ASSURING AMERICA’S ENERGY SECURITY

The President’s International Trade Agenda and Its Impact on States

Does Going Green Mean Saving Green?

States STEP Up Exports

Building a Reliable & Affordable Grid for the Future

Communicating Across Cultures—Tips for State Leaders

“SIDO is the voice of the state’s trade programs and must continue to be heard in shaping trade policy and effecting necessary change at the federal level to benefit our exporters.”

ANN PARDALOS
Manager of the Missouri International Trade and Investment Office, SIDO President

PLUS: Meet the 2015 Toll Fellows Class
ON THE COVER
Ann Pardalos, manager of Missouri’s International Trade and Investment Office and president of the State International Development Organizations, a CSG affiliate, says states can play a key role in helping small businesses expand their opportunities through international trade.

(Photo Courtesy of Margie Peters, Photos by Margie)

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FUELING TRADE
According to the U.S. Department of Energy, the United States ranked second in total energy production in 2012. Net U.S. imports of energy fell from 30 percent of total energy consumption in 2005 to 13 percent in 2013, due to growing domestic oil and dry natural gas production combined with slower growth in energy consumption.

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STATE OVERSEAS TRADE OFFICES
According to the SIDO 2015 survey of state trade directors, 40 states operate a collective 199 trade offices overseas. China is the most popular country, with 27 states operating trade offices there.

MODERNIZING THE GRID
With new technologies and alternative energy options, the way we produce and transmit electricity is rapidly changing. As a result, new questions are emerging for state policymakers regarding the policies needed to ensure a reliable, affordable and more modern grid.

GOING GREEN, SAVING GREEN
For state governments, going green is a win-win. States have acted as energy efficiency leaders for many years, recognizing that increased efficiency of state buildings cuts energy costs and stretches taxpayer dollars.

ENVIRONMENTAL READING
Energy policy and management in the states is a critical issue linked to a variety of topics, including environmental policy. CSG Senior Fellows Katherine Barrett and Richard Greene review three current books that delve into environmental management and regulation.

THE GLOBAL MEET AND GREET
The work of state government officials today often stretches beyond national borders. Having won the trust and support of constituents at home, policymakers often must take time to elevate global communications skills to build relationships across cultures. Here are some tips to navigate a dynamic global environment.
Giving Thanks for State Leaders

The table is set and the turkey is roasting. Approaching the end of the year, it is a perfect time to reflect on the many blessings in our personal lives and professional circles. Here at CSG, we have much for which to be thankful, and you, our members, are at the top of that list. As we prepare to celebrate another holiday season with friends and family, we look forward to celebrating another year of success with our CSG family in Nashville. We give thanks for all you do to make a difference in your states and for CSG.

Here’s what’s happening at CSG.

1. 2015 National Conference Takes on Music City.
   As the nation’s only professional organization serving all three branches of government, CSG fosters the exchange of insights and ideas to help state officials shape public policy. Join us in Nashville, Tenn., Dec. 10–13, for an unparalleled opportunity to network, develop leadership skills and create problem-solving partnerships with colleagues from across the country and beyond our nation’s borders. For more information about the conference, including registration, hotel accommodations, agenda and speakers, visit www.csg.org/2015nationalconference or call (800) 800-1910.

2. 2016 Toll Fellowship Application Period Opens.
   Each year, the Toll Fellowship Program, named for The Council of State Governments’ founder Henry Wolcott Toll, brings 48 of the nation’s top officials from all three branches of state government to Lexington, Ky., for an intensive six-day, five-night “intellectual boot camp.” The program’s agenda includes a lineup of dynamic speakers and sessions designed to stimulate personal assessment and growth, while providing priceless networking and relationship-building opportunities. Interested in becoming a Toll Fellow? Applications for the 2016 Toll Fellowship Program, Aug. 26–31, are now available at www.csg.org/tollfellows.

3. CSG Helps Open Doors Overseas.
   In October, CSG coordinated international delegations to China and Japan, providing an opportunity for member delegates to expand their reach overseas and interact with foreign counterparts on issues of mutual concern. Sponsored by the Chinese People’s Association for Friendship with Foreign Countries, the delegation to China focused on such issues as pollution mitigation, sustainability and commercialization of green technology. Through a separate delegation to Japan, sponsored by the Japan Local Government Center, senior state and local government officials had an opportunity to learn about Japanese government administration first hand, with a specific focus on reconstruction efforts from the 2011 Miyagi earthquake disaster.

   The CSG Justice Center will host “Improving Outcomes for Youth in the Juvenile Justice System: A 50-State Forum,” Nov. 9–10, in Austin, Texas. At this invitation-only event, state teams will review practical, user-friendly summaries of what research shows to be effective strategies to reduce recidivism and improve other outcomes for youth following their release from incarceration. Policymakers will hear how states across the country are tracking outcome data and using this data to guide policy and funding decisions. The event is made possible through funding support provided by the John D. and Catherine T. MacArthur Foundation.

   The CSG National Center for Interstate Compacts is working to develop new compacts in the health care arena. Working in partnership with the Federation of State Boards of Physical Therapy and the American Physical Therapy Association, NCIC is working across state lines to build momentum for the Physical Therapy Licensure Compact, which seeks to ease the portability of licenses across state lines and also allow more use of modern technologies such as telehealth. The compact will be introduced in legislatures across the nation starting in 2016. For more information on this and other new interstate compacts, contact Colmon Elridge, NCIC director, at celridge@csg.org.
For far too long, Alaska’s gas has been treated like milk with no expiration date, and it never gets to the front of the cooler.”

» Alaska Gov. Bill Walker in a September press release discussing his proclamation calling the legislature into a special session to address state gas line issues.

"I GET THE FACT IF YOU COULD HAVE A DOUBLE SCOOP OF ICE CREAM INST EAD OF A SINGLE SCOOP, YOU WOULD RATHER HAVE A DOUBLE."

» Massachusetts Gov. Charlie Baker as quoted in September by MassLive discussing lifting the cap on the financial credits given to solar energy developers for the energy they generate.

"MAYBE THERE’S A WAY TO COME UP WITH ONE AND A HALF SCOOPS THAT’S FIXED."


[CUBA] HAS BEEN FOR 55 YEARS AN EMBARGOED AND SANCTIONED COUNTRY. IT DOES NOT CHANGE OVERNIGHT. WE HAVE TO BE PATIENT WITH IT. IT IS SUCH AN AMAZING MARKET OPPORTUNITY.”

» Arkansas Gov. Asa Hutchinson as quoted by Fox News Latino in September during a trade mission to Cuba.

"THE TRUTH IS, NUCLEAR ENERGY PROVIDES A FIFTH OF OUR COUNTRY’S ELECTRICITY ALREADY...THERE IS NO REASON FOR KENTUCKY TO IGNORE THIS OPTION SIMPLY BECAUSE THE FEDERAL GOVERNMENT REFUSES TO MAKE A DECISION ON NUCLEAR WASTE DISPOSAL.”

» Kentucky State Rep. Benjamin Watkins as quoted by WBKO, a local ABC affiliate, discussing nuclear energy as a secondary energy source to coal.

"I’M MORE OF A BASELOAD KIND OF GUY. I LIKE TO HAVE ELECTRICITY 24 HOURS A DAY.”

» Maine Gov. Paul LePage as quoted in September by the Bangor Daily News discussing alternative energy sources versus cheaper, more readily available traditional sources.

"WE SHARE A HISTORY, A BORDER AND AN OPPORTUNITY TO BE A MEGA-REGION IN INTERNATIONAL TRADE.”

» Arizona Gov. Doug Ducey as quoted in October by the Phoenix Business Journal when characterizing the relationship between his state and Mexico.

"WE ACCEPTED THAT AIR POLLUTION WAS THE COST OF DOING BUSINESS. TODAY, WE PROVE OTHERWISE.”

» California State Senate President Pro Tem Kevin de León as quoted in October by The Sacramento Bee discussing the state’s new greenhouse gas reduction measure.
CAMPUS ASSAULTS
New York state recently launched a specialized police unit to address sexual assaults on college campuses, according to Reuters. A law signed by Gov. Andrew Cuomo in July set aside $4.5 million for the police unit, the first of its kind, which will train college officials and local police units to respond better to sexual assaults on campus. Proponents expect the unit to improve responses to rape reports at the universities, but some opponents worry that victims won't be comfortable reporting sex crimes to the police. The law also requires colleges and universities in the state to develop a uniform definition of affirmative consent, distribute a students’ bill of rights and adopt a policy that grants victims immunity for drug and alcohol violations.

PROFILING
Maryland has adopted guidelines meant to keep law enforcement officers from profiling suspects based on traits including race, ethnicity and sexual orientation. The New York Times reported in August that Maryland was the first state to develop the guidelines after the U.S. Justice Department announced new rules for reducing racial profiling incidents. Maryland Attorney General Brian E. Frosh issued the guidelines in a nine-page memorandum in which he called racial profiling a “deeply unfair” practice.

CONNECTICUT DEATH PENALTY
Connecticut’s Supreme Court in August abolished capital punishment in a 4-3 decision. According to the Hartford Courant, the ruling removes 11 convicts from death row and overturns an April 2012 compromise that barred death sentences going forward but allowed the execution of inmates already sentenced. The majority decision, written by Justice Richard N. Palmer, said there were flaws in the 2012 death penalty law, but the majority chose to analyze capital punishment and impose abolition from a broader perspective.

APPEARANCE GUIDELINES
The New Jersey appeals court ruled that casino managers in the state can regulate the weight of its servers, including cocktail waitresses who wear tight-fitting corsets, high heels and stockings, Fox News reported in September. The court said the personal appearance standards at Borgata casino are lawful but part of a lawsuit brought by 21 servers should be returned to a lower court to determine if 11 of the women were subjected to a hostile workplace related to the guidelines’ enforcement by managers. Borgata representatives said the policy is disclosed and agreed to by all female and male employees.

CHILD PROTECTION
The number of children in state custody in Vermont increased 75 percent over an 18-month period as the state cracked down on heroin abuse among parents, the Burlington Free Press reported in September. The Department of Children and Families conducted an internal survey in June 2014 that found opiates were a factor in 80 percent of cases involving children under age 3 who had been removed from their homes.

EDUCATORS ENCOURAGED TO STOCK OVERDOSE ANTIDOTE
Pennsylvania Gov. Tom Wolf and members of his cabinet have recommended that schools stock the drug naloxone, which is used to reverse the effects of opioid overdoses, according to the Pittsburgh Post-Gazette.

Members of Yough School District’s drug and alcohol task force in Pennsylvania wanted to be proactive in preventing heroin overdoses, which have reached record numbers in some areas. The group discovered a law that permits first responders to administer naloxone and sought permission from the Pennsylvania Department of Education, Pennsylvania Department of Health and Pennsylvania Department of Drug and Alcohol Programs to stock the drug.

In response, Wolf and the secretaries in each of those departments sent a letter to all 500 school districts in Pennsylvania, recommending that all schools stock the drug.

“We just really want to be proactive,” said Janet Sardon, Yough School District superintendent. “If you have an ability to save a life, we wanted to do it.” Pennsylvania State Troopers already have saved 300 people with naloxone, said Gary Tennis, secretary of the Pennsylvania Department of Drug and Alcohol Programs.

“But we need to go further,” he said. “Anyone who might be in a position to encounter opioid overdose, from college dorm resident advisers to school nurses, should carry this lifesaving antidote.”
STATE WORKFORCE TRAINING
Like many other states, Georgia has focused on promoting its advanced manufacturing capabilities as a part of its overall economic development strategy. According to state officials, the recent opening of the $14 million state-funded Georgia BioScience Training Center will be an important step in this effort, reported The Atlanta Journal-Constitution.
The center, designed to train workers in the pharmaceutical industry, was built as part of a $210 million incentive package from the state to woo pharmaceutical companies to build operations in the state, such as the $1 billion Baxalta pharmaceutical plant, which is expected to bring 1,500 high-paying jobs to Georgia.

