

Capitol Journal

News & Views from the 50 States

August 15, 2011

States of Confusion



©iStockphoto.com /DNY59

Budget & taxes Debt deal may not be so bad for states after all	4
Politics & leadership Both sides claim victories in WI recall election	7
Governors Cuomo considering NY casino expansion	10
Bird's eye view	2
Hot issues	14
Once around the statehouse lightly	16

The next issue of Capitol Journal will be available on August 22nd.

Top Story

One of the nation's major credit rating agencies has downgraded the federal government's long-standing AAA rating. That's not good for the feds, but whether it hurts the states is open to debate.

SNCJ Spotlight

Will federal credit downgrade hurt states?

The federal financial system continued its roller coaster ride with the news this month that Standard & Poor's, one of the Big Three credit rating agencies, was lowering its rating for long-term U.S. government debt for the first time. What that action means for states, however, isn't entirely clear.

The S&P's big announcement came on Aug. 5.

"We have lowered our long-term sovereign credit rating on the United States of America to 'AA+' from 'AAA' and affirmed the 'A-1+' short-term rating," the company said in a statement.

The lengthy document went on to explain the reason for the company's decision.

“The downgrade reflects our view that the effectiveness, stability, and predictability of American policymaking and political institutions have weakened at a time of ongoing fiscal and economic challenge,” it stated.

The 11th hour deal President Obama and Congress reached on the debt ceiling July 31st evidently did little to alter the company's view.

“The downgrade reflects our opinion that the fiscal consolidation plan that Congress and the administration recently agreed to falls short of what, in our view, would be necessary to stabilize the government's medium-term debt dynamics,” it said.

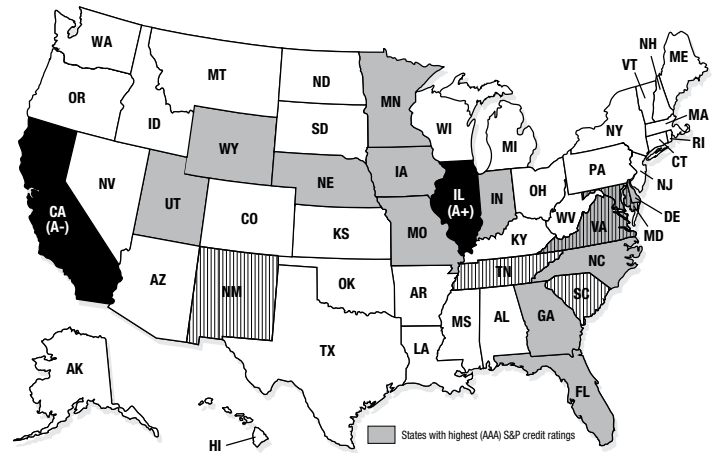
One thing the company didn't mention in its statement is that it and the other rating agencies suffered a major blow to their credibility in the financial crisis. A Congressional panel referred to them as “essential cogs in the wheel of financial destruction,” concluding that the collapse wouldn't have happened without their wildly optimistic ratings of complex mortgage securities which later collapsed. And the company has undoubtedly noticed the money that has been pouring into U.S. Treasuries from investors seeking a safe haven from sharply falling stocks here and abroad.

Whatever the motivation for S&P's action, however, the Obama administration wasn't pleased, particularly after discovering that a document the company provided the Treasury Department notifying it of the rating cut overstated the federal debt by about \$2 trillion.

“A judgment flawed by a \$2 trillion error speaks for itself,” a Treasury spokesperson said.

The administration's indignation was certainly understandable, given its recent feat on the debt ceiling. The threat of higher borrowing costs that the downgrade brings hardly seems like much of a reward for avoiding a federal default.

Bird's eye view



Source: Wall Street Journal, USA Today, Standard & Poor's

States with lowest S&P credit ratings

Aaa-rated states on Moody's credit downgrade watch list

Thirteen states' credit ratings higher than feds

As a result of Standard & Poor's downgrade of the U.S. government's AAA credit rating, 13 states now have higher S&P credit ratings than the federal government's AA-plus rating. And despite fears that those and other state ratings would be cut as well, S&P said it does not directly link its ratings of state and local governments to that of the U.S. government. However, rival rating firm Moody's has placed five of its 15 AAA-rated states whose economies depend heavily on federal spending, including Maryland and Virginia, on credit watch for possible downgrade, even though it has not lowered its AAA rating for the U.S. government.



Many state and local government officials, meanwhile, were left wondering what S&P's action means for their jurisdictions.

"We are in uncharted territory," said Corey A. Stewart, chairman of Prince William County, Maryland's Board of Supervisors. "No one knows what the ultimate long-term ramifications are.... But we know they're going to be significant."

