No easy answers

As states and K-12 schools brace for loss of federal funds, legislatures seek new education efficiencies and reforms

by Tim Anderson (tanderson@sg.org)

Across the Midwest, no single expenditure gobbles up more of the state budget pie than K-12 education.

In most states, spending on elementary and secondary schools accounts for more than one-third of general fund expenditures, and nearly or exceeds one-half of spending in states such as Indiana, Kansas and Michigan (see page 7).

These figures reflect the high priority that legislators place on education, as well as the pressures that lawmakers have faced — from constituents and the courts, for example — to strengthen funding for schools.

In the coming months, that dedication to K-12 education funding will be put to the test: The temporary federal dollars that have propped up state education budgets is going away, and in most states, revenues have not rebounded nearly enough to make up the difference.

“It’s going to be a devastating year for K-12 education,” says Michael Redell, executive director of the Campaign for Educational Equity at Columbia University’s Teachers College.

John Myers, a former Kansas legislator and an education consultant who specializes in school finance, says state funding woes will be compounded by worsening problems at the local level: Declines in the value of reassessed property will result in a drop in local tax revenues.

State and local tax dollars account for a vast majority of school revenue, but with the American Recovery and Reinvestment Act of 2009 and the $10 billion Education Jobs Fund of 2010, the federal government made an unprecedented — albeit temporary — commitment to financing the nation’s K-12 schools.

A review of recent state budgets in the Midwest shows just how much of an impact these additional federal dollars have made. For example, Recovery Act dollars amounted to 14.8 percent of total state aid for schools in Nebraska and 8.6 percent of state aid in Iowa’s FY 2010 budget. (A review of the impact in all 11 Midwestern states can be found on page 7.)

“We’re going to see a lot of cuts across the country, and many more layoff notices going out to teachers,” says Michele McNeil, an assistant editor at Education Week magazine.

“School districts were warned all along that there was a funding crunch coming, that this money wouldn’t be here forever. But it’s one thing to prepare for it, it’s another to face the harsh reality.”

The budget decisions that state legislatures must make in the weeks and months ahead will partly determine how harsh that reality will be.

Potential savings, efficiencies

In Indiana, lawmakers have pledged to keep state funding for K-12 education at its current level. “Considering we’re losing hundreds of millions of dollars in federal money [due to the loss of stimulus dollars], that is going to be a real challenge,” says Republican Sen. Dennis Kruse, chair of the Senate Education Committee.

Along with their funding goal for 2011, Indiana’s GOP-led legislature and Republican Gov. Mitch Daniels have introduced a series of education reform
New federal rules mandate how much insurers must spend on medical care

Regulations issued in November by the U.S. Department of Health and Human Services define how much insurance companies must spend on health care. These new “medical loss ratio” (MLR) rules pre-empt some Midwestern states’ laws and require all states to follow similar guidelines regarding the spending of health insurance companies.

MLRs set out what percentage of premium dollars must be spent on medical care as opposed to administrative costs, including executive salaries and marketing efforts.

Some states, including three in the Midwest, already have MLRs. Minnesota has an MLR of 65 percent in the individual market, 71 to 75 percent in the small-group market and 82 percent in the large-group market. North Dakota requires an MLR of at least 55 percent in the individual market and 70 percent in the small-group market, while South Dakota mandates an MLR of 65 percent in the individual market and 75 percent in the small-group market.

But as of Jan. 1, insurers in all states must now meet stricter standards than those in place in the Midwest. The new regulations are part of the federal health care legislation passed last year. Beginning this year, insurance companies must report how they spend money from premiums. Companies in the individual and small-group markets will be required to spend at least 80 percent of premium dollars on medical care and quality improvement. Insurers in the large-group market must use 85 percent of premiums for these purposes.

When the regulations were issued last fall, HHS said that about 25 percent of insured Americans were in plans that spent 25 to 30 cents of every dollar on administrative purposes. More than 20 percent of consumers were enrolled in plans that spent more than 30 percent of premiums on non-medical costs.

Insurers in all Midwestern states must now meet stricter “medical loss ratio” standards — the percentage of premiums that must be spent on medical care and quality improvement.

Insurance companies that do not meet these new MLR requirements will have to issue refunds to consumers in 2012. HHS estimates that as many as 9 million Americans could be eligible for rebates next year totaling up to $1.4 billion (an average of $164 per person in the individual market).

The regulations were developed in conjunction with the National Association of Insurance Commissioners to ensure that all states use uniform definitions and methods for calculating the MLR.

The new rules will apply nationwide, but states can adopt stricter standards. In addition, the HHS secretary has the authority to adjust the MLR on a state-by-state basis. If, for example, policymakers believe that not enough insurers will be able to meet the guidelines (and access to insurance plans could therefore be compromised), the state can apply for an adjustment. Four states, including Iowa, have already done so.

Economic Development

New data tell familiar story about weakness of region’s ‘new economy’

A November 2010 report measuring the strength of the “new economy” in all 50 states shows that the Midwest continues to lag behind other regions of the country on measures tied to technology- and innovation-led growth.

The “2010 State New Economy Index” (available at www.kauffman.org) uses 26 indicators to evaluate states. These indicators are divided into five categories that reflect key characteristics of the “new economy” (see table). Only Minnesota cracks the top 10 in any of the five categories, ranking sixth in “knowledge jobs.” This category includes indicators such as the number of information technology professionals outside of the IT industry; the educational attainment of the entire workforce; employment in high-value-added manufacturing sectors; and jobs held by managers, professionals and technicians.

With few exceptions, the region’s states ranked particularly low on two new-economy measures: globalization and economic dynamism. The former includes indicators that measure the export orientation of the manufacturing and service industry, as well as foreign direct investment. A state’s “economic dynamism” is assessed based on “job churning” (new business startups and existing business failures); the number of top-500 firms listed by Deloitte and by Inc. magazine; the number of individual inventor patents issued; the number and value of public stock offerings by in-state companies; and the number of entrepreneurs starting businesses.

One piece of good news for the region is that Midwestern states have gained ground relative to other states since the 2007 index was released. Along with its national rankings, the report — produced by the Information Technology and Innovation Foundation and the Ewing Marion Kauffman Foundation — includes several policy ideas for states. They include:

• adopt policies that reduce within-state and interstate competition for business attraction;
• focus on “win-win” innovation policies that improve education and workforce development; encourage entrepreneurship; and support research and development, technology transfer and commercialization, and manufacturing modernization; and
• pursue new innovation-based economic development partnerships with the federal government.