FLYING SOUTH
European aircraft company Airbus opened its first U.S. manufacturing plant in Mobile, Ala., in September, reported The Post and Courier. The plant, a $600 million complex, is expected to employ nearly 1,000 high-paying jobs once operations begin later this year. For 30 years, foreign automakers and auto parts suppliers have established manufacturing facilities in southern states, a trend that is now being seen in the aeronautics industry.

SOLAR EXPANSION
Luminant, Texas’ largest electricity generator, announced plans in September to add solar energy to its portfolio. According to The Texas Tribune, the company will tap 116 megawatts of solar power from Upton County in west Texas, enough to power 58,000 homes under typical conditions. Texas leads the nation in solar energy potential, however, the solar industry has struggled to gain a footing there as the state has offered fewer incentives to the industry than other states.

RATE INCREASE
Faced with continued delays at its V.C. Summer nuclear site, South Carolina Electric & Gas Company has received approval from the state’s Public Service Commission to raise electric rates, EnergyWire reported. The project’s budget currently is plagued by cost overruns of approximately $1.1 billion. The V.C. Summer site is one of five nuclear energy facilities currently under construction in the United States; all five sites are located in southern states.

TEACHER SHORTAGE
Faced with an ongoing teacher shortage, the Oklahoma Board of Education in August approved 503 additional emergency teaching certificates, following the approval in July of 182 emergency certificates, reported the Tulsa World.
The state currently faces a 1,000 teacher shortfall. The emergency certificates allow applicants who have not completed basic higher education and training requirements to begin teaching. An analysis by the Tulsa World showed that 45 percent of the emergency certificates have been issued to fill vacancies in elementary and early childhood development classrooms.

GRANTS AWARDED TO SOUTHERN STATES FOR RAPE KIT TESTING
State and local law enforcement agencies in southern states have been awarded more than $24 million from the Manhattan District Attorney’s Office in New York City and the U.S. Department of Justice, or DOJ, to address the growing backlog of untested sexual assault kits and issues contributing to this problem. According to the New York Law Journal, state agencies in Arkansas, Florida, Georgia, Kentucky, Tennessee, Virginia and West Virginia will receive almost $8 million over two years to help test 15,831 backlogged rape kits, some of which may be decades old. An additional $7.9 million was awarded to local law enforcement in Florida, Missouri, North Carolina, Tennessee and Texas to test 12,318 backlogged kits. “No victim’s suffering should be extended one minute longer because of procedural issues—ever,” said U.S. Attorney General Loretta Lynch in announcing the grants.

On average, processing a sexual assault kit costs between $800 and $1,000. Along with the grant, Manhattan District Attorney’s Office has negotiated for two private forensic labs to test each kit for an average of $675.

Complementing these efforts, DOJ awarded almost $9 million to state and local criminal justice agencies in Alabama, Florida, Louisiana, North Carolina, Tennessee, Texas and West Virginia through its new Sexual Assault Kit Initiative, or SAKI. The initiative not only will support the testing of backlogged rape kits, but also will help jurisdictions determine what factors have contributed to their current backlog and assist in developing policies and procedures to provide timely and effective testing in the future. According to a press release from the Manhattan District Attorney’s Office, the DNA evidence obtained from existing and future kits can help prevent future offenses and, in some cases, exonerate the innocent.
AP EXAMS
North Dakota had the largest gain among states, with a 16.9 percent increase, in students who passed the Advanced Placement exam last school year, The Bismarck Tribune reported in September. The average increase was 5.5 percent nationwide. The AP exam allows high school students to earn college credits in various subjects. North Dakota state Sen. Tim Flakoll said he wants at least 20 percent of students in his state to enter college with at least a semester’s worth of credits completed.

CONCUSSIONS LAW
Students who suffer a concussion in Illinois must now get approval from a doctor or athletic trainer before fully returning to classes and sports. Illinois Gov. Bruce Rauner signed legislation this summer and the law became effective immediately, according to the Associated Press. It applies to both public and private schools. Illinois state Sen. Kwame Raoul sponsored the measure after both of his teenage children suffered concussions. The Illinois High School Association, which oversees prep sports in the state, supported it.

PUBLIC HEALTH
A Michigan resident contracted the bubonic plague in September after a trip to Colorado, but health officials said there was no cause for alarm, according to the Detroit Free Press. An average of seven human cases of bubonic plague are reported nationwide each year, but there has been an uptick in cases in the western United States in 2015 with 14 human cases, including four deaths. The Michigan resident did not develop the more contagious pneumonic form of the plague, which may be passed between humans.

DRUG TASK FORCE
A task force created by Indiana Gov. Mike Pence will investigate ways to combat drug abuse in the state amid a rise in heroin deaths and HIV outbreaks, according to The Indianapolis Star. In 2013, the state had 152 deaths linked to heroin, up from three deaths in 2003, and the state experienced an HIV outbreak in Scott County this year that stemmed from intravenous drug use. The task force will make recommendations for improving resources, which lawmakers could consider during next year’s General Assembly session. The task force includes Indiana State Department of Health Commissioner Dr. Jerome Adams, Indiana Department of Child Services Director Mary Beth Bonaventura, law enforcement officials, other health officials and state lawmakers.

BUSINESS GOALS
For the first time since a goal was set in 1980, Ohio’s state government met its target for doing business with minority-owned companies, according to Cleveland.com. A record of 19.4 percent of goods and services purchased by cabinet agencies and state boards and commissions involved contracts with minority businesses; the goal is 15 percent. Spending totaled more than $228 million this year, up more than $60 million from 2014.

DRIVER’S LICENSES: THERE’S AN APP FOR THAT IN IOWA
Employees of the Iowa Department of Transportation have started testing a mobile driver’s license app, or mDL, according to The Des Moines Register. The app allows drivers to display their state-issued driver’s licenses on their smartphones. MorphoTrust, the company providing the software for the mobile app, said Iowa Department of Transportation employees were the first in the nation the use the software, the newspaper reported in August. The app is not ready for public use, and no date has been set to make the software available to the public.

“We are not prepared to offer a date on when the mobile driver license app will be released to the public,” said Jenny Openshaw, MorphoTrust’s vice president of state and local sales. “As we continue to learn from the pilot and validate the mobile driver license from usability perspective, we’ll have a better sense of when it will be released.”

Users download the app, enter the pin number received by email into the app and confirm his or her identity by taking a selfie. The app matches the selfie with the on-record photo on the user’s license. To view the back of the license, swipe down. To view the front, swipe up.

The pilots also test the efficiency of updating Department of Transportation records—such as address changes, organ donor status and license restrictions—through the app.

For more on CSG Midwest, visit capitolideas.csg.org and www.csgmidwest.org.
SCHOOL CONSTRUCTION
Proponents of a $9 billion school-construction bond have turned in enough valid voter signatures to appear on the November 2016 ballot in California, according to The Sacramento Bee. Voters have approved about $45 billion in K-12 and higher education borrowing since 1998, but all of the measures were placed on the ballot by the state legislature. Now there is little available bond money, and the state faces an estimated $20 billion backlog of applications.

HORSE RACING
Idaho’s highest court ruled in September that the state must enforce legislation that bans instant horse racing terminals, according to the Associated Press. Gov. C.L. “Butch” Otter vetoed the legislation, but the court ruled the ban must go into effect because the governor did not complete the veto within the required five-day time span. There are about 250 machines installed in three locations across Idaho. The horse racing industry says the machines are vital to keeping business afloat.

ONLINE SCHOOL
In Wyoming, students have embraced online schools, according to the Wyoming Tribune Eagle. The state has two K-12 online schools that any student may attend after unenrolling from a home school. Wyoming Virtual Academy is the larger of the two schools with about 563 student enrolled. The other school, Wyoming Connections Academy, enrolls about 300 students. The state legislature, during the 2015 session, passed Enrolled Act 101, which created the Distance Education Task Force to look at distance education holistically and identify challenges and opportunities presented by it.

FOSTER CARE
Montana Gov. Steve Bullock announced in September a series of reforms to improve child protection and welfare in the state, according to the Missoulian. The initiative aims to improve systems used by child protection agencies and increase resources available to them. The initiative includes hiring 33 frontline staff members at child advocacy centers across the state to reduce caseloads, improving evaluations and training, and building a new electronic case management system.

ONLINE ENVIRONMENTAL RECORDS
The Arizona Department of Environmental Quality launched in September a search function on its website that allows consumers to access the agency’s public records on environmental matters, according to The Arizona Republic. Consumers can delve into 19 environmental databases that contain information such as business operating permits and compliance records. The new service gives consumers instant access to information that once took days to obtain.

ONLINE TUTORS AVAILABLE TO NEW MEXICO STUDENTS
This summer, New Mexico Gov. Susana Martinez announced tools to help students in the state succeed, according to the Ruidoso News.

Brainfuse, an online tutoring service, allows students to receive help from tutors in real time. The tutors are required to have a four-year college degree and participate in a rigorous selection and training process. The New Mexico State Library, a division of the Department of Cultural Affairs, offers free access to Brainfuse at public libraries, K-12 schools, colleges and universities. Students can access the service at home through its website www.brainfuse.com. The program specializes in one-on-one tutoring—available seven days a week from 2–11 p.m.—building study skills and career assistance.

Martinez also announced a statewide initiative designed to keep more students in school and on track to graduate. The initiative calls for hiring nearly 60 coaches and social workers, using $3.8 million, for schools across the state.

“I firmly believe that every child can learn, regardless of their background, and I am committed to providing them with the tools they need to succeed in the classroom,” Martinez told the newspaper.

The U.S. Department of Education recognized New Mexico earlier this year for having the third fastest growing graduation rate in the country, at more than triple the national average. Martinez now wants to continue the momentum and keep New Mexico’s students on the right path.
Trade events remain one of the most strategic ways for U.S. companies to expand into new markets. Trade missions allow government officials and business people to explore international business opportunities, and tradeshows provide an excellent platform for companies and states to promote their businesses on a domestic and international level. These events connect buyers and sellers in industry-specific events, allowing opportunity for U.S.-based businesses and states to increase exports globally. Major trade shows in the international arena include the Paris Air Show for the Aerospace Industry, the China Medical Equipment Fair in China and FEICON Batimat, a building and construction event in Brazil.

When used effectively, trade missions and trade shows prove to be a worthwhile investment for states and companies alike based on increased revenue stemming from business transactions, as well as the creation of new jobs. Alabama Gov. Robert Bentley led a delegation to London for the Farnborough Air Show in July 2014. While at the show, Bentley announced three business expansions involving 700 new jobs for Alabama, including one that had begun with talks at the Paris Air Show in 2013. This is a great example of trade missions and trade shows going hand in hand. Along with participating in a trade mission, companies have a variety of opportunities to showcase their products and services at various trade shows around the world.

A delegation from Washington state brought a group of companies to the Aircraft Interiors Expo in Hamburg, Germany, for the first time in April 2015. The experience led to new sales and brand exposure in the European market. The show was such a success that Washington officials have expressed their intent to return next year with an expanded effort and presence to foster growth and development for their state’s small and midsized companies.

In the fast-paced world in which we live, we tend to make decisions quickly and pull things together post haste. When it comes to coordinating trade mission and trade show participation, however, there are a few best practices to keep in mind.

**Show Selection**

There are thousands of trade show events from which to choose, which could make event selection an overwhelming process. Due diligence in event selection and conducting market research is therefore key. Also, lean on the event organizer for guidance.

**Strategy**

There are some critical questions to consider when preparing a market-entry strategy. Have you spoken with any state and federal government resources available to you? Which markets are most important for your industry? Are there any barriers to entry? Are there other states present there?

**Recruitment**

Utilize your network of partners to recruit both quality and volume of companies to participate in your trade mission or trade show. Exposure and promotion are helpful in outreach and the more distribution channels being utilized, the better the result will be. Assistance in making pre-show appointments, engaging in matchmaking programs and supporting marketing activities can be excellent support for your client.