There were some reasons to suspect that the near-term ramifications, however, might not be that bad. For one thing, the two other major ratings firms, Moody's Investors Service and Fitch Ratings, did not follow S&P's lead. And while some initially feared S&P would immediately downgrade state and local government ratings too, days after cutting the federal government's credit rating, S&P issued another statement which said: "We do not directly link our ratings on U.S. state and

local governments to that of the U.S. sovereign debt rating."

But the company did suggest state and local governments that are particularly dependent on federal government funding might be downgraded. Moody's issued a similar warning last month, placing five states with top credit ratings on a downgrade watch list (see *Bird's eye view*).

"While all states are indirectly linked to the U.S. government to some degree, we have identified the five AAA-rated states that are most vulnerable to changes in the U.S. government rating," said Nicholas Samuels, a vice president on Moody's state ratings team.

There was considerably less ambivalence about the meaning of that message in the mind of at least one public official, Virginia Gov. Robert F. McDonnell (R), whose state was one of those Moody's referenced.

"Through no fault of our own, we have a AAA bond rating since 1938 that we have been informed just hours ago may be in jeopardy and put on the watch list," McDonnell said at the time. "I'm very unhappy. In fact, we're furious."

But Raquel Guillory, a spokeswoman for the governor of another watch-listed state, Maryland, said it wasn't surprising Moody's would want to take a closer look at states with a large number of federal employees and contractors. And she cautioned against overreacting to Moody's announcement, pointing out they hadn't "done anything yet," counsel that may be equally applicable to S&P's action as far as states are concerned.

The place where states will feel the impact of the federal downgrade most immediately is the municipal bond market. In fact, S&P has already downgraded so-called "pre-funded bonds," which are typically repaid with U.S. Treasuries held in escrow, and debt issues for Fannie Mae and Freddie Mac, the two main federal government-sponsored enterprises used by state and local public housing authorities.

"No one knows what the ultimate long-term ramifications are.... But we know they're going to be significant."



But Evan Rourke, a portfolio manager with Eaton Vance in New York, said he wasn't expecting much of an impact from the federal downgrade on the municipal bond market in general.

"I don't see a tremendous flight out of municipals; you might see credit spreads widening for lower-rated issues, but we also think a lot will hold their ratings," he said.

Richard Larkin, director of credit analysis at Herbert J. Sims & Co., seemed inclined to agree, although his projection was a little less reassuring.

"I don't believe that the direct impact, number and magnitude of municipal bond downgrades caused by the U.S. bond rating downgrade will be anywhere near as great as the impact of the 'junking' of bond insurance ratings during 2008-009," he wrote last week.

Ironically, the beleaguered state of the national economy could end up helping states avoid major detrimental market effects from the federal downgrade.

"I think we've heard from a number of officials in the federal government, and I think that at the same time the federal government is not in any position to bail out states, so in the muni market I think most recognize that the notion of the federal government as a backstop has been pretty largely discounted," said Robert Nelson, managing analyst for Municipal Market Data.

But it's a threat unrelated to the bond market that could ultimately hurt states most in the long run: the possibility of more severe cuts to the federal budget.

"The anticipation is that the lawmakers in Congress will react to this downgrade by cutting more spending," said Michael Pietronico, chief investment officer for Miller Tabak Asset Management in New York. (REUTERS, WASHINGTON POST, WALL STREET JOURNAL, USA TODAY)

— *Compiled by KOREY CLARK*

Budget & taxes

DEBT DEAL MAY NOT BE SO BAD FOR STATES AFTER ALL: When the deal was struck last month raising the federal debt ceiling by \$2.7 trillion and lowering the deficit by the same amount, states responded with a mixture of relief and dread. But the huge spending cuts the agreement promises may not be as hard on state budgets as many feared.

As reported in last week's issue, about \$917 billion of the cuts will come from caps on spending over the next decade. But those caps will be on discretionary programs rather than "mandatory" entitlement programs like Medicaid. And the impact of the caps in actual dollar terms will be somewhat diminished by the fact that they allow for inflation-based spending growth.



While the caps will reduce discretionary spending by \$7 billion in federal fiscal year 2012, which starts Oct. 1, that's \$24 billion more than the budget resolution approved by the U.S. House of Representatives, which would have slashed some state grant programs by up to 20 percent.

"The deal recognizes that states are still trying to work themselves out of the fiscal morass they've been in since 2009," said Michael Bird, senior federal affairs counsel at the National Conference of State Legislatures. "This gives us essentially another 12 months of level funding or close to level funding."

Starting in 2013, the caps will allow discretionary spending to increase from year to year, but not enough to outpace the rate of inflation. Still, Marcia Howard, editor of Federal Funds Information for States, said that's not necessarily a break from the past.