Brief written by Kate Tormey, CSG Midwest staff liaison for the Midwestern Legislative Conference Health and Human Services Committee. She can be reached at ktormey@csg.org.

Health & Human Services

Brief written by Laura Tomaka, CSG Midwest staff liaison for the Midwestern Legislative Conference Economic Development Committee. She can be reached at ltomaka@csg.org.
Agriculture & Natural Resources

Food-safety law expands role of FDA, exempts small producers

For a few days in December, it looked as though technical issues might stop the Food Safety Modernization Act (S. 510) from making its way through the U.S. Congress. But in one of their final acts of the year, the House and Senate passed the measure and, in the process, set the stage for a major overhaul of the nation’s food-safety system. The bill is designed to prevent outbreaks of foodborne illnesses and to address some of the problems that came to light as the result of recent tomato, egg and spinach recalls.

Its exact impact on states in the Midwest and their food producers won’t be fully known until U.S. Food and Drug Administration rulemaking is complete — a process that the region’s entire agricultural community will be following closely.

Under the new law, the FDA has been given statutory authority to write regulations governing all aspects of the growing, harvesting and processing of 80 percent of the U.S. food supply. (U.S. Department of Agriculture regulations and inspections of meat, eggs or poultry have not been changed.)

Certain provisions in the Food Safety Modernization Act were fairly non-controversial from the start.

For example, more imported foods will be inspected; the FDA will have the authority to deny entry to foods from foreign facilities that have refused U.S. inspections; and, for the first time, imported foods will be subject to the same standards in place for foods made in the United States. Meanwhile, U.S. processing plants will be inspected more frequently (every five years instead of every 10 years), and those considered “high risk” will be checked every three years.

The FDA will also now be able to mandate recalls of suspect food and to track fruit and vegetable shipments — from the fields to grocery stores and restaurants. In addition, it has the authority to develop produce-safety standards on how to grow and raise crops.

And to improve understanding of foodborne illnesses, the federal government will examine the relationship between these illnesses and how the food was made, processed and delivered. (For example, do certain-sized farms or processing plants tend to be linked or not be linked to disease outbreaks?)

Other provisions in the Food Safety Modernization Act expand on registration requirements first implemented by Congress in the 2002 Bioterrorism Act. That 9-year-old measure required facilities that manufacture, process or pack food to register with the FDA, but it exempted “retail food establishments” and farms.

Registration under the Bioterrorism Act has been a “passive,” one-time event. The new law requires biannual registration as well as the development of a Hazard Analysis & Critical Control Points management system, or HACCP.

The idea behind HACCP is to bring an engineering mind-set to food safety: first determine where hazards could occur in production; put procedures in place at these “critical control points”; and then verify that these procedures worked. The FDA has estimated that it will take a trained team 100 hours to develop a HACCP plan.

Roughly one out of six Americans (48 million people) gets sick, 128,000 are hospitalized, and 3,000 die from foodborne diseases, according to U.S. Centers for Disease Control and Prevention estimates.

Wisconsin joins wave of states that have adopted new standards requiring more energy efficiency

Wisconsin has become the seventh state in the Midwest to adopt an energy-efficiency resource standard, a policy tool increasingly being used by lawmakers to promote energy conservation and cut consumers’ electric bills over the long run.

The efficiency standard became law in December after a legislative panel approved a Wisconsin Public Service Commission proposal. It sets a goal of reducing energy use by 0.75 percent in 2011 and by 1.5 percent in 2014 and subsequent years. (These targets are a percentage of energy sales and peak load, based on forecasts of energy use.)

To reach those goals, funding for the statewide program Focus on Energy — which is financed by the energy bills of utility ratepayers — will be increased. The program helps Wisconsin residents and businesses move ahead with projects that reduce energy consumption in their homes or buildings.

“Both research and experience indicate that increasing the goals and funding commitment for statewide programs is a highly effective use of ratepayer money,” the PSC said in its proposal.

The environmental advocacy group Clean Wisconsin adds that for every $1 invested in Focus on Energy, homeowners and businesses have saved $2.50. (Since 2001, the group says, more than 2 million businesses and residents have participated in the program.)

Several business groups, including Wisconsin Manufacturers & Commerce, opposed the decision by the Legislature’s Joint Committee on Finance. They said raising the energy bills of ratepayers would make it “even harder to attract and retain family-supporting jobs” during a period of economic uncertainty.

Illinois, Indiana, Iowa, Michigan, Minnesota and Ohio have energy-efficiency standards as well (see table for details). All seven of the region’s state standards have been established within the last four years.

According to the American Council for an Energy-Efficient Economy, 26 U.S. states accounting for 65 percent of the nation’s electricity demand now have standards in place.
Prison populations falling amid talk of more state reforms

For the first time since 1977, the nation’s state prison population is on the decline, and Illinois, Michigan, Nebraska, Ohio and Wisconsin are among the 24 states that contributed to the decrease.

The latest data from the U.S. Bureau of Justice Statistics highlight incarceration trends between 2008 and 2009. They also show that the number of adults under correctional supervision (prison, jail, probation or parole) fell 0.7 percent between 2008 and 2009 — the first time that has occurred since the federal government began reporting on this population in 1980.

In recent years, prison populations have received increased attention by state leaders looking to curb costs in their criminal justice systems. Michigan, for example, has expanded the size of its parole board, closed prisons, launched new re-entry initiatives and strengthened community-supervision programs. In 2009, the prison population in Michigan fell more than in any other U.S. state in terms of absolute numbers (3,260 fewer inmates compared to the population in 2008).

Still, Michigan has the highest imprisonment rate in the Midwest, and additional reforms — some of which come from a study done by ‘The Council of State Governments’ Justice Center — will be considered in 2011. Ideas include sentencing reform, minimizing the number of prisoners serving past their earliest release dates, and limiting the amount of additional prison time received by technical parole violators.