Trade missions and trade shows are excellent tools to help companies—and states—expand their global reach by encouraging face-to-face industry meetings and high caliber engagement of buyers and sellers. States are an integral part of coordinating missions and trade shows in order to help their businesses and industries grow, impacting their respective states in a positive way, as well as the U.S. economy. To be successful in engaging a global audience, U.S. businesses and state leaders should consider using these opportunities to substantially increase sales and exports around the globe.
The United States is experiencing a boom in energy production. Net U.S. imports of energy fell from 30 percent of total energy consumption in 2005 to 13 percent in 2013, due to growing domestic oil and dry natural gas production, combined with slower growth in energy consumption at home and rising demands abroad. Increased domestic energy production is helping to fuel states’ reach overseas, with growing exports of energy resources in addition to other goods and services. With new trade agreements on the horizon at the federal and international levels, states may soon take an even bigger role on the global stage.
Averting Crises: Resilience, Efficiency and Modernization Key to Energy Security

by David Terry

When it comes to leading change, states—often the incubators of policy innovation—are at the helm. In no area is this truer than with our nation’s energy security. And, perhaps, in no other area is states’ leadership more critical for our country’s future.

The states, in partnership with the private sector and federal agencies such as the U.S. Department of Energy, or DOE, have led the way in tapping the nation’s energy resources, advancing new energy efficiency and renewable energy technologies, and in ensuring a reliable and affordable energy system. The National Association of State Energy Officials—also known as NASEO—represents the 56 state and territory energy offices and has played a key role in supporting states’ efforts to improve energy system resilience, modernization, and affordability for nearly 30 years.

The state energy offices are known best for taking a holistic approach to energy as they develop programs and plans to support their governors, legislatures and citizens. The dramatic changes in energy markets in the United States, including remarkable production levels of oil and natural gas, plummeting energy prices and substantial advances in efficiency together have delivered an important economic boost to many states’ economies. While the drop in oil prices is challenging for producing states, the overall benefit of a secure, affordable domestic energy supply is remarkable and positive news for the nation as a whole.

Today’s relative energy abundance is a blessing that should be maximized through a combination of supportive policies that encourage cost-effective and voluntary energy efficiency actions along with the needed investments in our energy infrastructure. Recently, DOE led the development of the nation’s first Quadrennial Energy Review, or QER. This landmark analytical report examined America’s energy resources, infrastructure and vulnerabilities to arrive at a series of recommendations for consideration by Congress, states and the private sector. The recommendations point to both the great economic opportunities and great security challenges we face. In particular, the QER’s recommendation to expand support for states’ energy emergency planning and efforts to enhance the resiliency of our energy infrastructure is foundational to ensuring energy-related economic security and growth.

It is a recommendation that NASEO and its partners across the country are taking to heart. Together, NASEO, state energy offices, state utility commissions and private-sector partners are working with DOE and other federal agencies to plan for, mitigate and respond to energy emergencies. This is a little known activity that operates every day so that when emergencies arise, the nation and our states are ready and can respond more rapidly.

Years of experience resulted in an approach to emergency activities that is now known as energy assurance. Energy assurance is a multifaceted activity that relies on state-led energy emergency planning—such as risk assessment; mitigation measures; and recognition of interdependencies, improved communications and consideration of resilience—in virtually all state and private energy activities. It also relies on robust federal and
private sector communications with states and joint exercises to identify gaps and areas for improvement. 

The result of energy assurance work is more rapid restoration of electric power and the availability of liquid fuels following energy supply disruptions caused by severe weather and other disasters. The states’ use of energy assurance is among the few tools available to governments to diminish the significant threats posed by energy supply disruptions that have the potential to negatively affect public health and safety and curtail normal economic activity, which could have severe and long-lasting consequences.

A great example of energy assurance in action was the response to the winter of 2013-14 propane supply emergency in the upper Midwest. Some residential and business customers were unable to obtain propane supplies at any price, while others experienced extraordinarily high prices due to a supply shortage caused by heavy demand for corn drying following a record harvest, which rapidly decreased propane inventories. A temporary shutdown of a major pipeline that slowed the rate of deliveries to the Midwest exacerbated the shortage, as did severe winter weather that increased demand to a level that generally exceeded the capacity of the propane delivery systems.

Sound energy assurance planning in a number of states in the region, along with excellent state-federal-industry collaboration, helped diminish the problem to the extent practical. Several governors declared energy emergencies and took actions to waive federal rules that limited truck driver hours and lifted truck weight limits to increase capacities to move additional propane supplies. Financial assistance was also made available to businesses to deal with the price increases and to low income families to help with heating bills. Federal regulatory actions were also taken to prioritize pipeline shipment to the Midwest.

In the summer of 2014, to prevent a reoccurrence of the shortage, state energy offices and the propane industry worked together to undertake an aggressive campaign to encourage residential summer tank fills and energy efficiency investments. In addition, suppliers and large customers added local storage capacity and additional rail facilities were constructed to replace a major pipeline that had been rerouted. Equally important, the energy assurance process that helped minimize the impact of the crisis in 2013 also resulted in substantial improvements in the resilience of supply the following winter.

NASEO’s efforts to assist state energy offices in their work with governors and legislatures to develop forward-looking energy infrastructure modernization policies and plans are equally important. This included sharing of best state practices to prevent shortages, facilitating regional meetings to review state actions taken and identify further preventive measures, and expanding the monitoring of residential propane prices and inventories in partnership with the U.S. Energy Information Administration. These activities are distinct from state regulatory utility commissions’ actions in that the work of the state energy offices is generally more holistic—considering the entire energy system and addressing an array of energy, economic and environmental goals. What’s more, the policies and vision set by the governors and legislatures with the support of the state energy offices and the state utility commissions are essential to the long-term economic development and resilience of our energy system. Together, states’ infrastructure modernization and energy assurance actions can tap the full economic value of our energy resources and ensure a securer energy future for our nation.

The states’ use of energy assurance is among the few tools available to governments to diminish the significant threats posed by energy supply disruptions that have the potential to negatively affect public health and safety and curtail normal economic activity.”

About the Author

David Terry is the executive director of the National Association of State Energy Officials and has worked with NASEO in a variety of capacities since 1996.
As the last century drew to a close, the U.S. Energy Information Administration projected that the nation’s foreign dependence on natural gas would continue through the first part of the 21st century. In 1999, the agency forecasted that net imports of natural gas between 1997 and 2020 would grow nearly three percent, from 12.9 percent to 15.5 percent, to account for increased demand for the fuel.

Less than 15 years later, with the discovery of new U.S. natural gas reserves and new technologies for extraction, natural gas import facilities largely sit idle and some are being converted into export terminals. In its energy outlook for 2014, the Energy Information Agency, or EIA, projected the U.S. would become a net natural gas exporter by 2016.

What a difference a few years can make.

The Natural Gas Boom

According to some experts, the United States may have more natural gas than ever anticipated. By itself, that’s good news, but it comes at a time when new technologies for extraction mean that it can be recovered at a profit, fueling a revolution for the industry.

That’s led to a boom in production. According to America’s Natural Gas Alliance, or ANGA, a group that represents natural gas exploration and production companies, natural gas production has increased by 30 percent since 2005.

According to Erica Bowman, vice president of research and policy analysis for ANGA, much of the innovation in natural gas extraction has occurred within the last decade with the application of new hydraulic fracturing technologies along with horizontal drilling methods to extract gas in shale rock formations—reserves where...
natural gas is trapped in sedimentary rock formations—such as the Marcellus shale play in Pennsylvania and the Haynesville shale play in Louisiana.

“It definitely started with what people refer to as the shale revolution” and the new technologies and extraction innovations used to extract shale gas, Bowman said.

Between 2007 and 2013, shale gas grew from 10 percent of all U.S. natural gas reserves to 45 percent, according to federal data, and the growth in proved shale gas reserves is fueling a growth in production. By EIA’s estimates, total U.S. natural gas production is expected to grow 56 percent between 2012 and 2040, with shale gas accounting for 50 percent of that production.

“Geologists have known about shale gas for a very long time,” Bowman said. “It’s just that they didn’t necessarily know a good and economical way to extract that gas.”

Integral to the growth in shale gas production levels today is the use of the relatively new extraction method called hydraulic fracturing, also known as fracking, a technique that pumps water, sand and chemicals into a shale formation to create fissures through which natural gas is extracted. The technique is much cheaper than more traditional forms of drilling. By lowering the costs of production, hydraulic fracturing has contributed to the growth in U.S. natural gas reserves in recent years, making it a worthwhile financial investment for producers.

“They’ve (operators) really been able to optimize how they use hydraulic fracturing and horizontal drilling where now you’re just seeing an incredible amount of production coming from a single well,” said Bowman.

Back in 2007, said Bowman, it could take operators up to three weeks to drill a well. Now the process takes just six days.

“There’s been dramatic improvement in just time,” said Bowman. “By being quicker, you’re also making things less expensive. And they’re also doing more with that drilling—they’re drilling deeper and with wider laterals. It’s really amazing the innovation that’s happened just in the drilling itself.”

The Fracking Question

There is no question that hydraulic fracturing has contributed to the growth of natural gas as an energy source for the nation, but the practice isn’t without its critics.

Natural gas, itself, is cleaner when compared to other fossil fuels such as coal, resulting in half the CO2 emissions that coal emits to generate electricity. In fact, industry representatives point to natural gas as an option for states as they develop compliance plans for new regulations released by the Obama administration to reduce carbon emissions.

“With the finalization of the Clean Power Plan, states have an incredible opportunity to use natural gas as a compliance option or compliance tool,” said Bowman of ANGA. “Not only is it affordable, but it’s also reliable and it’s meeting the environmental requirements put forth by the EPA.”

Environmental advocates, however, cite the extraction process—namely hydraulic fracturing—as a threat to both environmental and public health.

In its 2014 report, “Dirty Fuels, Clean Futures,” the Sierra Club pointed to hydraulic fracturing as the source of smog-producing air pollutants, toxic ground water contaminants, earthquakes and the destruction of previously pristine public and private lands.

“Fracking is the driving force for a dirty energy boom that is releasing billions of tons of new climate-disrupting carbon pollution into the air,” warned the report’s author, Dan Chu.

“The mad rush to drill as quickly as possible and wherever possible is causing serious harm — to people’s health, to their communities and to our climate,” he wrote.

The environmental concerns led to the banning of the technique by New York state and communities in Colorado, Pennsylvania and Texas, though in May, Texas Gov. Greg Abbott signed legislation banning cities across the state from prohibiting hydraulic fracturing.

PINEDALE, Wyo. — Trucks with 2,000 horsepower pumps direct water, sand and chemicals more than 11,000 feet into the ground to create a fracture at a completion site on the Jonah Field in Sublette County, Wyo., April 9, 2015. Hydraulic fracturing has contributed to the significant growth in America’s natural gas reserves in recent years, making shale gas easier and cheaper to extract. Opponents of the process, however, argue that hydraulic fracturing may result in tainted ground water and other potential environmental impacts.

© Photo by Alex Milan Tracy / Sipa via AP Images
State leaders in Wyoming were also concerned about the potential environmental consequences of hydraulic fracturing. In 2010, under the administration of Gov. Dave Freudenthal, the state became the first in the nation to require public disclosure of the chemical additives to be used in the hydraulic fracturing process on federal, private and state lands. What’s more, said Jeremiah Rieman, natural resource policy director for the office of Wyoming Gov. Matt Mead, “we remain the only state to require pre- and post-production disclosure, and that process has been successful.”

Other states such as Colorado, North Dakota, Pennsylvania and West Virginia have followed suit with chemical disclosure rules for hydraulic fracturing, though the actual requirements vary from state to state.

Rieman said that the priority of supporting energy production to boost economic vitality in Wyoming is matched with a focus on protecting the state’s environmental health. “It doesn’t matter what administration is in office here, there’s always a deep interest in ensuring that we continue energy production that we have because that is such an important economic driver for our state,” Rieman said. “But, equally important, every resident of Wyoming enjoys the great outdoors. We enjoy seeing wildlife, we enjoy clean air, clean water, and we like to share that with the world. So, it’s been important to be on the front edge of these issues and to make sure that we’re doing it on Wyoming’s terms.”