"Many of these grant programs have been level-funded for a very long time," she said.

Bigger cuts to state programs, including Medicaid, could come from the so-called "Super Committee," which will have the task of finding another \$1.2 trillion in cuts. But there's a good chance the committee won't succeed in doing so.

The committee's six congressional Democrats are likely to insist that any proposal include new revenue from tax increases or other changes, especially if the committee intends to make cuts to Medicare, Medicaid or Social Security. And the committee's six congressional Republicans will probably favor cuts to those very programs and oppose any tax measures. Consequently, it could be tough for either side to find the seven votes needed to refer a plan to Congress.

If the committee does, in fact, fail to reach an agreement by Jan. 15, 2012, \$1.2 trillion in additional spending cuts will automatically kick in, beginning in 2013. Many of the most expensive state-federal programs would be excluded from the "trigger" cuts, including Medicaid, the Children's Health Insurance Program, welfare, food stamps and, for the most part, federal transportation funding too. By Howard's calculations, about three-quarters of the money states currently receive from the federal government would be exempt from the cuts.

What would be subject, however, is funding for the military, meaning states that depend heavily on military spending would take a hit. Discretionary funding for everything from education to affordable housing to early childhood programs could also be cut, and that would be on top of any reductions associated with the spending caps in the other part of the debt ceiling deal.

"We're hoping against hope that we can just hold the line and that the number of children who are funded can be maintained, said Yasmina Vinci, executive director of the National Head Start Association.

But the real problem for nearly all states is that they're already struggling.

Upcoming stories

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

- **Education**
- **Health care**
- **Immigration**

“We’re looking at years until states have recovered from the recession even before the federal government cuts back on state aid,” said Michael Leachman, of the Center on Budget and Policy Priorities. “This is going to lead to more pressure on state budgets at a time when they’re already having a hard time caring for the needs of their state.” (STATELINE.ORG)

IL OFFERS BALANCED BUDGET

CAUTIONARY TALE: One of the provisions of the debt ceiling agreement signed by President Obama this month requires a vote on a balanced-budget amendment to the U.S. Constitution.

“A balanced-budget amendment to the constitution is exactly the kind of systemic fix to help get our country back on a sustainable fiscal path,” said U.S. Rep. Randy Hultgren (R-ILLINOIS). “It will help to hold elected officials accountable and force all future Congresses to prioritize expenses and end the massive overspending that has plagued our country for decades.”

Before Congress proceeds with that plan, however, it may want to take a good look at Illinois. The state is one of a handful with such a balanced budget provision already in their constitutions.

Illinois’ Constitution stipulates that lawmakers can’t plan to spend more in a given year than they estimate the state will take in. That language allows for considerable imprecision on both the expense planning and revenue estimating sides. The budget deficits that have inevitably resulted have left unpaid bills at the end of some years that the constitution doesn’t require to be included in subsequent years’ balanced budgets. Those unpaid bills total billions of dollars today.

Charles N. Wheeler III, a political analyst at the University of Illinois at Springfield, said significant changes have been made to the state’s budget process in recent years that help ensure more control over both income and expenses. But the state still faced a \$5.3 billion shortfall in FY 2012, according to the Center on Budget and Policy Priorities.

“The Illinois experience is cautionary,” said Illinois state Sen. Matt Murphy (R). (DAILY HERALD [ARLINGTON HEIGHTS])

BUDGETS IN BRIEF: CALIFORNIA tax revenues were \$539 million lower than projected in July, raising serious doubts about the projected \$4 billion economic recovery windfall the state balanced its budget on two months ago. If that additional

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 Prefiles last week: 31

Number of Intros last week: 93

Number of Enacted/Adopted last week: 176

Number of 2011 Prefiles to date: 36,516

Number of 2011 Intros to date: 131,666

Number of 2011 Session Enacted/Adopted overall to date: 44,005

Number of Measures currently in State Net Database: 150,462

— Compiled By OWEN JARNAGIN
(measures current as of 8/11/2011)
Source: State Net database



revenue does not materialize, drastic cuts to schools, child care and other services will automatically take effect (LOS ANGELES TIMES). • The U.S. Department of Justice and four states — **CALIFORNIA, FLORIDA, ILLINOIS** and **INDIANA** — filed a multibillion-dollar fraud suit last week against the Education Management Corporation, the second-largest for-profit college company in the country. The plaintiffs allege the company was not eligible for the \$11 billion in state and federal aid it received from July 2003 through June 2011 because it consistently violated federal law by paying recruiters based on how many students they enrolled (NEW YORK TIMES).