Indiana, which has also received assistance from the CGJ Justice Center, has the region’s second-highest imprisonment rate. A review of that state’s criminal code and sentencing laws resulted in several policy proposals that Gov. Mitch Daniels endorsed in December: create a more precise state’s criminal code and sentencing laws resulted from the CSG Justice Center, has the region’s second-highest imprisonment rate. A review of that state’s criminal code and sentencing laws resulted in several policy proposals that Gov. Mitch Daniels endorsed in December: create a more precise

Several factors at play

Michigan was the only U.S. state that lost population over the past decade — a period in which that state also experienced the slowest GDP growth in the nation, an average of 1.0 percent a year between 2000 and 2009. Yearly U.S. GDP growth over that same time period was 4.1 percent.

All states in the eastern part of the Midwest fell below this national average. (Ohio’s annual GDP growth of 2.4 percent was second-lowest in the nation during this 10-year period.)

Economic conditions are among the factors often used by demographers to explain state-by-state population trends. In turn, economists often look at changes in population to gauge the health of a state’s economy.

For example, as economist William Testa of the Federal Reserve Bank of Chicago noted last year, net domestic migration (which measures movement from one state to another) helps gauge whether a state is an attractive destination for individuals and families.

“Many U.S. households move very far to find employment opportunities and better housing affordability.”

With the sole exception of South Dakota, every Midwestern state experienced a net loss in population as the result of domestic migration between 2000 and 2009. U.S. Census Bureau estimates show Michigan, Illinois and Ohio (in that order) had the region’s highest rates of domestic out-migration; Wisconsin, Indiana and Minnesota had the lowest rates.

Another demographic trend driving this year’s census results was growth in the nation’s Hispanic population.

“The diversifying of the population is more extensive in areas of fast population growth,” Audrey Singer, a senior fellow at The Brookings Institution’s Metropolitan Policy Program, wrote in a December article on the latest census results.

“Many of the states that have gained in their head count have gained non-white minorities, especially Hispanics.”

Though the Hispanic population has risen considerably throughout the Midwest, its growth in states such as Texas, Florida, Arizona and Georgia has been greater.

One recent trend that the 2010 Census doesn’t fully capture is the migration slowdown that occurred during the latter part of the decade.

The crash of the housing market and overall economic problems have put the country at a demographic standstill, says demographer William Frey of Brookings’ Metropolitan Policy Program, and the fastest-growing areas of the country — parts of the South, Southwest and West — have been most affected.

In a 2010 interview with CGJ Midwest, Minnesota state demographer Tom Gillaspv pointed to housing and economic conditions as two of many factors that could cause a shift in U.S. population trends in this decade and beyond.

Other factors, he said, include the age at which people retire (warmer climates tend to be destinations for retirees) and whether some of the water problems in the South and West intensify.

Loss of influence, money among consequences of census results

In a decade when the U.S. population grew at the smallest rate since the 1930s and the Great Depression, every Midwestern state failed to keep pace with the nation’s 10-year growth rate of 9.7 percent.

One consequence of the 2010 Census for the 11-state Midwest will be the loss of five congressional seats — and five votes in the U.S. Electoral College. The new census data, which were released late last year, will also be used to determine state-by-state allocations of federal funding.

Over the last 60 years, the region has lost 29 U.S. House seats as the result of reapportionment. This time around, Ohio will lose two seats, and Illinois, Iowa and Michigan will lose one each.

In 11 of the 24 states that lost seats, the population change was greater than the national average. The five states with the largest loss in population — and the five states that lost seats — are Wisconsin, Minnesota, Illinois, Iowa and Michigan.

Midwest’s state prison populations

--- | --- | --- | ---
Illinois | 42,283 | -0.7% | 349
Indiana | 20,125 | +1.7% | 441
Iowa | 7,455 | +0.5% | 292
Kansas | 4,944 | +1.2% | 305
Michigan | 42,718 | -0.7% | 457
Minnesota | 4,228 | +0.8% | 389
Missouri | 3,805 | -1.0% | 284
North Dakota | 2,476 | +2.3% | 228
Ohio | 43,053 | -0.2% | 446
South Dakota | 2,616 | +2.8% | 420
Wisconsin | 20,754 | -1.0% | 369
U.S. states | (2,458,646) | -0.2% | 462

* Imprisonment rate is the number of prisoners sentenced to more than one year per 10,000 total residents; numbers for two states, Kansas and Ohio, include some prisoners sentenced to one year or less.

Loss of state influence

Source: U.S. Census Bureau

Waning influence: Fewer seats for Midwest states in the U.S. Congress

Net change in house seats (2010 Census)
Nine states in the region — all but Michigan and Nebraska — are among the 27 nationwide that have their own inspection programs. Around the country, state inspectors oversee about 1,800 facilities. (Wisconsin and Ohio have highest the number of state-inspected processing plants in the country.)

State meat-inspection programs are accessed by smaller processors whose products are sold only within the state. (Interstate sales require federal inspections.)

For these smaller processors, several factors can lead them to choose state inspections. For example, federal inspectors are required to have an office and a changing area in a plant, so space can be a problem. Also, overtime charges for federal inspectors exceed similar state fees. In addition, some producers say it is quicker to get responses and advice from state agencies, which also can be more flexible when it comes to arranging inspection times.

Under cooperative agreements with the U.S. Department of Agriculture’s Food Safety and Inspection Service, state programs are required to enforce standards that are “at least equal” to those required under federal law. Because they must meet federal standards, the programs are substantially similar from state to state. The FSIS conducts intensive audits in several states each year, and also provides training and guidance to help ensure federal standards are being met.

States share the costs of inspections with the FSIS. This federal match has been crucial for states, doubling the size of their inspection budgets. Processors generally pay for any testing, if needed, and other extraordinary costs, such as overtime pay for inspectors.

To ensure that the animals being slaughtered are disease-free, state officials inspect live animals and check on the animals during the slaughter process. Inspectors visit once a day when facilities are processing meat.

Recently, supporters of state meat-inspection programs have successfully held off proposed funding cuts in several states, including Minnesota and Wisconsin. Supporters in Indiana were less successful; there, funding for meat inspection programs was reduced by half.

Significant cuts in state inspections can lead to long delays for slaughtering, causing processors to send animals to other states with shorter wait times. (It is unlikely, too, that the federal government has the budget resources to take over inspections of many plants that states currently oversee.)

The Indiana Rural Caucus recently gathered data to illustrate the importance of local meat production and inspection. It estimated that in 2009, Indiana processors spent $35 million, which went to purchase feed, supported local crops and helped pay for veterinary health services — income that might not remain in the community if animals are not raised and slaughtered locally.