To Market, To Market

Developing natural gas is only part of the equation, however. Being able to get it to market is equally important.

In December 2013, six New England governors came together to begin addressing an energy crisis in the region after two consecutive winters during which New Englanders paid $5.5 billion in added costs due to insufficient infrastructure to support the demand for low-cost energy options. In Maine, spikes in natural gas prices led some companies to temporarily shut down this past winter, resulting in calls for increased natural gas pipeline infrastructure for the region.

“The decisions have devastating effects on small towns,” said Mark Vannoy, chairman of the Maine Public Service Commission, during the New England Electricity Restructuring Roundtable in Boston in March. “It’s a top priority of Maine to solve the natural gas pipeline infrastructure.”

Among options being considered by New England states is a cost-sharing proposal to increase the region’s natural gas capacity through new pipeline and transmission infrastructure.

From Imports to Exports

Once a nation reliant on other countries to supply its energy resources, the United States is quickly becoming a global leader in natural gas production, and may soon become a net exporter of the fuel.
“There’s always a deep interest in ensuring that we continue energy production that we have because that is such an important economic driver for our state. But, equally important, every resident of Wyoming enjoys the great outdoors. We enjoy seeing wildlife, we enjoy clean air, clean water, and we like to share that with the world.”

» Jerimiah Rieman, natural resource policy director for the Office of Wyoming Gov. Matthew Mead

The Energy Information Administration reported a decline of nine percent in net natural gas imports in 2014, according to preliminary data, continuing a trend in declining natural gas imports that started in 2007. In fact, the administration estimates that exports of natural gas could surpass imports as soon as next year.

While some American natural gas is exported to Canada and Mexico, higher prices of natural gas in Asian and European markets have led operators in the United States to expand their export capacity. Several liquefied natural gas, or LNG, import terminals, such as the Sabine Pass terminal in Louisiana, are in the process of being converted into export terminals.

It’s often a long and arduous process, however, requiring approval by the Federal Energy Regulatory Commission and the completion of an intensive environmental impact statement. For operators applying to export natural gas to countries with which the United States does not have a free trade agreement, there is an additional layer of approval by the U.S. Department of Energy.

For states like Wyoming, a leading state in energy exports, the federal permitting process is a major challenge.

“The biggest issue that we face on a daily basis for any of our energy production in the state—whether it’s natural gas, oil, coal or even wind resources—it has to be the federal permitting process,” said Rieman.

A July report by the Brookings Institution’s Natural Gas Task Force cited the lengthy permitting process as creating a potential obstacle for U.S. natural gas exports, as American operators race to enter high-demand foreign markets before other countries and fluctuations in natural gas prices in overseas markets threaten American natural gas competitiveness.

According to Bowman, however, recent improvements to the federal permitting process have helped move operators closer to exporting natural gas overseas.

“There is a lot of opportunity for the United States to be exporting natural gas, and there’s a lot of benefits that flow from it,” she said. “Right now, there’s over 10 Bcf (billion cubic feet) a day that’s been approved to be exported to non-free trade agreement countries,” where the greatest demand for natural gas exists.

Fueling Homes, Industry and Jobs

By EIA’s estimates, existing American gas reserves are sufficient to fuel the country for more than 87 years at current consumption levels. And political leaders point to the potential of natural gas to fuel not only homes and industry, but jobs, too.

“We have a supply of natural gas that can last America nearly one hundred years, and my administration will take every possible action to safely develop this energy,” said President Obama during his State of the Union address in January. “Experts believe this will support more than 600,000 jobs by the end of the decade.”

Bowman agreed. “By exporting LNG, you’re creating more production opportunity in the U.S. and you’re creating jobs,” she said.

But the employment benefits aren’t limited to the energy export industry, she said.

“When you’re producing natural gas, especially in the current shale plays that are the most productive, you’re also pulling up co-products called natural gas liquids—such as ethane, butane, propane—and those co-products are being used by domestic manufacturers,” said Bowman. “So, you’re not only supporting exports and supporting national security interests by becoming a major energy player on the global stage … you’re also supporting your domestic manufacturing base. In many ways, it’s a win-win situation.”

As states expand natural gas production capacities, there are plenty of challenges. But Rieman said that states shouldn’t go it alone.

“I would encourage states to reach out to their counterparts to understand how they’ve dealt with these important issues such as hydraulic fracturing,” said Rieman. “The states really are on the progressive end of this and we’re all welcome to share our insights on this and help (other state leaders) craft a plan that works for your state.”

EXPANDING INFRASTRUCTURE

AUGUSTA, Maine — Construction crews from Summit Natural Gas of Maine install a portion of the 1,500 miles of pipeline to expand natural gas service to businesses and residents in the state. Maine was one of several New England states that experienced a shortage of natural gas in 2013 due in part to limitations in natural gas pipeline infrastructure.

© PRNewswire / Summit Natural Gas of Maine
OBAMA SHORES UP INTERNATIONAL TRADE AGENDA

by Andy Karellas

Bipartisan agreements in Congress are rare these days. But after months of back-and-forth negotiations and parliamentary positioning, both chambers and parties applauded the passage of key international trade legislation—most notably the renewal of Trade Promotion Authority, or TPA.

TRADE PROMOTION AUTHORITY

The passage of TPA sent a strong message that President Obama’s trade agenda still has some wind in its sails. At the top of his agenda are two multinational trade agreements—the Trans-Pacific Partnership, or TPP, and the Trans-Atlantic Trade and Investment Partnership, or T-TIP—which aim to increase exports from U.S. states and attract foreign direct investment from targeted countries. Combined, these two multinational agreements would help open 39 new markets for U.S. exporters.

“Simply put, TPA provides the president the authority to negotiate international trade agreements with other nations and then have Congress vote on the negotiated trade agreement with a simple up or down vote. Without TPA, it would be nearly impossible to reach an agreement in Congress and with negotiating partners.

“America is now back in the game. With TPA in place, the United States can once again play a leading role in writing the rules of the global economy. This will help us create a healthier economy and bolster our foreign policy,” said Rep. Paul Ryan of Wisconsin, chairman of the U.S. House Committee on Ways and Means, which has jurisdiction over international trade policy. “With TPA in place, our attention shifts to the trade agreements currently being negotiated with our friends in the Asia-Pacific region and Europe.”

U.S. President Barack Obama signs H.R. 2146 Defending Public Safety Employees’ Retirement Act, which includes fast track trade promotion authority that allows Obama to negotiate trade treaties, including the Trans-Pacific Partnership, during a bill signing ceremony in the East Room of the White House in Washington, D.C., June 29, 2015. © SAUL LOEB / AFP / Getty Images
The Trans-Pacific Partnership, or TPP, is a multilateral trade agreement being negotiated with 11 other nations: Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. These nations collectively have a market size of nearly 800 million consumers and account for nearly 40 percent of the world’s Gross Domestic Product. Exports of U.S. goods to TPP nations totaled $698 billion in 2013, or about 45 percent of total U.S. exports. A 2012 analysis by the Peterson Institute estimated that a TPP agreement could generate nearly $124 billion in new U.S. exports to those nations.

Exports to TPP countries can be an important component of a state’s economy. For example, according to the Office of the U.S. Trade Representative, Colorado exported $8.7 billion in goods in 2013, and $4 billion of those goods went to TPP nations. According to the latest statistics, those exports helped support more than 80,000 manufacturing jobs in Colorado, or 24 percent of total manufacturing positions in the state.

On Oct. 5, the U.S. and the 11 TPP nations announced they had made significant progress on the negotiated text of the comprehensive trade agreement. “After more than five years of intensive negotiations, we have an agreement that will support jobs, drive sustainable growth, foster inclusive development and promote innovation across the Asia-Pacific region,” U.S. Trade Representative Michael Froman said at a press conference Oct. 5 in Atlanta. The final text of the agreement must now be released for public comment for 60 days before any congressional vote can take place.

Along with the TPP, the president and Froman continue to work on the Trans-Atlantic Trade and Investment Partnership agreement, or T-TIP, with the European Union. First launched in June 2013, the negotiation aims to reduce trade barriers—most notably, non-tariff and regulatory barriers, as tariffs between the U.S. and EU are relatively low.

The U.S. and EU account for nearly half of the global economic activity, with each producing nearly $17 trillion in Gross Domestic Product. The EU is the largest market for U.S. exporters, which sold more than $450 billion in goods and services in 2012. In addition, companies from the EU invested nearly $1.7 trillion in the U.S. in 2013, directly supporting more than 3.5 million American jobs. A 2013 report by the Bertelsmann Foundation estimated that the increased bilateral trade created from the T-TIP agreement could create as many as 750,000 new jobs in the U.S. and increase U.S. household income by 13 percent per capita.

In addition, the report estimated New York could increase its exports to the EU from $14 billion to more than $17 billion—or a 24 percent increase—and create more than 50,000 new jobs. Pharmaceutical and chemical exports from New York to the EU have grown by 189 percent since 2006, and the report estimated those will grow by an additional 34 percent upon the completion of T-TIP.

Negotiators of the T-TIP agreement completed the tenth round of talks earlier this summer and still have a variety of language to resolve, ranging from agricultural labeling to trade in services such as telecommunications. Formal meetings are scheduled through the fall. Some trade experts anticipate that the T-TIP agreement may not be finalized until the completion of the TPP negotiations.

Despite recent progress in negotiations for the TPP and T-TIP, much work remains for their completion and ultimate implementation. Once negotiators reach an agreement, Congress must then vote on the proposed agreement, and the governments of partner nations must also approve the agreement. Add these procedural hurdles, along with the fact we are entering the final year of the president’s term, and many understand the importance of concluding these agreements soon.

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**U.S. JOBS RESULTING FROM TRADE WITH TPP COUNTRIES, 2013**

<table>
<thead>
<tr>
<th>STATE</th>
<th>JOBS</th>
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<tbody>
<tr>
<td>California</td>
<td>1,827,000</td>
</tr>
<tr>
<td>Texas</td>
<td>1,195,000</td>
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<tr>
<td>New York</td>
<td>1,018,800</td>
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<tr>
<td>Florida</td>
<td>912,700</td>
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<tr>
<td>Illinois</td>
<td>640,600</td>
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</tbody>
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Fueling Trade: Energy Production and Exports

Percentage of Total World Energy Production

- **#1** China: 79%
- **#2** United States: 15%
- **#3** Russia: 10%

The U.S. ranked second in total energy production in 2012 — behind China and ahead of Russia.

Three of the top five exporters of crude oil in 2013 were in North America:

- **Canada**: 2.7 million barrels/day
- **United States**: 1.2 million barrels/day
- **Mexico**

Global Petroleum Production Leaders

- **Canada**: 13,973 thousand barrels/day
- **United States**: 11,624 thousand barrels/day
- **Russia**: 10,853 thousand barrels/day
- **China**: 4,572 thousand barrels/day
- **Canada**: 4,383 thousand barrels/day
- **United Arab Emirates**: 3,471 thousand barrels/day
Which states produce the most energy?

Just six states produce more than 50 percent of the energy generated by the U.S. Texas accounts for nearly one-fifth of the nation's energy production.

### Top 10 Energy Producers

- **TX** 19.1%
- **WY** 11.3%
- **PA** 7.2%
- **WV** 4.6%
- **LA** 4.0%
- **OK** 4.0%
- **LA** 4.0%
- **NY** 3%
- **OH** 3%
- **OR** 3%

**Texas Energy Production, 2013**

- **Natural Gas** 56%
- **Crude Oil** 34%
- **Coal** 4%
- **Other** 4%
- **Nuclear** 3%

Percentage of Total U.S. Production: 5% 10% 15% 20%

Source: U.S. Dept of Energy

**Top Energy Source in State**

- **Texas**
- **Wyoming**
- **Pennsylvania**
- **West Virginia**
- **Oklahoma**
- **Louisiana**
- **Colorado**
- **North Dakota**
- **Illinois**
- **New Mexico**

Source: U.S. Dept of Energy
Five years ago, Solaris Incorporated, based in West Allis, Wis., did not export a single product. Today, exports account for 11 percent of its total sales and are the fastest segment of the company’s growth.