— *Compiled by KOREY CLARK*

Politics & leadership

BOTH SIDES CLAIM VICTORIES IN WI RECALL ELECTION:
 Republicans lost two of the races in Wisconsin’s historic recall election last week. But the four others they won were enough to allow them to hold on to the majority in the Senate and their monopoly on the state’s government, with the Assembly and governor’s office also under GOP control.

Two of the four Republican victories — Sen. Luther Olsen (R) over Rep. Fred Clark (D) in the 14th District and Sen. Alberta Darling (R) over Rep. Sandy Pasch (D) in the 8th District — were close, but the other two — Sen. Rob Cowles (R) over

former De Pere mayor and Brown County executive Nancy Nusbaum in the 2nd District and Sen. Sheila Harsdorf (R) over political newcomer Shelly Moore in the 10th District — were decisive.

“Voters gave us a mandate last fall.... They backed us up again [Tuesday].”

“I think it’s a huge victory for us,” John Hogan, director of the Committee to Elect a Republican

Senate, said of the result. “Voters gave us a mandate last fall.... They backed us up again [Tuesday]. Voters told us loud and clear, ‘Stay the course. Things are working.’”

Although Democrats failed to win the three seats they needed to take control of the Senate and block the Republican agenda that stripped public employees of their collective bargaining rights earlier this year, they did manage to claim two: Sen. Dan Kapanke’s (R) in the 32nd, which went to Rep. Jennifer Shilling (D), and Randy Hopper’s (R) in the 18th District, which went to Jessica King, a former Oshkosh alderman and deputy mayor. Those wins narrowed the Republicans’ majority from 19-14 to 17-16.

That had some Democrats not only claiming victory but also talking about bigger fish.



“We went on their turf and we won on Republican turf,” said state Democratic Party Chairman Mike Tate. “We will not stop, we will not rest...until we recall [Gov.] Scott Walker.”

Turnout for the election was high. In fact, the total number of votes cast in the 10th District actually exceeded that of last fall’s governor’s race. Voters were motivated by major get-out-the-vote drives by both sides as well as expensive TV and radio ad campaigns. Spending by third-party interest groups and candidates was expected to top \$40 million, more than double the total amount spent on all 116 of last fall’s legislative races, which included 312 candidates in the primary and 225 candidates in the November general election.

“We went on their turf and we won on Republican turf.”

Attention now turns to the election on Aug. 16 for two Democrats — Sens. Jim Holperin and Bob Wirth — facing recall for leaving the state for three weeks to block the vote on the collective bargaining issue. A third Democrat, Sen. Dave Hansen, survived a recall vote last month. (MILWAUKEE JOURNAL-SENTINEL, POST-CRESCENT [APPLETON])

DC DEMOCRATS SQUARING OFF ON MEDICAID: In a couple of months Democratic Congressional leaders and the Obama administration could find themselves on opposite sides of a legal battle over Medicaid.

Last week a group of influential Democrats, including U.S. House Minority Leader Nancy Pelosi of California and Senate Majority Leader Harry Reid of Nevada, filed a friend-of-the-court brief with the U.S. Supreme Court challenging an administration policy barring Medicaid recipients from suing states to block Medicaid cuts. The lawmakers maintain the administration’s position will “undermine the effectiveness of Medicaid” by making it harder for low-income people to obtain care.

The original plaintiffs in the case — actually, a series of cases consolidated under the name *Douglas v. Independent Living Center of Southern California, No. 09-958* — a group of Medicaid beneficiaries and providers in California, allege they were harmed by that state’s decision to cut Medicaid payment rates that were already among the nation’s lowest, making it difficult for Medicaid recipients to find doctors willing to see them.

The federal Medicaid law doesn’t explicitly allow such lawsuits, but the U.S. Court of Appeals for the Ninth Circuit, in San Francisco said Medicaid recipients and providers could sue under the U.S. Constitution’s supremacy clause, which holds that federal law is “the supreme law of the land.”

In a brief filed with the Supreme Court in May, the U.S. Justice Department maintained that federal health officials have “exclusive responsibility” for ensuring state compliance with the Medicaid law. But a dozen former federal health officials, including Donna E. Shalala, Secretary of Health and Human Services under President Bill Clinton and Joseph A. Califano Jr., health secretary under President Jimmy

Carter, argued in another brief filed with the high court that exclusive enforcement by the Department of Health and Human Services was “logistically, practically, legally and politically unfeasible” because the department lacks the resources to enforce the Medicaid law’s guarantee of equal access to care for Medicaid recipients. And in yet another brief, the American Medical Association said: “Judicial enforcement is the only viable means to remedy states’ noncompliance with the Medicaid Act.”