Midwestern states prepare for redistricting in 2011

Iowa’s process remains a unique model in region

As the legislative session began in Iowa, state officials started the process of redrawing the state’s legislative and congressional districts.

But in Des Moines, the process won’t be the same as it is in other Midwestern state capitals, where legislators get the first crack at reconfiguring political districts based on new population data.

Instead, Iowa’s process tasks the nonpartisan Legislative Services Agency with developing a redistricting plan for both state legislative and congressional seats. After staff has developed a map, the plan must be approved or rejected — without modification — by the legislature. If the legislature fails to approve two plans, it may amend the third map as it would any other bill. The plan must also be approved by the governor.

The impetus for adopting this unique process decades ago was influenced in part by a 1972 state Supreme Court decision that threw out a redistricting plan developed by the legislature. The plan was redrawn on grounds that the districts varied too much in size, and the court was charged with redrawing districts for use in the 1970s.

Looking for nonpartisan assistance in putting together the plan, the court turned to the Legislative Service Bureau (now the LSA) for expertise, says Ed Cook, legal counsel for the agency.

In 1980, with the next round of redistricting approaching, lawmakers decided it was time to change the state’s process in order to avoid further intervention by the courts. And they determined that the nonpartisan LSA should permanently take over the drawing of the maps. “[The court] had used the agency to draw the lines before, so we were basically a nonpartisan, trusted entity,” Cook says.

What’s more, Cook says, because they didn’t want redistricting plans to end up being thrown out again by the Supreme Court, authors of the 1980 legislation used the court’s opinion to determine what criteria to use in drawing the districts.

The LSA is required by law to disregard incumbents’ addresses, the political affiliations of voters, previous election results and other demographic information (except basic population counts) when drawing the maps. It must also strive to make districts compact and keep cities and counties entirely within one district. The agency uses computer software to create the new maps.

In the three rounds of redistricting that have occurred since the 1980 law was passed, legislators have adopted one of the plans submitted by the LSA. None of the final plans has been challenged in court. Iowa’s process is unique both in the region and in the nation. In most Midwestern states, lawmakers are given the task of drawing maps. The other exception is Ohio, where state legislative districts are redrawn by a five-member panel of state officials (the legislature handles congressional redistricting).
premium on cost savings and efficiencies in toughest year yet for education budgets

Proposals, some of which seek cost savings and all of which seek to get more out of the money that the state is putting into the K-12 system.

One cost-saving idea, Kruse says, is to encourage certain school districts to cover their employees through the state’s health-care plan. (Depending on the plans, some districts would save money by doing so; others would actually pay more.)

State leaders, too, are looking to expand the use of charter and virtual schools, both of which receive less per-pupil aid than traditional public schools.

One of the more unique proposals this year in Indiana would provide a college scholarship to students with enough credits to graduate from high school after their junior year and who bypass their senior year.

Under a plan being considered in January, the scholarship would be $3,500 — enough to pay for a student to attend a state community college, but thousands of dollars less than the cost to the K-12 education system if he or she returned to high school for a senior year.

The issues of education finance and school reform are expected to dominate discussions throughout Indiana’s 2011 legislative session. As Kruse notes, the dual goals of maintaining K-12 education funding and not raising taxes will force the legislature to make cuts and find savings in all other parts of state government.

Meanwhile, in some U.S. states, a scaling back of education spending seems unavoidable, Redell says.

“When it comes to education, you can’t just slash and burn or rely on across-the-board cuts,” he says.

“Education is a constitutionally protected level of service in states, and you have to take steps that maintain that constitutionally level of service.”

If cuts aren’t made in a thoughtful manner, he says, states open themselves up to future education-finance lawsuits that challenge the adequacy or equity of funding systems.

Myers warns, too, that many cost savings might come at the expense of student learning, a trade-off that he says states should avoid.

“K-12 education can be very efficient, but sometimes for the wrong reasons,” he says.

“You pack 30 kids into a classroom with one teacher and you shut the door, that is efficient on paper and in terms of the operation of the school. But it’s not efficient in terms of student learning.”

Redell suggests several cost-saving ideas for states to consider.

For example, he says special-education budgets deserve closer scrutiny. Increasing numbers of students are being placed into special-education programs, at a higher cost to states and perhaps not in the best interest of some young people. Urban districts, in particular, often have a disproportionately high number of special-education students.

He says teacher pension reform and school consolidation are other potential areas for cost savings. Several states, in fact, have already made changes to their pension systems, but as Redell notes, many of these reforms have applied only to newly hired employees.

Changing the benefit structure for current teachers and other public employees would allow states and districts to realize more-immediate savings. However, it also is more difficult and controversial, or sometimes even impossible due to constitutional constraints.

As for consolidation, McNeil says it is always a “popular thing to think about.” But when it comes to actually forcing a drop in the number of schools or districts, states usually balk.

“In the end, it’s very controversial and there are still questions about how much it really saves,” McNeil says.

According to Myers, since the 1960s, states have largely shied away from forcing school consolidations.

“I believe you can identify small- and medium-sized districts that would be better off and gain efficiencies from merging with other school districts,” he says.

Court decisions, legislative actions continue to reshape how states in Midwest fund their schools

The mix of local, state and federal funds being used to finance K-12 education is different in every state (see page 1 for the breakdown in the 11-state Midwest).

One nationwide trend, though, has been for states to assume a larger share of total spending, with the goals of easing local property tax burdens, reducing inequities in school-finance systems, and ensuring that districts have adequate levels of funding to meet state education standards.

Here are some notable examples in the Midwest of states that have revamped how they finance K-12 education.

- In North Dakota, the state is now financing 70 percent of the costs of elementary and secondary education (excluding the federal government’s share) as the result of an education-reform bill passed in 2009 that pumped more state dollars into the system in exchange for property tax relief.

- As the result of a 2008 law that reduced local property taxes and increased the state sales tax, Indiana now funds 100 percent of the general operating costs of public schools.

- In 2005, the Kansas Supreme Court ruled that the funding formula for K-12 education did not meet the state’s constitutional obligation to adequately fund public schools. In response, the Legislature increased the amount of revenues going to schools by 25 percent between the 2005-06 and 2006-07 school years. A disproportionate share of this new money went to higher-poverty districts and schools. Late in 2010, in response to recent budget cuts, a new education-finance lawsuit was filed in Kansas.