This small business located on the outskirts of Milwaukee employs nearly 50 people and is a leading manufacturer of physical therapy and health care products. Company leaders say they never would have started exporting so quickly if not for the U.S. Small Business Administration’s State Trade and Export Promotion, or STEP, grant administered through the Wisconsin Economic Development Center.

Kyle Weatherly, president of Solaris, said the support from the STEP program was instrumental in his company’s ability to start the export process and participate in an international trade mission to China.

“Over the course of 11 days (in China), I met with nine different distributors and four different cities,” Weatherly said. “From those meetings … we are in a great position to export successfully to China.”

This is one example of the thousands of small businesses in the United States that are ready to start or expand their exports. Many just need a small boost to help them start the process. That’s where the STEP grant program—and the states that administer the program—play an important role.

Based on the latest statistics from the U.S. Census Bureau, only one percent of registered small businesses currently export their products or services. For that one percent of small firms that do export, federal data show they pay employees an average of 18 percent higher than non-exporting firms. According to the U.S. International Trade Commission, small business exporters’ revenue grew on average by 37 percent in the years leading up to the Great Recession, versus a decline of seven percent for non-exporters.

Even though many small business owners understand the economic benefits of exporting, often they simply do not have the resources to navigate the export process and therefore do not try. According to a recent survey from the Small Business Exporters Association, the number one trade barrier for small firms is a lack of resources or knowing where to start.

The STEP program is the only federal program solely focused on increasing the number of U.S. small businesses that export. STEP was authorized by the Small Business Jobs Act in 2010 and provides matching funds to
“Exporting is so important for small businesses today. Those deals we made a few years ago wouldn’t have happened without the STEP program.”

> Eric Teather, president of WhiteOptics based in New Castle, Del.

The economic benefits of exporting are clear. Small businesses can sell to partners, which helps to grow and diversify their business. This all supports the underlying goal of creating more good-paying jobs in the states.
Driving Home the Importance of International Trade

Ann Pardalos is the manager of the International Trade and Investment Office in Missouri’s Department of Economic Development and currently serves as the president of State International Development Organizations, or SIDO, a CSG affiliate. Pardalos believes states can play a critical role in opening new doors for small businesses to expand their opportunities through international trade.

1 Why is exporting so important for states’ overall economic health?

“Quite simply, job creation. Exporting provides companies the opportunity to expand sales, generate higher returns and employ more workers to meet the demand. In Missouri, over 76,000 jobs were supported by the $14.1 billion in exports in 2014. Companies that export are also more innovative, competitively adept, tend to provide a higher level of customer service and their employees earn more than in non-exporting firms. Most importantly, however, exporting firms are more likely to stay in business by better weathering cyclical fluctuations in the U.S. economy. Exporting is a critical economic driver that lends tremendous support to the overall economic health of our states, our local communities and our regional economies.”

2 What types of businesses should be exporting?

“In Missouri, our trade managers focus on providing export and trade assistance to small business manufacturers, service providers and agricultural producers. This group comprises less than one-third of the dollar value of all U.S. exports. In addition, 65 percent of this segment is comprised of small businesses, with typically 20 or fewer employees, that may not have the necessary resources to explore international opportunities on a regular basis. Also, it is important to note, that this group is the fastest growing segment of all U.S. exporters. … Lastly, these small businesses are clearly demonstrating that size no longer matters when it comes to being successful in global markets.”

3 How can states’ trade offices help businesses overcome barriers to exporting?

“Many of the Missouri small businesses that we meet just don’t know how to get started exporting. Our staff provides trade counseling and helps small businesses determine whether they have a competitively viable product or service that can be exported … We also help refer our clients to export training workshops or more customized one-on-one training in order to help these firms become familiar with the process.”

4 What can state legislators do to help promote international trade at the state level?

“State legislators can be a great source of support for our programs. At the local level, legislators can help to spread the word in their districts about our programs and the important services we offer to small businesses in the communities they represent. More importantly, within the legislative arena they can greatly enhance the scope of any state’s trade program, allowing for extended and enhanced services to exporters, while lending stability and longevity to service delivery.”
The charter of the U.S. Export-Import Bank—or ExIm Bank—expired June 30, but congressional efforts to reauthorize it are expected this fall. What are the implications for states and their economies if those efforts aren’t successful?

Those of us on the frontline of export and trade promotion all across this country have a very difficult time understanding this decision. In Missouri, almost 90 percent of all firms that received ExIm Bank financing last year were small businesses and agricultural producers. Without the help of ExIm, more than $351 million in Missouri exports would have been forfeited to foreign competition. It pains me to contemplate the number of export transactions that have been lost since June 30 and how many more we stand to lose should the ExIm Bank charter not be reauthorized. Missouri companies and American companies of all sizes, along with the indirect exports realized by their supply chains, should be allowed to engage on the same playing field as their foreign competitors. We must place the ExIm Bank back in our toolbox.”

In March, Missouri, led by First Lady Georganne Nixon, made the first U.S. state trade mission to Cuba since the announcement of plans to normalize relations. What does this historic trade mission represent for Missouri and the states?

“Increasing exports has been a central focus of Missouri Gov. Jay Nixon’s efforts to create jobs and grow Missouri’s economy. … The governor ultimately was unable to travel to Cuba because of the funeral of a state official, but based on the importance of the mission, he called upon the first lady to make certain that Missouri’s agricultural producers had the early advantage. Under the trade sanctions, Cuba’s agricultural imports have been approximately $1.9 billion annually, with U.S. producers holding only a 16 percent share, or just $300 million last year. With the normalization of relations now underway … there is substantial room for growth for Missouri and U.S. agricultural exports.”

So much of international trade policy is dependent on the federal government, but how are states showing their leadership in this area?

“Very few states employ staff that focus solely on trade policy … State International Development Organizations, or SIDO, advocates on behalf of every state with regard to trade policy. I am so proud of the work our organization has done over the last few years in this area further giving states the voice they deserve in Washington, D.C. … SIDO’s priorities include the continuation and permanency of the State Trade and Export Promotion program; support for the existence of capital and financial tools for small businesses including the ExIm Bank; and alleviating the negative effects on small businesses resulting from tedious export regulations by working with federal partners to streamline export licensing, modernizing customs and acting to resolve domestic and foreign regulations that are a barrier to exporting.”

How does foreign direct investment by overseas companies in U.S. operations affect states’ economies?

“All state approaches foreign direct investment, or FDI, differently. Some states rely on their trade staff to execute recruitment of FDI while others have separate functional groups or project management teams that take on this task. … Each state also has a story to tell with regard to their economy, quality of life, trained workforce and other key factors of importance to foreign investors. … FDI is a critical component of any economic development strategy. In many cases, it also helps to boost domestic investment due to the supply chain necessities.”

What resources do states have to help them increase their reach overseas? How can the federal government assist states?

“States typically rely on state budgets to help them establish representative offices abroad. However, the federal STEP program was able to assist many states with extending their reach overseas and, in some instances, by establishing representative offices for the purpose of export and trade promotion.”

What’s on your to-do list as president of SIDO?

“I am a huge proponent of professional development and really believe that SIDO has an obligation to our member states to provide a standardized methodology that helps to train, develop and even certify our trade directors of tomorrow. Professional development is priority one. Secondly, I want to make certain that we continue to build upon the great work begun by my colleagues. SIDO is the voice of the state’s trade programs and must continue to be heard in shaping trade policy and effecting necessary change at the federal level to benefit our exporters. Lastly, SIDO must be engaged at all levels of the conversation with regard to trade promotion along with our federal partners.”
Congratulations to the CSG 2015 Henry Toll Fellows Class!

Each year, the Henry Toll Fellowship Program, named in honor of CSG’s founder, Henry Wolcott Toll, brings together a group of rising state leaders in Lexington, Ky., for an intense week of leadership training. Participants are encouraged to both evaluate and adapt the way they interact with the world around them—beyond titles, politics and party lines. Designed to help state officials from all three branches take an introspective look at how they view themselves as public servants, colleagues and community members, the program provides a unique experience unlike any other in the country.

Group Photos of the 2015 Toll Fellows by Matt Goins
Members of the 2015 CSG Toll Fellowship Class by Region, members listed by order in photo.

**CSG EAST**

**First Row, From Left**
- Ramón Luis Nieves, Senator, Puerto Rico
- Hilda Santiago, Representative, Connecticut
- Kevin “Coach” Christie, Representative, Vermont
- Michelle L. Kirby, Senior Legislative Attorney, General Assembly, Connecticut

**Second Row**
- Claire Rouillard, Representative, New Hampshire
- Paul Baumbach, Representative, Delaware

**CSG MIDWEST**

**First Row, From Left**
- Amanda Price, Representative, Michigan
- Bev Benson, State District Court Judge, Hennepin County Fourth Judicial District, Minnesota
- Paul D. Pete, Secretary of State, Iowa

**Second Row**
- Blaine Finch, Representative, Kansas
- Daniel Forestal, Representative, Indiana

**Third Row**
- Lee Harris, Senator, Tennessee
- Marc Theriault, General Counsel, Administrative Office of the Courts, Kentucky
- Joyce Peppin, Representative, Minnesota

**CSG SOUTH**

**First Row, From Left**
- Suzanne Bierman, Assistant Director, Division of Medical Services, Department of Human Services, Arkansas
- Amy Alexander Carter, Representative, Georgia

**Second Row**
- Yvonne Lewis Holley, Representative, North Carolina
- Raumesh Akbari, Representative, Tennessee
- Deanne M. Mosley, Executive Director, State Personnel Board, Mississippi

**Third Row**
- Lee Harris, Senator, Tennessee
- Anne K. McKeig, Family Court Presiding Judge, Fourth Judicial District, Minnesota

**CSG WEST**

**First Row, From Left**
- Adrienne Nelson, Circuit Court Judge, Oregon Fourth Judicial Department, Position Four, Oregon
- Lauren Matsumoto, Representative, Hawaii

**Second Row**
- Stefanie Mach, Representative, Arizona
- Elliot Anderson, Assemblyman, Nevada
- John M. Mizuno, Representative, Hawaii
- Elizabeth Steiner Hayward, Senator, Oregon

**Third Row**
- Becky Edwards, Representative, Utah
- John H. Merrill, Secretary of State, Alabama
- Daniel Fetsco, Executive Director, Board of Parole, Wyoming
- Todd Lakey, Senator, Idaho

**CSG WEST**

**First Row, From Left**
- Daniel Forestal, Representative, Indiana
- Joyce Peppin, Representative, Minnesota

**Third Row**
- Lucas Lentsch, Secretary of Agriculture, South Dakota
- Elgie R. Sims, Jr., Representative, Illinois
- Chris Hall, Representative, Iowa
We asked the 2015 Toll Class: What is the best piece of advice you ever received?

Bev Benson
“You are your own best advocate.”

Marvin Abney
“Take a look in the mirror and determine if who you see is who you are.”

Ramesh Akbari
“Keep moving forward. No matter how scared you are, no matter how hard the task—you must keep moving forward to achieve your goal.”

Paul Baumbach
“Conduct yourself at all times as though a newspaper reporter was in the room with you, reporting tomorrow on what they saw. Discover what you are passionate about that helps people. Find someone who will pay you to do this. Do it as well as you can. You will be successful. Try to be as good a person as your dog thinks you are.”

Elliot Anderson
“Expect the worst and hope for the best. And always underpromise and overdeliver.”

Suzanne Bierman
“Actions speak louder than words.”

CSG asked members of the class of 2015 to describe their Toll Fellows experience in 10 words or less. Here are some of the responses:

“I have grown and changed as a person.”

“Inspiring, enlightening, motivating, humbling, thought provoking, rewarding.”

“A challenging, life-altering, perspective-changing, mind-blowing experience!”