The court plans to hear oral arguments in the case in October, with a decision expected by next spring. (NEW YORK TIMES)

NJ DEMS SEEK TO OUST ‘CHRISTIE-CRATS’ FROM PARTY: Progressive Democrats in New Jersey have formed a new group that aims to oust the 22 Democratic lawmakers who supported Gov. Chris Christie’s (R) public worker benefit cuts in June and who they’ve dubbed “Christie-crats.”

The group, NJ-CAN, is targeting Senate President Stephen Sweeney (D), in particular. It has launched a petition drive to remove him from his leadership post — along with Assembly Speaker Sheila Oliver — before the state’s scheduled post-election, lame-duck session.

“[Sweeney] handed Christie this tremendous victory, a bigger victory with less fight than these other Republican governors got across the country because Christie’s able to make it look bipartisan,” said Newark attorney Bennet Zurofsky, one of the group’s sponsoring members. “He greatly strengthened Christie and the Republicans in New Jersey, and he effectively destroyed the Democratic Party.”

Sweeney’s spokesman, Chris Donnelly, said it was unfortunate the group wasn’t directing its energy toward Christie.

“This group has decided to pit Democrats against Democrats,” he said. “It feeds right into the governor’s playbook of pitting one group of people against another while he continues to shortchange the majority of towns on education funding and property tax relief.”

But NJ-CAN intends to go after Christie too. It is planning to start a recall campaign later this year, after recruiting candidates to run against all 70 of the lawmakers who voted for the benefits bill. (ASBURY PARK PRESS)

The week in session

States in Regular Session: CA

States in Recess: CT, DC, NC, NH, NJ, NY, PA, WI

States in Special Session: CA “a”, GA “a”, UT “b”

Special Sessions in Recess: CT “a”, DE “b”, VA “a”

States in Informal Session: MA

States in Skeleton Session: OH

In Pro Forma Session: US

States Currently Prefiling or Drafting for 2012: AL, FL, KY, TN

States Adjourned in 2011: AK, AL, AR, AZ, CO, CT, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MN, MO, MS, MT, ND, NE, NM, NV, OK, OR, PR, RI, SC, SD, TN, TX, UT, VA, VT, WA, WV, WY

State Special Sessions Adjourned in 2011: AK “a”, AK “b”, AL “a”, AZ “a”, AZ “b”, AZ “c”, DE “a”, KY “a”, LA “a”, MN “a”, TX “a”, UT “a”, UT “b”, WA “a”, WI “a”, WV “a”

Letters indicate special/extraordinary sessions

— Compiled By OWEN JARNAGIN
(session information current as of 8/12/2011)
Source: State Net database



POLITICS IN BRIEF: The national movement to do away with the Electoral College in presidential elections got a big boost last week when **CALIFORNIA** Gov. Jerry Brown (D) signed legislation adding the state to the eight others that have already signed on. Brown's action brings the National Popular Vote campaign, which is seeking to allow states to award their electoral votes to the presidential candidate who receives the most votes nationwide, nearly halfway to its goal of 270 electoral votes, enough to constitute a majority of the 538 total (**SAN FRANCISCO CHRONICLE**). • **WEST VIRGINIA's** Democrat-controlled legislature passed SB 1008 (1st Special Session), a redistricting measure that makes only minor modifications to the state's congressional map, passing up an opportunity to imperil two Republican incumbents, freshman U.S. Rep. David McKinley and six-term U.S. Rep. Shelley Moore Capito. Taking on either Republican could have created competition for Democratic U.S. Sen. Joe Manchin, who won a special election to replace the late U.S. Sen. Robert Byrd in November and who will be seeking a full term in 2012 (**POLITICO**). • Jurors weighing the case against the 9 defendants in the **ALABAMA** State House federal corruption case told U.S. District Judge Myron Thompson last week that they had reached a unanimous verdict on some of the charges but were deadlocked on others. Thompson directed jurors to try to reach a verdict on the remaining counts, which revolve around allegations that VictoryLand casino owner Milton McGregor orchestrated a conspiracy to win lawmakers' support for a constitutional amendment that would have allowed electronic bingo casinos in parts of the state (**BIRMINGHAM NEWS**). • **PENNSYLVANIA** House Speaker Sam Smith (R) told a legislative panel last week that the House should be downsized from its current 203 members to 153. Smith said debates involving so many people are inefficient and don't foster mutual understanding (**MORNING CALL**).

— *Compiled by KOREY CLARK*

Governors

CUOMO CONSIDERING NY CASINO EXPANSION: Advocates for bringing commercial, non-Indian gambling casinos to New York State may have a powerful new ally: Gov. Andrew Cuomo (D). The governor said last week he is "actively" investigating whether the Empire State should legalize full-scale commercial gambling, a move likely to spur significant public disagreement but also one with the potential to bring huge financial benefits and jobs to upstate New York.