- Ohio, too, has made funding changes over the past decade as the result of court decisions. In the 1990s and early 2000s, the Ohio Supreme Court ruled that the state’s school-finance system was unconstitutional. The legislature responded by increasing overall funding, allotting more school aid to low-wealth districts, creating a separate education budget and using tobacco-settlement dollars to help build new schools. More recently, the state adopted an evidence-based model for school funding (see main story for details on this model).

- Michigan has had one of the more unique funding systems in place since 1994, when voters in that state passed Proposal A — a measure that reduced the state’s reliance on local property taxes by raising the sales tax and creating a stream of revenue for a separate School Aid Fund. Money for this fund comes from sales and income taxes, as well as a statewide property tax.

More proposals to tweak or overhaul school-funding formulas are expected to be considered in 2011 and beyond. Late in 2010, Wisconsin State Superintendent Tony Evers unveiled a plan to reform his state’s school-funding formula. Under his proposal, the state would fund a slightly greater portion of overall K-12 funding. Specific provisions would guarantee $3,000 per student in general aid to every district; introduce into the school-funding formula a factor that measures family income and poverty levels in districts (the current formula is based solely on local property wealth); and establish new categorical-aid programs that support local dropout-prevention and teacher-monitoring programs.

Several states, meanwhile, are facing litigation that challenges the constitutionality of their current finance systems. These states include Illinois, Indiana, Kansas and South Dakota.

David Sciarra, executive director of the Education Law Center, says the mix of local, state and federal dollars used to fund K-12 education isn’t necessarily as important as two other factors: the total amount of dollars going to schools, and how states distribute their share of the money.

For example, Minnesota’s funding formula ensures that more dollars flow to districts serving high percentages of students living in poverty. In other states, most notably Illinois in the Midwest, funding formulas result in high-poverty districts receiving less in state and local per-pupil aid, Sciarra says.

“We’re not going to get very far on some of our educational goals — such as moving large sub-groups of students to proficiency on state assessments and closing gaps — unless we improve the underlying condition of the finance systems of the states,” Sciarra says.

“If you start moving to a fair funding system, over time, you’re likely to see better student outcomes,” he believes.
An ‘evidence-based’ funding model

Lawrence Picus, director of the Center for Research in Education Finance, says the primary role of states in K-12 education is to provide school districts with an “adequate” level of resources. Defined broadly as providing school administrators, teachers and students with the money they need to meet state standards, adequacy has been central to school-finance reforms and litigation over the past two or three decades.

And with the strengthening of state standards and the current strain on state budgets, Picus says, it becomes imperative that resources are allocated wisely in order to meet the adequacy definition.

He has worked with state and local school officials in different parts of the country on implementation of an “evidence-based” model of school finance: to base funding decisions on what has been proven by research to improve student learning and outcomes.

The model emphasizes the importance of:

• maintaining relatively small class sizes (a 15:1 student-to-teacher ratio in the early grades and 25:1 ratio in the higher grades),
• offering extra help to struggling students (through the use of tutors and after-school and summer-school programs),
• investing more in the professional development of teachers, and
• giving classroom instructors more time to plan and collaborate.

In many cases, he says, spending patterns in schools diverge from this evidence-based model, and from the performance goals that the schools have set for themselves.

“The question becomes what are your teachers doing versus what you want them to be doing, and how do you reallocate your staff in a way that best fits your priorities?” Picus says.

In 2009, Ohio adopted its form of the evidence-based model as part of a 10-year plan to adequately fund K-12 education.

The model has since met resistance, Picus says, at least in part due to concerns that the state would begin mandating that local school districts implement it.

But he hopes that state and local school leaders, in Ohio and elsewhere, try to more closely link funding decisions with what has been proven to work in the classroom.

“If a school is successful, students are learning and scores are going up, I don’t think a school wants to interfere — even if the model isn’t being used,” Picus says.

“But if a school isn’t performing, and it has the resources to employ the evidence-based model but instead asks for more money to continue what it’s doing, my answer would be, ‘No, there are strategies that work with your current level of funding.’” Money matters, Picus says, but it alone cannot improve the performance of schools.

“Using the dollars wisely — training the teachers well and putting resources into helping students who are struggling — is more important than just the overall dollars,” he adds.

Source: CSG Midwest review of state budget documents and interviews with state budget and education officials.
or 35 years, Ray Holmberg taught govern-
ment and U.S. history to high school students in North Dakota. But once he was elected to public office in 1976, he found himself making laws in addition to teaching about them.

After becoming a state senator, Holmberg soon found that a textbook couldn’t possibly include everything there is to know about the lawmaking process — such as the importance of personal rela-
tionships forged with colleagues and constituents. “I was able to go back into the classroom and I was a better teacher,” says the Republican from Grand Forks. “It would be great if every govern-
ment teacher could serve in a legislative body, even for a short period of time, because it really hones your skills and gives you insight into the realities of governing.”

Holmberg is now retired, but his background as a teacher has made education one of his top legislative priorities.

In the past couple of legislative sessions, North Dakota has revamped its education funding formula. The state now provides 70 percent of funding for K-12 education. At the same time, the state has reduced local property taxes by an average of 17 percent, Holmberg says.

He was particularly pleased with a provision of the bill that requires districts to spend 70 percent of the new funding on teacher compensation — a move that will help the state recruit and retain quality K-12 instructors.

“North Dakota has always been a lower-salary state, although we have made huge strides in the dollar amount teachers are getting as compensation today over what it was 15 years ago,” he says.

Promoting interstate cooperation

When he looks back at his 35 years so far in the legislature, Holmberg is proud of many accompl-
ishments. In particular, he points to his role in the past couple of legislative sessions, North Dakota has revamped its education funding formula. The state now provides 70 percent of funding for K-12 education. At the same time, the state has reduced local property taxes by an average of 17 percent, Holmberg says.

He was particularly pleased with a provision of the bill that requires districts to spend 70 percent of the new funding on teacher compensation — a move that will help the state recruit and retain quality K-12 instructors.

“North Dakota has always been a lower-salary state, although we have made huge strides in the dollar amount teachers are getting as compensation today over what it was 15 years ago,” he says.