“Energizing, scary, fun, challenging, transformative. Totally worth the time!”

“A unique learning experience designed to encourage collaborative growth and development.”

“Challenged my skepticism. Pushed my limits. Reminded me to be hopeful.”

“Expectation-exceeding, humanizing time, a catalyst for personal growth.”
“An incredible opportunity to learn leadership and build bridges and towers.”

“Challenging, pushing boundaries, daily ‘ah-ha’ moments, fun, inspirational, life changing.”

“An incredible bonding experience with real people who really care.”

THANK YOU!
A very special THANK YOU to our 2015 sponsors for generously supporting CSG’s leadership development efforts.

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Keeneland Association – in kind

2016 Applications Now Open!
Applications for the 2016 Henry Toll Fellowship Program are now open online at www.csg.org/tollfellows and will remain open through midnight PDT, April 15, 2016. The program will take place at the Hyatt Regency in Lexington, Ky., Aug. 26-31.

What should I expect from the Toll Fellows experience?

**Keep an open mind.** The Toll Fellows Program is designed to encourage participants to evaluate how they interact with the world around them.

**Expect the unexpected.** The Toll Fellows Program will take place both inside the classroom setting and in the Central Kentucky community. You will not receive a lot of agenda details prior to the experience, so be prepared to roll with the punches and expect the unexpected!

**Be prepared to push your limits.** The Toll Fellows Program will challenge participants to move out of their comfort zones and take an introspective look at how they view themselves as leaders. You will engage in a week of rigorous activity, both physically and mentally.

Questions? Contact Kelley Arnold at (800) 800-1910 or tolls@csg.org.

Watch the Toll Fellows take on leadership at www.csg.org/tollfellows.
According to the State International Development Organizations', or SIDO, 2015 survey of state trade directors, 40 states operate a collective 199 trade offices overseas. States support international trade and investment by maintaining or contracting for overseas international trade offices that promote the state’s trade interests and facilitate trade and investment with potential international partners.

China is the most popular country, with 27 states operating trade offices there, and for good reason—15.2 percent of total U.S. trade is with China (imports + exports), putting it a close second behind Canada at 15.6 percent.

Source: 2015 State International Development Organizations Survey

Number of State Trade Offices Overseas

Number of offices each state has overseas

0 1–5 6–10 11+
Ohio

“Exports benefit the state of Ohio by providing economic growth, new jobs and a higher standard of living. By connecting more businesses to the growing demand outside our borders, Ohio is becoming more globally competitive.”

» Wesley Aubihl, export assistance manager, Ohio Office of Business Assistance

Delaware

“The state of Delaware’s international trade program, Global Delaware, is increasing the number of overseas representatives to assist the state's exporters. After a comprehensive review of trade data and the creation of a new export plan, Global Delaware identified four new target markets that offer excellent opportunities for Delaware exporters: Canada, Mexico, Germany and South Korea. Delaware now has a trade representative in each of these markets in addition to our existing reps in Israel/Middle East and Brazil.”

» David Mathe, export trade director, Delaware
THE GRID OF THE FUTURE:

CHALLENGES AND OPPORTUNITIES IN RELIABLE AND AFFORDABLE ELECTRICITY GENERATION

Recent technologies have resulted in new demands being placed on the nation’s electricity grid. From rooftop solar panels to smart grids that can digitally monitor electricity flow and batteries that store energy for use at more critical times, the ways that we produce and transmit electricity are changing dramatically.

Policymakers and regulators are working to identify the challenges to ensuring the reliability and resiliency of our energy grid, while keeping electricity rates affordable.

According to Kansas state Rep. Tom Sloan, the reliability and resiliency of the electric grid will depend on how utilities and customers interact. “Legislators and utilities have to recognize that technological innovation is going to drive consumer actions,” said Sloan. “You can’t stop that. What you have to do is manage the consequences.”

Some of these consequences arise from the increased use of distributed generation, or the small-scale production of energy at the point of consumption, usually from renewable resources such as rooftop solar or small-scale wind along with combined heat and power units. These units are connected to the distribution system which can either transfer excess power from the distributed generation to the larger grid, or obtain additional power from the grid when the unit is not generating enough power.

According to Sloan, this creates a management issue because utilities might not be aware of the amount of energy these units will generate and how much and when they will require additional power.

To help address these issues, Sloan is an active member in the GridWise Architecture Council, which looks at the framework in which customer and utility relations will change as our interactions with the grid become more varied.

“As technologies converge, we will find a great deal more conflicts coming up that policymakers and legislators will have to resolve,” said Sloan.

Sloan indicated that as individuals and businesses have increasingly greater control over their energy generation, legislators, regulators, and utilities will need to look at the

“Legislators and utilities have to recognize that technological innovation is going to drive consumer actions. You can’t stop that. What you have to do is manage the consequences.”

»Rep. Tom Sloan,
Kansas State Representative
electrical system through economic or market-based constructs while also considering grid reliability and resiliency. This concept is referred to as transactive energy, which allows consumers to generate or buy power when it makes economic sense.

From a policy perspective, Sloan indicated that technological capabilities combined with the decrease in the cost of technology creates a new relationship with the electric grid. Reliability and resiliency will depend on how policymakers get utilities and customers to work together in this new environment, he said.

More large-scale renewable energy projects such as wind or solar farms have also changed the way we manage the electric grid. Diane Barney, Chief of the Bulk Electric Systems Section for the New York Public Service Commission, noted that the first impulse for policymakers is to think that you need other generation spinning at all times to cover this. That's not necessarily the case, she said.

While acknowledging that wind power generation is highly variable, Barney said that by understanding wind conditions and the projected energy generated from that resource—as New York discovered in a recent comprehensive wind study—operators can adjust the system to rely on other energy sources as needed. By analyzing these energy sources beforehand, operators are more likely to have the tools to adapt at a much lower cost, she said. “The key is making it manageable for those operators,” Barney said.

While advanced planning and management of the grid is essential, both Sloan and Barney identified storage as another major issue. “We need to be doing more to address the intermittency issue. . . . Storage is ultimately going to be key,” said Sloan.

According to Barney, being able to store power generated by intermittent renewable resources would allow the flow of energy to the system during periods of high demand, ultimately cutting costs.

New York state recently implemented a comprehensive plan to build a clean, resilient, and affordable energy system. Reforming the Energy Vision, or REV, sets goals for reducing greenhouse gas emissions, increasing the generation of electricity from renewable resources and decreasing energy consumption in buildings.

The traditional system is designed from the top down, where the load—or the demand for electricity—is taken as a given and utilities determine electric generation and transmission to serve that load. While this system is reliable, said Barney, it creates periods of high peak demand that may only happen a few times a year, but requires systems to be in place at all times to generate and transmit that energy to the load.

REV is designed to go bottom up, said Barney. Encouraging small-scale renewable energy production closer to the source helps to eliminate the need for additional units for peak generation. Barney also noted that three to six percent of energy generated is lost in the system before it is delivered to the consumer. By producing energy closer to its destination through distributed generation or other small-scale community energy projects, energy losses can be minimized, resulting in energy savings.

According to Barney, there are innumerable resources that can be deployed, but it is important to sort through those resources to ensure they are cost effective, cut back on resources supplying peak-energy demand and transmission loss, while also maintaining grid reliability at the local level.

“Planning ahead of time is key,” Barney said. “You can’t just interconnect new technologies to the grid and expect the system to adapt, but with proper advanced planning there is no reason the system can’t accommodate those new technologies and still be reliable.”
Charged with keeping the nation’s skies clean, state air quality regulators are discovering that their to-do lists are growing dramatically.

During an already busy year for state environmental agencies, the U.S. Environmental Protection Agency released its final Clean Power Plan in August. This rule, designed to carry out the agency’s obligations under section 111(d) of the Clean Air Act, establishes carbon dioxide performance requirements for fossil fuel-fired power plants that reflect what EPA has determined to be the “best system of emission reduction.”

With a goal of addressing climate change and buttressing the Obama administration’s position during United Nations’ climate negotiations in Paris in November, the Clean Power Plan—or CPP—represents the first national standards addressing carbon dioxide emissions from power plants and, according to EPA estimates, will reduce these emissions by 32 percent below 2005 levels within 15 years. Over the next several years, state air quality agencies, in close collaboration with state legislators, public utility commissions, governors’ offices and other stakeholders, will be responsible for determining their paths forward.

There are several significant changes in the final CPP from the agency’s June 2014 proposal that led to some significant shifts in targets for individual states:

- EPA established state targets based on three “building blocks”: improved efficiency at power plants; shifting generation from coal plants to natural gas power plants; and shifting generation to renewable energy sources. For legal reasons, the agency chose to jettison a fourth building block related to energy efficiency for these targets but anticipates

“In an era of diminishing appropriations and seemingly ever-increasing regulation complexity and burden, each action taken by EPA to mandate a response by my state forces us to make critical decisions involving programs, spending and personnel.”

» Dallas Baker, air director of the Mississippi Department of Environmental Quality
Washington—will be able to emit more years have paid off. “Oregon is proud of our Utility Commission, the investments made not submit a plan approved by EPA.

Under the final Clean Power Plan, these model state trading rules and a federal trading options, including proposed compliance “cliff” in 2020 due to front-loaded state requirements in the proposal, EPA provided additional flexibility in establishing a “glide path” of incremental emissions reductions required between 2022 and 2029.

The agency underscored emissions trading options, including proposed model state trading rules and a federal plan, which facilitates cross-state trading. Under the final Clean Power Plan, these options will be imposed on states that do not submit a plan approved by EPA.

As a result of these and other changes in the final rule, the list of state winners and losers under the CPP has shifted substantially. According to EPA projections, 11 states—including California, Delaware, Massachusetts, New Hampshire, New York, Oregon and Washington—will be able to emit more carbon dioxide, in some cases up to 40 percent more, under the CPP.

According to Jason Eisdorfer, utility program director for the Oregon Public Utility Commission, the investments made by his state in reducing emissions in previous years have paid off. “Oregon is proud of our clean energy investment strategy and we are in a good position to comply,” he told the U.S. House Committee on Science, Space and Technology.

Conversely, at least 10 states, including North Dakota, Ohio, Texas, Utah, West Virginia, Wisconsin and Wyoming, will be expected to make reductions of 30 percent or more by 2030.

North Dakota saw the most significant change in the final CPP, which made its state target four times more stringent than in the previous iteration of the plan.

Dave Glatt of the North Dakota Department of Health called the challenge “pretty daunting.”

While EPA pushed back the initial CPP compliance period until early 2022, states agencies and legislatures will have decisions to make in the years leading up to that deadline.

By September 2016, states are required to submit either a final state plan outlining the federally enforceable measures that will be used to comply with the CPP or an initial plan to request an extension to submit a final plan by September 2018. As early as 2016, EPA may begin issuing federal plans for states that fail to submit satisfactory state plans.

Similar to the response to the issuance of the Waters of the United States rule defining regulated waters under the Clean Water Act, states are already lining up to challenge the Clean Power Plan in court. West Virginia has led early state challenges to the rule, with Gov. Earl Ray Tomblin calling the CPP “unreasonable, unrealistic and ultimately unattainable” for his state, according an August press release.

By contrast, other states are siding with the EPA and defending the new air quality regulation. Led by Eric T. Schneiderman of New York, the attorneys general of nine states and the District of Columbia wrote in an Aug. 3 joint letter to the EPA that they “fully anticipate standing with EPA to defend these necessary emission standards if they are challenged in court.”

Even for states well-positioned to meet the 2030 requirements, the nature of the final CPP presents unique challenges for state environmental agencies as they also face increasingly demanding timelines for their traditional Clean Air Act responsibilities.

According to Dallas Baker, air director of the Mississippi Department of Environmental Quality, “In an era of diminishing appropriations and seemingly ever-increasing regulation complexity and burden, each action taken by EPA to mandate a response by my state forces us to make critical decisions involving programs, spending and personnel.”