Cuomo said it was wrong to presume that gambling wasn't going on because the state had not legalized it.

“It’s really not an issue anymore of ‘Well, if we don’t officially sanction it as a government, it’s not going to happen,’” he told reporters. “It is happening. You have gaming in this state, and by the way, you have gaming in neighboring states.”

As such, Cuomo said, the state should investigate how it can best manage and profit from it.

“So now you have to go to the second step,” he added. “If there is going to be gaming, how should it be done? And that issue, that question, is an important question for the state.”

Cuomo has assigned one of his deputies, Bennett Liebman, to develop policy recommendations on gaming, including the possibility of legalizing more casinos. The state has five Indian-run casinos, all on tribal lands, with limited electronic

gaming allowed at eight more race tracks, so-called “racinos.” A ninth racino is set to open in Queens later this year.

“If there is going to be gaming, how should it be done?”

Observers say the issue could set off an expensive battle between Indian tribes and racino operators, who have formed a coalition to promote changing the state constitution to allow commercial casinos at horse racing tracks. Currently, the law allows only tribal casinos, which must also obtain approval from the federal government and reach agreement with the governor. Getting off-reservation casinos approved has run into slowdowns in Washington, leaving planned expansion in New York in limbo.

Changing the state constitution won’t be easy either. It requires support from two consecutive Legislatures, followed by approval from voters.

Cuomo would not be the first Empire State governor to attempt to increase gambling. Lawmakers have also taken several whacks at the ball, including as recently as last year when the Senate passed a bill that would have allowed five commercial casinos to be built upstate. That measure, however, languished in the Assembly.

Whether that changes in the coming year could depend greatly on Cuomo, who has been universally lauded for his performance during the last session. But money will also be a key factor. The state expects to make \$684 million from its share of racino profits this year: expanded gaming could send that figure skyrocketing.

With that possibility in mind, State Senator John J. Bonacic (R), chairman of the Senate Judiciary Committee and the Racing, Gaming and Wagering Committee, has scheduled hearings for September to discuss how to proceed on the casino issue. Bonacic said he is encouraged by the governor’s position, though he says he hasn’t discussed it with Cuomo yet.

“They haven’t been giving me any direction,” Bonacic said last week, adding, “but at the same time they haven’t discouraged me.” (NEW YORK TIMES, TIMES UNION [ALBANY]).



WALKER PLEDGES PEACE, DEMS PUSH

RECALL: One day after his party fended off four of six recall attempts on GOP lawmakers, Wisconsin Gov. Scott Walker (R) extended an olive branch to Democrats by suggesting he would attempt a more bipartisan approach as he seeks to implement other parts of his agenda. But Dems were less than enthused with Walker’s proposal, saying they would still move forward with an ongoing effort to make him the first governor in Badger State history to be recalled.

In a statement, Walker said last week that he had “reached out to the leadership of both the Republicans and Democrats in the Assembly and State Senate,” telling them he believed they could “work together to grow jobs and improve our state.”

Walker also dismissed the recall campaign, saying last Tuesday’s results showed voters supported his successful — but controversial — legislation to do away with public employee collective bargaining rights. But he also acknowledged that voters “want us to do more working together,” adding that he had called leaders in both parties after Tuesday’s elections to mend fences and to drum up support for his next agenda items, education reform and legislation to spur capital investment growth.

Democrats, however, remain wary of Walker, saying his interest in bipartisanship is a direct result of declining poll numbers. They also insisted they had no intention of dropping their effort to get a recall election on the ballot early in 2012, with Wisconsin Democratic Party Chairman Mike Tate saying he would push for a signature-gathering campaign “as soon as feasible.” Dems will need to gather about 540,000 signatures, approximately a quarter of the voters from the 2010 gubernatorial election, to get a recall petition on the ballot.

In spite of that, Walker said he would attempt to reach out to Dems to heal the scars created over the six months.

“I’m not pretending that everything is going to automatically be perfect at the snap of a finger, but I think the best thing we can do is start with small things and keep working,” he said. (MILWAUKEE JOURNAL-SENTINEL, BLOOMBERG BUSINESSWEEK)

Upcoming elections

8/10/2011 - 8/31/2011

08/16/2011

Georgia Special Runoff
Senate District 26

Maine Special Election
House District 121

Wisconsin Recall Election
Senate Districts 12 and 22

08/23/2011

Massachusetts Special Primary
House District 12th Bristol

Mississippi Primary Runoff
House Districts: 4, 13, 19 and 119 (DEM)
House Districts: 101 and 118 (GOP)
Senate Districts: 8, 20, 25, 39, 40, 43 & 46 (GOP)
Constitutional Officers:
Governor (DEM), Treasurer (GOP)