Promoting interstate cooperation

When he looks back at his 35 years so far in the legislature, Holmberg is proud of many accomplish-
ishments. In particular, he points to his role in the 1983 legislation that expanded higher-education tuition reciprocity with Minnesota — a law that is still helping students today.

Minnesota and North Dakota have a long-standing tuition reciprocity agreement for four-year universities. While serving on an interim committee in 1980, Holmberg launched an initiative to expand that provision to two-year technical and vocational schools.

After fighting for the bill’s passage in two legislative sessions, Holmberg finally saw the legislation pass in 1983. To date, North Dakota students have saved more than $1.5 million on tuition by receiving in-state rates at Minnesota institutions.

In recent years, Holmberg has worked on other proj-
ects aimed at helping states share ideas and resources. Two bills Holmberg wrote in 2005 have been considered by other states and the federal government.

One of the bills governs the use of “black boxes,” which record information such as speed and can be used to investigate an accident.

When he learned about the devices, Holmberg had concerns about possible privacy violations and misuse of the data. He wrote a bill that requires manufacturers to notify consumers if their cars have the devices. It also specifies that the data be destroyed after a period of time.

“I meet with the minority caucus and tell them very honestly that I will try to be as open and as upfront as possible as far as when we are going to consider bills and who is going to be on the confer-
ence committees. I will share that with them and give them input. But I always give the caveat that sometimes the majority leader calls me in his office and says that this afternoon [I need to consider] these two bills. … [But I] try to be fair and open.

Q: How have you managed the spending expecta-
tions in recent years, when North Dakota has been one of the five states with a budget surplus?

A: I served in the legislature in the early ’80s, when the farm economy was in the tank and we had no money and everyone knew it … But when there is the sense that there is money, everyone is in line and everyone has their hands out.

Even though we do have a surplus, and even though our income outpaces our expenditures, the problem is there are so many unknowns. All of the states are holding their breath waiting to see what direction the federal government is going to go and how that is going to impact us. In the budget that Gov. [Jack] Dalrymple presented, there is about $160 million in federal money for the Medicaid program [that was there] two years ago but is [now] gone. Part of it is because our personal income has gone up and part of it is because of the stimulus cliff that all of the states are experiencing now.

Secondly, we’ve got a lot of [long-term] items in our budget — for example, the property tax relief program. It was an expensive program, so I like to say that we may have a $1 billion surplus, but most of it is already spoken for. And some of the things that the legislature did last time knowing the full cost would hit us in two years.

But we are helped a great deal by our economy, which is really quite diverse. There are a lot of people who will say that it’s all oil [revenue], but that’s not the case. Oil is a huge contributor to our state’s economy, but agriculture continues to be our biggest and we had very good crops this year.

Q: What do you think will be a top priority for the legislature this session?

A: We have pretty well put to rest elementary and secondary [education], and the focus will be on higher education and the whole K-20 system.

In the past two legislative sessions, we have increased higher-education funding. [In 2007] it was 20 percent and [in 2009 it was] 19 percent. There are those who are concerned that the amount of money we are putting into higher education is really too much. And the governor, in his budget presented a couple of weeks ago, has another increase for higher education. I think we get a very good bang for our buck, but the focus of the legislature is to be constantly reviewing and to ask, “Maybe that was right in 1999, but is it right in 2011?”

“Promoting interstate cooperation”

When he looks back at his 35 years so far in the legislature, Holmberg is proud of many accompl-
ishments. In particular, he points to his role in the 1983 legislation that expanded higher-education tuition reciprocity with Minnesota — a law that is still helping students today.

Minnesota and North Dakota have a long-standing tuition reciprocity agreement for four-year universities. While serving on an interim committee in 1980, Holmberg launched an initiative to expand that provision to two-year technical and vocational schools.

After fighting for the bill’s passage in two legislative sessions, Holmberg finally saw the legislation pass in 1983. To date, North Dakota
Wisconsin tackling costly issue of inadequate mental-health treatment

State closes gaps in federal law, reviews law-enforcement policies

by Wisconsin Rep. Sandy Pasch (Rep.Pasch@legis.wisconsin.gov)

Mental-health and substance-use disorders (MH/SUD) are genuine, treatable illnesses that directly affect one in four members of our community. We know they are not a life choice, a moral weakness or a character flaw. While research has informed us about the physiological nature of these diseases, we have allowed ourselves to be ignorant about these conditions and consequently neglect to provide adequate treatment for them. We would never consider other types of “carve-outs” for physical health conditions, such as cardiac and pulmonary diseases, diabetes or orthopedic problems.

We provide treatment for these illnesses because not doing so leaves people in pain, and unable to function, work and care for their family. However, many continue to perceive and dismiss these disorders as character flaws, and this has been reflected through the appalling lack of insurance coverage that is available for treatment.

Lack of treatment costly to all

The failure to treat mental illnesses drives up costs across society — on county budgets, the workplace, the corrections system and families across my home state of Wisconsin. County budgets and taxpayers are paying for treatments and services not covered by the private insurance market. The U.S. surgeon general reported that the indirect costs of mental illness imposed an estimated $79 billion on the U.S. economy in 1990, or more than $123 billion today.

The costs of business absenteeism, lost productivity, and disability and unemployment-insurance claims due to mental illness and addiction outweigh any costs associated with treating those conditions. Findings in the medical community note that untreated depression increases the costs and decreases the rates of recovery from heart disease, strokes, diabetes and other illnesses.

Many people with MH/SUD, including children and adolescents, are more likely to have contact with a police officer than a mental health provider. And our prisons have replaced treatment facilities. In Wisconsin’s prisons, 30 percent of the inmates — or more than 7,000 individuals — are living with mental illnesses. This compares to roughly 25 percent nationwide. We must question not only the costs involved, between $30,000 and $100,000 per inmate per year, but also the morality of this situation.

As a psychiatric nurse and longtime advocate for improved mental health services, I have spent years fighting to address these disparities, and continuing this fight was a top priority of mine in my first term as a state legislator this past session. Therefore, I authored the Wisconsin Parity Act (SB 362/AB 512) that will now require all group health plans to provide MH/SUD coverage at the same level as medical and surgical coverage. While federal legislation passed in October 2008 applies to group health plans offered by employers with 51 or more employees, small employers with 50 or fewer employees and individual health plans are exempt from these requirements. As a result, our state legislation closed the gap in coverage for hundreds of thousands of Wisconsinites.