In addition to the CPP, over the next few years states are responsible for implementation and modification activities for other major CAA programs, such as the National Ambient Air Quality Standards for sulfur dioxide, ground-level ozone (both requirements from the 2008 standard and newly announced revisions in early October), and fine particulate matter and regional haze requirements.

About the Author
Clint Woods is executive director of the Association of Air Pollution Control Agencies. The organization focuses on assisting air quality agencies and personnel with implementation of, and technical issues related to, the federal Clean Air Act.
For state governments, going green is a win-win. As responsible stewards of public funds, states have acted as energy efficiency leaders for many years, recognizing that increased efficiency of state buildings cuts energy costs and stretches taxpayer dollars. Further, reducing energy demand reduces power plant emissions and prevents the need to build new power plants.

When implemented well, energy efficiency measures can be a cost-effective and job-creating strategy with simple measures yielding payback in as little as two years. Some states have found that every dollar invested in efficiency returns at least $2 in net economic benefits.

To maximize these benefits, states also have taken action to serve as leaders by example—demonstrating value, blazing a path of options and supporting private efforts.

BUILDING STANDARDS

All but three states have adopted energy efficiency mandates for state-owned or funded public buildings. These requirements often are based on high-performance building standards for new or significantly renovated facilities, including the U.S. Green Building Council’s Leadership in Energy & Environmental Design, also known as LEED; ENERGY STAR; Green Globes; and the ICC 700 National Green Building Standard. The Institute for Building Technology and Safety—or IBTS—a CSG Associate partner, provides consulting, inspections and closeout work in Mississippi to support new building projects in meeting the ICC 700-2012 Green Building Standard, earning them Green Certification by the Home Innovation Research Lab. Numerous states use the LEED standard, including Arizona, Colorado, Delaware, Florida, Hawaii, Kentucky, Nevada and Oklahoma. As the green building market has matured, these standards have called for increasing focus on energy efficiency. Additionally, states may follow the lead of the federal government, which has adopted more requirements over time, going from LEED-Certified in 2002 to LEED-Silver in 2006 and, most recently, to LEED-Gold in 2010.

ENERGY CODES

While these “high-performance” standards set a bar for leaders to leap, energy efficient building codes, also known as energy codes, provide a minimum standard for building envelopes and other protocols to reduce heating, cooling and lighting costs. State energy codes most often are based on model standards developed by the International Energy Code Council and the American Society of Heating, Refrigerating and Air-Conditioning Engineers. According to a recent Stanford University report, modern energy codes are some of the most cost-effective policies for efforts to cut wasted energy.

A number of states base public building standards on their state energy code. Louisiana, for example, requires that new and renovated government buildings exceed the state energy code by 30 percent.

Energy codes, as with nearly everything associated with energy policy, are not static, however. The International Energy Code Council revises its model code every three years to reflect the introduction of new technologies and suggested changes to its existing code. These revisions provide opportunities for states to increase requirements and yield additional benefit.

Mississippi recently updated its 40-year old commercial building energy code to the latest national standard as part of a statewide economic growth plan—the first state in the Southeast to do so. This change in building minimums is expected to save three to five percent of energy use, alone.
The mere presence of an energy code, regardless of version, is not sufficient to yield benefit, however. Compliance and enforcement are crucial, and both require investment in education and training, especially when code changes are being implemented. Under a U.S. Department of Energy supported project, eight eastern states are currently examining their existing code-related efforts and how best to increase compliance. IBTS is assisting in these efforts by conducting needs assessments and training programs in Alabama and New York and will be supporting training in these states in 2016.

**ENERGY EFFICIENCY PROJECT STRATEGIES**

For existing public buildings, Energy Savings Performance Contracts, or ESPCs, have facilitated analysis and pursuit of energy saving measures. Under these private-public partnerships, an energy company provides all services for evaluating and deploying strategies for energy savings, as well as financing arrangements that often require no up-front investment by the government client.

The Investor Confidence Project, an initiative of the Environmental Defense Fund, seeks to bolster the pursuit of energy retrofits, through the use of ESPCs and other finance tools. This project draws on the full spectrum of best practices and standards to define a clear roadmap from retrofit opportunity to reliable investor-ready energy efficiency as a means to encourage pursuit of effective energy efficiency projects. The Investor Confidence Project protocol requires involvement of certified developers and quality assurance providers to ensure projected energy and cost savings are realized.

**CONCLUSION**

Over the last decade, the cumulative effect of energy efficiency strategies has been significant. While the number of households across the country grew by six percent between 2007 and 2013, total residential energy demand was unchanged during that same timeframe. Advocates and providers of energy efficiency strategies are working diligently to facilitate their use.

The new, evolving and sometimes complex array of opportunities—of which only a handful are discussed above—often require an investment of effort and sometimes guidance to identify priorities and the right approach for those interested in energy efficiency enhancements. Increasing pressure to address energy and environmental challenges, including the EPA’s Clean Power Plan rule, will add to the challenge. But investing now to make government facilities greener will pay off in both energy and cost savings—a win for state governments and taxpayers alike.

> “When implemented well, energy efficiency measures can be a **cost-effective** and **job-creating** strategy with simple measures yielding payback in as little as two years. Many states have found that every dollar invested in efficiency returns at least $2 in net economic benefits.”

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**About the Author**

Jeff Domanski is the senior manager for energy and sustainability at IBTS.
Energy policy and management in the states is, of course, a critical issue. It is linked to a variety of other topics, including the environment. In fact, in the research arm for The Council of State Governments—which is divided into a number of different policy areas—energy and the environment are covered under the auspices of one team.

With that in mind, we set about reviewing three reasonably current books that delve, in different ways, into environmental issues. All three are somewhat academic in nature, which has the advantage of providing readers with a variety of citations and references for further research and greater understanding.

One of the three deals with the federal government and its work for environmental justice. The second focuses on the courts and their role in this field. And the last takes things down a step closer to the street, explaining the job of regulators.

**Following are our thoughts about the three books.**
The list of ills experienced disproportionately by poor and minority groups extends even to pollution. That’s the somber message conveyed by David Konisky in this collection of essays by a variety of well-informed writers. However, we believe the idea that the poor and various minority groups should not be exposed to toxic air and water any more than the population as a whole seems like common sense. And, in fact, during the Clinton administration an executive order was put into place that attempted to provide just that protection. It was called Executive Order 12898 and was signed into law Feb. 11, 1994. Sadly, since its adoption this executive order has been a poster child for the gap that often exists between legislative or executive orders and the reality of the world.

Consider places like Brockton, Mass., which is cited in the book. It has a minority population of 40 percent and its median household income is 25 percent less than the national average. As the book points out, it experiences “significant environmental risks from existing hazardous waste sites and major sources of toxic conventional air pollution” that emanate from a gas-powered electric plant. At least in Brockton, this situation resulted in loud and clear voices of dismay from the environmental community.

Elsewhere, though, this kind of phenomenon has gone with relatively little dissent—just part of the landscape of the American environmental horizon.

In fact, a report that was issued in 1987 indicated that “race was the most significant variable of those examined in association with the location of commercial hazardous waste facilities.” Although one of the flaws in the book, published in 2015, is a reasonably heavy reliance on somewhat dated studies and reports, the essays present a compelling case that this situation hasn’t changed much since 1987.

So then, why is there a gap between the intent of the executive order and the world as it stands? Some of the major reasons, culled from a variety of the book’s chapters, include:

• The use of permits to ensure that poor or minority people aren’t subject to more than their share of pollution has been “limited and inconsistent.” The EPA’s Environmental Appeals board has “not overturned an EPA-issued permit on the grounds that it results in disproportionate impacts for either low-income or minority populations.”

“Although this book is low on good news for people concerned with environmental equity, it does hold out a ray of hope.”

• EPA regulators do not appear to have taken the idea of “environmental justice” into account when setting standards.
• There has been minimal evidence that the EPA’s enforcement practices have been altered since the executive order to monitor the activities of regulated firms in poor and minority communities.
• Additionally, when the courts have been involved in efforts to preserve environmental justice, the decisions have been largely negative for those fighting in favor of equity.

Although this book is low on good news for people concerned with environmental equity, it does hold out a ray of hope. Apparently the current administration has been somewhat more sensitive to this issue than prior ones—and there’s always a possibility that trend will continue. Among other efforts, “the EPA is finally developing the types of policy and technical guidance documents that have been sorely lacking in the previous attempts to implement E.O. 12898 and other federal environmental justice reforms.” Will new EPA commitments to environmental justice take hold and make a difference? The book’s editor is noncommittal. These questions “can only be answered in the years to come,” he writes.
Back in the 1970s, the snail darter, a tiny fish that’s just a bit bigger than a paper clip, became one of the most talked about creatures in America when its endangered status led the U.S. Supreme Court to halt work on the Tennessee Valley Authority’s Tellico Dam because it would violate the Endangered Species Act.

The unambiguous language of that act, originally passed in 1969, seemed to leave justices no choice but to stop the project, even though $100 million had already been spent. But that didn’t mean the court necessarily liked the action it was compelled to take. As Jonathan Z. Cannon writes in Environment in the Balance: The Green Movement and the Supreme Court, the court opinion questioned Congress’s “unyielding preference for species protection,” which left no room to assess the costs and benefits of the project going forward. (Eventually, in fact, Congress passed an amendment allowing the dam to proceed.)

The enormous tension between environmental protection and development, including energy development, is aptly described in Cannon’s book.

Decisions in the years following the snail darter have drifted away from pro-environmental policy. They have more directly considered cost-benefit issues, favored individual property rights over collective environmental benefit, and refused to give standing to individuals or groups that seek to protect the environment from development.

In many ways, writes Cannon, the justices have reflected the deep tensions in society itself over environmental issues with Justice Antonin Scalia’s frequently biting opinions championing private property rights and business development and Justice Ruth Bader Ginsburg and retired Justice John Paul Stevens frequently acting as the champions for a more sympathetic approach to environmental protection.

Particularly interesting is the section of the book devoted to the National Environmental Policy Act, or NEPA, passed in 1970 and once hailed as the “environmental Magna Carta.” To hopeful environmentalists, the act had “potential to institutionalize an ecological imperative for all agencies of the federal government” by requiring review of the environmental impact of decisions. But from the beginning, the Supreme Court has made it clear that while environmental impact must be considered by the agencies, that’s all they have to do—the courts can’t require that they have to change their ways to react to the impact.

Cannon’s book is not an easy read for a non-academic audience, but it is informative and laced with articulate and sometimes entertaining opinions by the Supreme Court justices. Since the book travels across multiple decades in its coverage of environmental decisions, we did sometimes yearn for more attention to dates within the body of the text to more clearly anchor the decisions in time.
The Lilliputians of Environmental Regulation: The Perspective of State Regulators
by Michelle C. Pautz and Sara R. Rinfret (Rutledge, 2013)

Our desire to better understand more about the people who make the giant machine of environmental regulation work (or not) made Lilliputians attractive to us before we read the first page.

Most of the articles and books we’ve read about government have focused on the big shots—elected officials, cabinet members and agency heads. After all, these people are the ones with the greatest influence on policy making, regulation and high-level management decisions.

But we’ve often wondered why more isn’t written about the folks who are actually on the front lines, doing the work of government day in and day out, generally without the power to change the nature of their roles or tasks in a government. This relatively short book focuses on the men and women who work both in the field and in home offices to determine how well environmental regulations are being enforced in a variety of organizations ranging “from dry cleaners and funeral homes to major manufacturing facilities and water treatment plants.”

We were initially worried a bit by the title. The use of the term “Lilliputians” seemed to be pejorative to us. It brought up images of silly little Swiftian souls who could fight wars over the proper way to crack an egg. But in fact, the authors have defined that word in an entirely different way than we anticipated. As they write, “For us, Lilliputian is a positive term to call attention to the often unnoticed individuals on the front lines of environmental protection who are responsible for much of the heavy lifting of implementing and ensuring compliance with environmental regulation.”