Virginia Primary Election
House (All)
Senate (All)

08/30/2011

Alabama Special Primary
House Districts 45 and 48

South Carolina Special Election
House District 10



PERRY LAUNCHES PRESIDENTIAL BID:

Texas Gov. Rick Perry (R) is finally launching his long anticipated bid to win the 2012 GOP presidential nomination. Perry’s official announcement, scheduled for Saturday, August 13th, comes exactly one week after he drew more than 20,000 people to Houston for his national “day of prayer” event. Perry had invited all of the nation’s governors to join him for the all-day presentation, but Kansas Gov. Sam Brownback (R) was the only other chief executive to do so (TEXAS TRIBUNE [AUSTIN], KANSAS CITY STAR, POLITICO).

In case you missed it

After taking the nation to the brink of credit default, Congress worked out a deal to raise the nation’s debt ceiling and cut trillions of dollars in federal spending. Now states are preparing for the inevitable fallout.

In case you missed it, the article can be found on our website at

http://www.statenet.com/capitol_journal/08-08-2011/html#sncl

GOVERNORS IN BRIEF: The U.S. Dept. of Homeland Security has notified 39 governors they cannot exempt their states from the controversial Secure Communities program, which uses fingerprints collected by local and state police to help immigration authorities identify and deport unauthorized immigrant criminals each year. The agency said it does not need state approval to operate the program, and was thus voiding authorization agreements with those 39 states. Eleven other states had not signed the pact (LOS ANGELES TIMES). • **NORTH CAROLINA** Gov. Bev Perdue issued Executive Order No. 100, which directs Tar Heel State pre-kindergarten classes to be open to all eligible at-risk children even if their families cannot afford new fees. Perdue said she would ask lawmakers to come up with the funding if there isn’t already enough money set aside in the budget to pay for it (CHARLOTTE OBSERVER). • **ARIZONA** Gov. Jan Brewer (R) filed an appeal with the U.S. Supreme Court to overturn a ruling that put on hold key parts of SB 1070, the state’s controversial immigration enforcement law. Brewer is contesting a lower court’s ruling that, among other things, bars police from asking detainees questions about their immigration status (ARIZONA CAPITOL TIMES [PHOENIX]). • **DELAWARE** Gov. Jack Markell (D) vetoed HB 33, which would have given the state election commissioner the power to declare a vacancy and order a new election if a municipal election ended in a tie. Markell said invalidating election results should be left to judges, not elected officials (NEWS JOURNAL [NEW CASTLE-WILMINGTON]). • **ILLINOIS** Gov. Pat Quinn (D) issued an amendatory veto to a measure that would have made minor changes to a program that allows lawmakers to award taxpayer-funded college scholarships. Quinn wants the program abolished, citing accusations the awards have often been given to the children of political donors or lawmakers’ friends. Lawmakers will get a chance to endorse or reject his rewrite later this year (CHICAGO SUN-TIMES).

— *Compiled by RICH EHISEN*

Hot issues

B **USINESS: ILLINOIS** Gov. Pat Quinn (D) signs SB 1147, a bill that prohibits workers from receiving workers compensation benefits or attorney fees for injuries sustained in the commission of a forcible felony, aggravated DUI or reckless homicide (ILLINOIS GOVERNOR'S OFFICE). • Still in **ILLINOIS**, Quinn signs HB 1378, which bars auto insurers from denying or charging more for coverage because a driver is a volunteer driver for seniors (ILLINOIS GOVERNOR'S OFFICE).

CRIME & PUNISHMENT: CALIFORNIA Gov. Jerry Brown (D) vetoes AB 312, legislation that would have granted homeless people the same civil rights protections given to others based on gender, race, religion and other factors. Brown said the bill was “unnecessary” (SACRAMENTO BEE). • **ILLINOIS** Gov. Pat Quinn (D) signs SB 1037, which allows defendants who are victims of human trafficking at the time of their prostitution convictions to file a motion to vacate the conviction if the defendant's participation in the offense was the result of being a victim. The bill takes effect in January (ILLINOIS GOVERNOR'S OFFICE).

EDUCATION: The Obama administration says it will begin unilaterally issuing waivers to states to exempt them from adhering to some aspects of the federal No Child Left Behind law. Federal officials said they will encourage states to apply for regulatory relief in exchange for “reforms,” which include raising standards for student achievement and implementing school improvement plans and teacher evaluation systems. U.S. Secretary of Education Arne Duncan said full details of the plan will be released in September (POLITICO).