In addition to this, I am currently serving as chair of the Special Committee on Review of Emergency Detention and Admission of Minors under Chapter 51. Chapter 51 — otherwise known as the Wisconsin State Mental Health Act — contains state law relating to the emergency detention of individuals living with mental illness.

The committee is made up of legislators and citizens knowledgeable about the issue. It has been directed to review the appropriateness of, and inconsistencies in, the use of detention procedures across this state, and the availability and cost of detention facilities. Further, it will examine the inconsistent statutory approaches to emergency detention between counties across the state, as well as the inconsistent application of procedures relating to admission of minors.

Changes in statute, shifts in attitude

It is a sad fact that the treatment of MH/SUD is often precipitated by a crisis occurrence involving law enforcement, and these situations too often result in the individual being admitted under emergency detention or even incarcerated. The response of law enforcement officers to situations involving individuals with MH/SUD is inconsistent across the state and among municipalities.

Indeed, because behaviors related to mental illness might involve breaking laws, the option to arrest might appear to be the path of least resistance to the responding officers. However, as I previously noted, the incarceration of people with MH/SUD is costly, ineffective in treating the illness, and morally questionable.

The inconsistencies in the interpretation of these statutes occur not only for adults, but also for juveniles. Parents have reported that hospitals have refused to admit adolescents under parental directives, in spite of the statutory changes made regarding adolescent hospitalizations. Many tragedies involving vulnerable children may have been prevented if there were greater clarity and understanding of the legal directives.

From the testimony we heard thus far, it is clear that increasing funding for MH/SUD treatment and modifying statutory language surrounding these conditions are only parts of the solution — much of the rest is attitude.

We heard stories from consumers of mental health services, from family members and from law enforcement officers regarding the responses and attitudes of health care providers. Reports of being treated with scorn, ignored for hours, blamed for their mental illnesses, and dismissed as malingerers are too common, and these attitudes often accompany the efforts to then transfer the individuals to public institutions.

It is clear that we need thoughtful analysis, discussion and responses among all stakeholders in order to establish solutions that will ensure safe, effective and dignified care for those living with MH/SUD. Doing so will greatly benefit law enforcement, health care providers, local governments and taxpayers, while allowing individuals with these conditions to enjoy healthier lives and be more productive members of society.

Wiseconsin Rep. Sandy Pasch, a Democrat from Whitewater Bay, was first elected to the state Assembly in 2008.

Submissions welcome

This page is designed to be a forum for legislators and constitutional officers. We accept submissions on a wide range of public policy issues and state initiatives. The opinions expressed on this page do not reflect those of The Council of State Governments or the Midwestern Legislative Conference. Responses to any FirstPerson article are welcome, as are pieces written on other topics. For more information, contact Tim Anderson at 630.925.1922 or tandemerson@cs.org.
CSG helps develop compacts that allow states to address common issues

This year, state legislatures will be able to consider a number of interstate compacts created with the assistance of The Council of State Governments National Center for Interstate Compacts.

The NCIC — the only organization of its kind — serves as an information clearinghouse and provides training and technical assistance to states. It also helps review, revise and create new interstate compacts.

CSG has recently led the drafting, adoption and implementation efforts of several national compacts, including the Interstate Compact on Adult Offender Supervision, the Interstate Compact for Juveniles, and the Interstate Compact on Educational Opportunity for Military Children.

In addition, CSG is involved with the development of several new compact initiatives, including the efforts outlined below.

Prescription drug monitoring

So far, 34 states are operating their own prescription-drug monitoring programs, which are designed to help states combat the abuse and illegal sale of medications. But there is a lack of cooperation among states on this issue.

With the aim of ensuring that prescription medicines are properly distributed, the Interstate Compact on Prescription Drug Monitoring will create a system of information sharing among state monitoring programs.

Kansas Sen. Vicki Schmidt led the working group that developed the compact.

Thoroughbred horse racing

The Interstate Compact on Thoroughbred Horse Racing will enable states to use more-uniform practices and regulations related to thoroughbred horse racing. The agreement is designed to simplify the process of participating in thoroughbred horse racing, improve the quality and integrity of racing and wagering, more effectively regulate simulcast wagering, and simplify regulatory processes.

Court case upholds power of compacts

In November, a U.S. Court of Appeals upheld the power of the states to govern the transport and disposal of radioactive waste through an interstate compact. The ruling strengthened the validity of interstate compacts nationwide.

The court ruling came after EnergySolutions, which operates a low-level radioactive waste disposal facility in Utah, applied for approval to import and dispose of radioactive material from Italy. States that are members of the Northwest Interstate Compact on Low-Level Radioactive Waste Management voted in 2007 not to allow it. EnergySolutions LLC sued to challenge the compact’s authority, claiming the states didn’t have the power to make the decision.

CSG signed on to the appeal through a “friend of the court” brief, supporting the states’ ability to block the disposal of foreign radioactive waste in the Utah case.

A U.S. District Court in Utah originally sided with EnergySolutions, claiming interstate compacts don’t have that kind of authority. But November’s court opinion from the 10th U.S. Court of Appeals in Denver reversed that decision and ruled in favor of the states.

“In view of CSIC’s historic role in the field of interstate cooperation and interstate compacts … this decision is a significant reaffirmation of the federal constitutional prerogative of state governments to collectively exercise their sovereignty as provided under the compact clause of the Constitution,” said Rick Masters, CSG’s special counsel for interstate compacts.

Surplus lines insurance

Last summer, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act. Among other measures, the legislation calls for states to streamline the regulation of “surplus lines,” or “nonadmitted,” insurance. The surplus lines industry serves activities not usually covered in the mainstream insurance market, such as high-risk sporting events and companies operating in dangerous areas.

The new federal requirements, which take effect in June, pre-empt some current state laws. The legislation recommends that states adopt uniform procedures — such as through an interstate compact — for reporting, payment, collection, and allocation of premium taxes for this type of insurance.

NCIC has been working with the National Conference of Insurance Legislators, The National Association of Professional Surplus Lines Officers and other stakeholder groups to develop the Surplus Lines Insurance Multi-State Compliance Compact. The compact is designed to satisfy regulators, industry groups and state legislators and to meet the requirements of the new federal law.

For more information about interstate compacts, please contact Creda deGolian at 859.244.8086 or creda@csic.org.

