, a nice tribute to Satan! Yep, as the *Washington Post* reports, the Wolverine State joins Florida as the only two states this year where folks will find a display honoring old Beelzebub, courtesy of a group called The Satanic Temple. The Temple actually isn't devoted to Satan worship, but does have a devil of a time with religious displays being allowed on public grounds. Hence the odes to Mephistopheles. (BTW — how many names does this dude have, anyway?) And why no usual nativity scene? Statehouse rules require any such displays to be removed each evening. To date nobody has been able to guarantee they can do that, though state Sen. Rick Jones has vowed to scare someone up to do it.

SPEAK NO EVIL, POST NO EVIL: If you've got something bad to say about someone or something connected to the city government of South Pittsburgh, Tennessee...keep it to yourself! As the *Chattanooga Times Free Press* reports, the city Commission recently approved an "all-inclusive" social networking policy that bars anyone connected to the city, no matter how tangentially, from saying anything negative about the city or its employees on social media. City leaders say the last year has been Hell because of too many people going on Facebook or Twitter and talking

smack about the city government or, more often, each other. We'll see how long the policy lasts before a court tosses it out, but given how many trolls and troglodytes inhabit social media these days one can respect their motive.

AND TO ALL A GOOD NIGHT: This is our final issue of the year, so let me pass along best wishes for a very merry holiday season to all of you from all of us here at the State Net Capitol Journal. We'll be back in mid-January to do our best to keep you all up to speed on legislative trends and hot issues from around the nation. Until then, be well and be safe.

— By *RICH EHISEN*

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