ENERGY: ILLINOIS Gov. Pat Quinn (D) signs HB 1487, which allows county boards to establish renewable energy districts or wind farm districts. Voters would have to approve the districts through a referendum (DAILY HERALD [ARLINGTON HEIGHTS]). • Still in **ILLINOIS**, Quinn signs HB 1558, which creates a state advisory council to review the potential for offshore wind energy projects in the waters of Lake Michigan. The council will identify locations appropriate for offshore wind farms (ILLINOIS GOVERNOR'S OFFICE).

ENVIRONMENT: The Obama administration announces it will spend up to \$100 million to purchase development rights from Central **FLORIDA** ranchers and farmers as a means to aid the restoration of over 24,000 acres in the Northern Everglades. The purchase would prevent the land from being paved over and ensure

Once around the statehouse lightly

DEAD ON ARRIVAL: If you were thinking of adding to your wild animal carcass collection by doing a quick scour of the Prairie State roadways, just think again. As the *Quad-City Times* of Davenport, Iowa reports, Illinois Gov. Pat Quinn has vetoed legislation that would have allowed folks to gather up any fur bearing mammal that meets its demise along state roads. The law would have required the critter scrapers to have proper permits, but had no restrictions on what folks did with the dead critters, be it fur for some custom clothing or perhaps just that special something for the old family critter stew recipe. Quinn said he was concerned for the safety of people who might actually want to stop and scrape up some roadkill. Yes, we're sure that's the only reason.

GUESS HE WASN'T KIDDING: Former New York gubernatorial candidate Jimmy McMillan made quite a splash in 2010 with a campaign based entirely on his belief that "the rent is too damn high." The oddball effort didn't really post much of a threat to eventual winner Andrew Cuomo, but it did give the feisty McMillan his 15 minutes in the spotlight. But wait. As the Associated Press reports, McMillan is now facing eviction from his rent-controlled Manhattan apartment because — wait for it — his rent is "too damn low." It turns out McMillan has another residence in Brooklyn, prompting his landlords to accuse him of violating terms of his lease. It doesn't hurt that if McMillan goes they can rent this place for three times as much as the approximately \$875 a month he now pays. McMillan has filed a countersuit, claiming the Brooklyn site is his political office.

'TIL NEW MAPS DO WE PART: Marriage may be a lifetime commitment, but we're pretty sure nobody ever considered its political ramifications. Case in point comes from California, where the *Sacramento Bee* reports Assemblywoman Beth Gaines and her husband Ted, a state senator, may soon find themselves in a real pickle brought on by the state's newly drawn legislative maps. Under the initial versions, the new maps don't impact Beth at all. Ted, meanwhile, finds himself likely sitting in a Senate district already held by a popular fellow Republican. That could be avoided of course if the Gaines' moved inside the new district lines to keep Ted with his voters... but that would pull Beth out of her district, potentially setting up some serious career choices for one of them. Neither is saying much right now. Stay tuned: the final maps are due out this week.



A REAL TONGUE TWISTER: Pity South Dakota Sen. Joni Cutler, who recently emceed a panel on immigration at the National Conference of State Legislatures annual meeting in San Antonio, Texas. I say pity because the first person Sen. Cutler had to introduce was Yale professor Dr. Peter Schuck. Things started well enough, but when Cutler hesitated a moment as she got to the actual name it was easy to tell what was coming next. Sure enough, she introduced him as “Dr. Schmuck.” The red-faced Cutler immediately corrected herself, but not before drawing a round of hearty laughter from the large crowd. To his credit, the good professor rolled with it nicely — cracking, “It happens all the time” — thus proving once again that it pays to not take ourselves too seriously.

— *By RICH EHISEN*



Editor: Rich Ehsen — capj@statenet.com
Associate Editor: Korey Clark — capj@statenet.com
Contributing Editors: Virginia Nelson, Art Zimmerman
Editorial Advisor: Lou Cannon
Correspondents: Richard Cox (CA), Steve Karas (CA),
James Ross (CA), Linda Mendenhall (IL),
Lauren Davis (MA) and Ben Livingood (PA)
Graphic Design: Vanessa Perez
State Net ISSN: 1521-8449

State Net[®]
A LexisNexis[®] Company



You've just read **State Net Capitol Journal**, the insider's source for political and legislative news in the 50 states.

State Net Capitol Journal is published 40 times annually and delivered over the Web or email.

For a FREE subscription, visit our Website at www.statenet.com and click on the "Register Now" icon. Or call us at 916.444.0840

A publication of State Net — *Information and Intelligence on the 50 States & Congress*

The Power to Know. Act. Connect.

Unique State Net tools, methods and expertise overcome the challenge of managing government affairs information. We help minimize your risks and empower your team for success.

State Net: the service you can trust when you need to be right.

Learn more about our issue-based reporting solutions today:
info@statenet.com or www.statenet.com • 800.726.4566