Looking for more?

To learn more about key policy issues, turn to Firstline Midwest. Past editions can be found at www.csigmidwest.org. Recent editions have explored:

- Options for States to Address Shortages in the Health Care Workforce (December 2010)
- State Strategies for Promoting Innovation, Entrepreneurship (October/November 2010)
- The Future of State Employee Retirement Systems (August/September 2010)

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

Indiana Rep. Scott Reske will serve over the next year as chair of the Midwestern Legislative Conference, a nonpartisan association of state legislators that fosters regional cooperation, information sharing and leadership development.

Reske was elected to the top leadership post by fellow Midwestern lawmakers in August; he formally took over as MLC chair in December during a meeting of the MLC Executive Committee.

In this position, he will provide leadership and guidance to the decades-old regional association. Rep. Reske will also lead Indiana’s efforts in hosting the 66th Annual Meeting of the MLC, which will be held in Indianapolis July 17-20 and is expected to attract hundreds of state and provincial legislators.

Now entering his fifth full term of legislative service, Reske, a Democrat from Pendleton, has long been active on economic development issues in Indiana and will bring that experience to his new regional leadership role.

Reske was first elected to the Indiana House in 2002 and is a retired U.S. Marine Corps Reserve colonel. A Marine aviator for 10 years, Rep. Reske served on active duty in Iraq and Haiti while in the legislature.

He also is a 2002 graduate of the Bowhay Institute for Legislative Leadership Development, an MLC leadership-training program for promising new legislators from the Midwest.

The MLC Executive Committee also installed two other officers at its recent meeting. In 2011, Ohio Rep. Armond Budish will serve as first vice chair of the MLC and Minnesota Rep. Alice Hausman will be its second vice chair.

All legislators from the following states are members of the MLC: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. In addition, four Canadian provinces — Alberta, Manitoba, Ontario and Saskatchewan — are MLC affiliates.

The Midwestern Office of The Council of State Governments provides staff support to the MLC. For more information about the MLC and this year’s Annual Meeting, please visit www.csgmidwest.org.
No turning back on use of red-light cameras

The controversial use of red-light cameras by some local governments in Illinois will continue in 2011, but under a new set of rules established by the General Assembly.

SB 935 took effect in January. It makes several changes to a state law — the only one of its kind in the Midwest — that explicitly permits the use of cameras to enforce traffic laws at stop lights. (Illinois also allows for automated enforcement in some construction zones and at railroad crossings.)

As a result of passage of SB 935, a violation caught by a red-light camera must be reviewed and verified by law enforcement. Motorists, too, have the right to review video evidence and contest violations via a secure, web-based portal. In addition, local governments are required to post the locations of red-light cameras on their websites and to study the safety impact of each camera. According to the Chicago Tribune, the cameras appear to be working: Preliminary data show a decline in accidents at intersections where they have been installed.

Nine of the 11 Midwestern states have no laws on automated enforcement. However, it is used in parts of Iowa, Ohio and South Dakota, the Governors Highway Safety Association reports. According to the GHSA, Wisconsin is the only Midwestern state that explicitly prohibits the use of speed and red-light cameras.

Signs of success in Ohio revamp of long-term care

Changes in state policy are helping Ohio revitalize its long-term-care system in a way that expands choices for consumers and results in cost savings, The Columbus Dispatch reports.

Compared to other states, Ohio has historically been more reliant on nursing homes to provide long-term-care services. However, the state is now placing more and more people into home- and community-based services — an option that state officials say costs about one-third as much as similar care in an institutional setting. The state’s rebalancing strategy has included:

- combining different home- and community-based services into a single budget line item, thus better ensuring consumer access to the level of care they need;
- strengthening the relationship with hospitals to make consumers aware of alternatives to institutional care; and
- allowing the cost of care for an individual in home- and community-based care to rise as his or her needs increase.

According to the Kaiser Family Foundation, the distribution of long-term-care spending (which accounts for 34 percent of Medicaid costs) can vary widely from state to state. For example, home health and personal care accounts for 65 percent of spending in Minnesota (highest in the Midwest) and 29.6 percent in Illinois (lowest in the region).

Changes in gun laws hit Iowa and Ohio

Iowa has officially become the Midwest’s ninth “shall issue” state, meaning local law enforcement must issue a gun permit to any individual who meets a set of uniform state standards. Those standards in Iowa are passing a background check and completing a firearms training program.

According to The Des Moines Register, the state previously had given local sheriffs the discretion to deny permits for any reason. That changed with passage of SF 2379, which took effect in January. Also under the new law, local sheriffs will no longer be able to set restrictions for the gun permits (requiring that the owner conceal the weapon, for example).

With the recent change in Iowa, every state in this region except Illinois and Wisconsin has a “shall issue” statute and gives individuals the right to carry concealed weapons, according to the National Rifle Association and the Brady Campaign to Prevent Gun Violence.

Meanwhile, in Ohio, the state Supreme Court ruled that local governments do not have authority to establish their own gun-control laws. According to The Plain Dealer in Cleveland, some of the provisions in that city which will be affected by the December ruling include a requirement that handguns be registered and a ban on shotguns and assault rifles.

Municipal bankruptcy in hands of the states

In a sign of fiscal times for distressed local governments, talk of municipal bankruptcy has picked up in parts of the Midwest and across the country.

An Indiana proposal introduced in December would give the option of bankruptcy for cities and towns. According to The Gary Post-Tribune, the process would be run through the existing Indiana Distressed Unit Appeals Board, a state entity that helps distressed political subdivisions establish financial plans.

Currently, Indiana is one of 26 U.S. states that does not authorize Chapter 9 municipal bankruptcy in statute. The other six states in the Midwest without such authorization are Illinois, Iowa, Kansas, North Dakota, South Dakota and Wisconsin, according to a 2010 Bloomberg News article.

Late last year, then-Gov. Jennifer Granholm denied a request by the Michigan town of Hamtramck to seek bankruptcy protection, The Detroit News reports. In a May 2010 paper examining the issue of municipal bankruptcy, the Michigan Senate Fiscal Agency noted that the state in recent years has had to take over several municipalities due to “financial emergencies.” None of these emergencies has yet led to bankruptcy. Under Michigan law, state involvement — including the appointment of an emergency financial manager — is required before a bankruptcy filing can proceed.