Many of the book’s conclusions were based on a survey of more than 1,200 regulators from coast to coast. It was discovered that environmental regulators are a reasonably hard-working, competent group, despite the feelings of many of those who are inclined to use the phrase “government work” as a slur. Consider this: The authors’ survey indicated that most regulators have impressive undergraduate degrees in fields such as biology, chemistry, engineering and other natural sciences. On average, they’ve worked for their environmental agencies for more than 15 years. This fact, by itself, tells an important story. Generally speaking, many state jobs have a higher turnover rate, which can lead to employees leaving their jobs soon after they’ve become sufficiently skilled to move on to another position in the private sector.

Also of note, Lilliputians goes beyond the individuals at work and provides a solid understanding of the way environmental regulation works at the state level and ways in which regulators and the businesses they are regulating can work together effectively in a way that benefits all concerned.

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“Lilliputians goes beyond the individuals at work and provides a solid understanding of the way environmental regulation works at the state level …”

About Barrett and Greene
CSG Senior Fellows Katherine Barrett and Richard Greene are experts on state government who work with Governing magazine, the Pew Charitable Trusts, the Volcker Alliance and others. As CSG senior fellows, Barrett and Greene serve as advisers on state government policy and programming and assist in identifying emerging trends affecting states.
EXPANDING OPPORTUNITIES

With over 95 percent of the world’s consumers outside of the U.S., most opportunities exist in international markets. For Mississippi alone, international trade supports more than 200,000 direct and indirect jobs. More than 2,000 Mississippi companies engage in international trade annually with 75 percent being small- to medium-sized companies.”

ROSE BOXX
International Trade Division Director, Mississippi Development Authority

BUILDING ECONOMIC STABILITY

“Building and maintaining strong relationships between Wisconsin and key strategic international markets is critically important to the success of our companies and to the strength of our overall economy. Global engagement is a necessity for today’s businesses. The benefits of exporting for Wisconsin companies include a better ability to withstand economic swings within specific individual markets and an extended product life cycle that reflects various demand levels in different companies. Studies also show that companies that export grow more rapidly and are more profitable than those that don’t.”

MONICA WAHLBERG
International Grant Manager, Wisconsin Economic Development Corporation
DIVERSIFYING MARKETS & GROWING JOBS

“International trade plays a vital role in Georgia’s economic prosperity. In today's rebounding economy, international trade has helped sustain Georgia companies by diversifying their markets and giving them an advantage over their competitors. In Georgia, we know companies that export create twice as many jobs. Additionally, they tend to grow faster and have a more productive workforce. International sales volume also helps lower overall production costs and leads to increased profitability. With record breaking exports the past five years, it is apparent that Georgia’s economy not only relies on our international trade community, but is thriving because of it.”

MARY WATERS
Deputy Commissioner of International Trade, Georgia Department of Economic Development

OPENING DOORS FOR SMALL BUSINESSES

“Idaho, with its very diverse industry base, has a healthy and growing economy, in part due to international trade. Over 26,000 jobs in Idaho, a state with a population of 1.6 million, are supported by exports. Approximately 10 percent of Idaho’s GDP stems from exported products and services. Small businesses are the backbone of the U.S. economy and that is certainly the case in Idaho. In 2012, more than 1,700 companies exported products and services from Idaho, of which 83.3 percent were small companies. A little-known fact—Idaho’s largest export category is Computer & Electronics.”

JENNIFER VERDON
International Trade Manager, Idaho Commerce

AIDING ECONOMIC RECOVERY

“At least 1 in 3 jobs in Washington state is related to international trade. Our global business connections helped the state withstand and recover from the last U.S. recession much better than many other states. By population, Washington ranks 13th among U.S. states, but we are third for exports, behind Texas and California. Washington firms exported more than $90 billion worth of products around the world in 2014. Total pass-through trade—exports and imports—reached $185 billion, contributing to the broad impact of 75 port districts all across the state. Washington is home to many globally focused companies including Boeing Commercial Airplanes, Microsoft, Amazon, Starbucks, Expeditors International, Paccar, Eddie Bauer, REI, Costco, Nordstrom and Weyerhaeuser.”

BRIAN BONLENDER
Director, Washington State Department of Commerce
Are you ready to lead a trade mission of business executives from your state to the Paris Air Show or host a business delegation from the United Arab Emirates in your district? Will you be the leader that connects your stakeholders—and sister cities—with trade opportunities, cultural exchanges and international collaboration? The work of state government officials today often stretches beyond national borders. Having won the trust and support of constituents at home, policymakers often must take time to elevate global skills to become more competent at building cross-cultural relationships. State leaders must be able to navigate a dynamic global environment. With this growing reality in mind, following are 10 global protocol tips to consider. Each tip, and many more, kept me ahead of the curve during my career as a corporate executive working with international customers, dignitaries, government officials and senior leadership on a high profile stage.

**MAKE A FLAWLESS FIRST IMPRESSION**

First impressions happen within seconds and your appearance can influence someone’s initial opinion of your personality, competence and capability. Project confidence. Tailor clothes to flatter your body type. Dress appropriately for the culture and climate. Remember that dark colors evoke power. Grooming and accessories—hair, nails, watch, shoes, briefcase and even pens—all can be deal killers if not properly addressed.

**HAVE A GOOD, FIRM HANDSHAKE**

This ultimate international greeting speaks volumes about you. Two smooth pumps from the elbow. Some individuals from the Middle East may place their hand across their chest to signify they do not choose to shake hands. In Japan, a slight bow is often appropriate in lieu of, or in addition to, a handshake. Both behaviors are culturally appropriate.

**MAINTAIN GOOD EYE CONTACT**

In the United States, eye contact can be more intense than in some Asian cultures. Be mindful not to intimidate with the intensity of your gaze.
LEARN A FEW WORDS IN THEIR LANGUAGE
Hello. Thank you. Just a few basic words demonstrates respect and can speak volumes about your commitment to engage in a quality way.

ADMIRE OTHERS’ CULTURES AND BE HUMBLE ABOUT YOUR OWN
Learn about the country, culture, holidays and politics of those you are engaging. Demonstrate a familiarity with their regular work days and business hours. In many Middle Eastern regions, the work week typically runs from Sunday to Thursday. Long lunch hours may be expected in many European, Latin American and African countries. Be flexible—know that a meeting set for a certain time doesn’t always mean it will start precisely at that time. Always, always remain respectful.

ALWAYS USE GOOD TABLE MANNERS
Ultimately, most business dealings involve sharing a meal. Polite, proper table manners can be an indicator of your business mannerisms. Be comfortable with the place setting, be a gracious guest and hospitable host. Learn more than the American style of dining. Become comfortable with the continental and Asian styles of dining, which are common throughout much of the world.

LISTEN MORE THAN YOU SPEAK
Use your ears and mouth in proportion to which they were given to you. Listen for what is not said; it often is just as important as what is spoken.

BE MINDFUL OF YOUR CULTURAL STYLE
Americans can be viewed as loud and impatient. Americans generally work independently and are more task focused than people in other cultures who value working in teams and expect that business comes after relationships have developed. Appreciate and work with the different cultural styles, and shift your style as appropriate. Don’t expect others to adapt to your cultural style.

DO YOUR HOMEWORK BEFORE PRESENTING A GIFT
Don’t find out too late that a clock for your Chinese customer signifies the end of the relationship or death, or that a bouquet of red roses for the wife of your French business partner—when invited to his home for dinner—sends unwanted amorous signals. Be aware that the Japanese take great pride in wrapping gifts beautifully and compliment them for such efforts.

AVOID JOKES
Humor often doesn’t translate well.

About the Author
Wendy Jones formed Capital Protocol following a career as an executive with The Boeing Company. Wendy now provides consulting and training opportunities for corporate, government and diplomatic clients designed to enhance global business relationships and successfully manage high profile events.
**//CSG West Facilitates California Delegation to Mexico City**

CSG West facilitated and sponsored a delegation of California legislators to Mexico City in September. Led by California state Assemblymember Jose Medina, chair of the Assembly Select Committee on California-Mexico Affairs, the purpose of the visit was to foster greater cooperation and coordination between California and Mexico in the areas of higher education, tourism, cultural exchanges and climate change. The trip also provided an opportunity for participating lawmakers to address opportunities and challenges in the implementation of agreements executed in 2014 between California and Mexican entities. CSG West facilitated the trip as part of its efforts to strengthen cooperation among state officials of the U.S. and Mexico. Financial support for the delegation’s visit was possible through a cooperative agreement between CSG and the U.S. Agency for International Development in Mexico.

As part of their visit, members of the delegation were briefed by U.S. federal officials at the U.S. Embassy in Mexico and convened exchanges with higher education and tourism officials at Mexico’s Ministries of Foreign Affairs and Tourism. Participating legislators also met with Mexico City’s secretary of economic development and received a briefing and tour of the University of California’s Casa de California.

For more information, please contact Martha Castañeda, CSG West director of international programs, at (916) 553-4423 or via email at mcastaneda@csg.org.

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**//CSG Policymakers Hear from Last Two Federal Medicaid Chiefs**

As part of a continuing series of CSG policy academies to educate policymakers on Medicaid issues facing the states, more than 20 state health and health budget committee chairs and members, as well as a governor’s health policy adviser, were tapped to attend the September meeting in Washington, D.C. Speakers included Cindy Mann, who was at the helm of Medicaid under President Obama until earlier this year, and her successor, Vikki Wachino. Both emphasized that real health care reform will require major innovation and system reform to increase cost efficiency and improve health care outcomes.

A panel of experts provided a lively discussion on the costs of prescription medicines. Scientific study confirms that some specialty drugs, despite their high price linked to the cost of research and development in the pharmaceutical industry, are a good value. The speakers urged movement toward a value-based system with more transparency on pricing and drug effectiveness.

Materials from the meeting are available on the CSG Knowledge Center.
//CSG West Legislative Service Agency and Research Directors Convene

Members of the CSG West Legislative Service Agency & Research Directors met in September for the 2015 Fall Training Seminar. Topics of the seminar included state legislative structures, the role of nonpartisan staff, legislative ethics and succession planning. Andy Karellas, director of federal affairs for CSG, led a conversation on understanding and navigating the federal government, and Larry and Meagan Johnson of the Johnson Training Group offered insights on creating a positive work environment and managing generational differences in the workplace.

//CSG Justice Center Releases Report on Mental Health and Pretrial Justice

Almost 20 percent of people entering jails pretrial have serious mental illnesses, and recent research is clarifying policies that will lead to the best public safety and public health outcomes. The CSG Justice Center recently released Responding to People with Mental Illnesses at the Pretrial Stage: Essential Elements, a project informed by a national expert advisory group of policymakers, practitioners and researchers and supported by the Public Welfare Foundation. Pretrial programs from around the country participated in workshops on local application of the elements at the National Association of Pretrial Services Agencies’ Annual Conference in Indianapolis in August.
Civic leaders persuaded Steve Englebright to run for office because they felt he needed a bigger audience for the issues he discussed in geology classes at Stony Brook University on Long Island. Englebright was elected to the Suffolk County Legislature in 1983 and made protecting the Pine Barrens, the source of Long Island’s purest source of water, a priority. “I found myself talking first to my students and then to civic organizations and then anyone who would listen about what was happening to the water supply and what the implications of living on top of your water supply were,” he said. Englebright had discovered that spills on the island were being documented, but few were asking questions about how the spills affected the water supply. Englebright has taught at Stony Brook University, where he earned a Master of Science degree in geology, for more than 40 years and serves as the university’s curator of geology. He is also the founding director of the Museum of Long Island Natural Sciences. Englebright, who was elected to the New York State Assembly in 1994, keeps climate change, renewable energy, recycling, water chemistry and the protection of coastlines and old-growth forests, among other issues, at the forefront of his mind. Appointed earlier this year as chair of the New York Assembly’s Committee on Environmental Conservation by Speaker Carl Heastie, who has a science and mathematics background, Englebright said his geology and biology training have proved important in shaping policies. He believes state government needs more leaders who think analytically and understand scientific principles. “It is very helpful to have a background in science in state government because so many of the issues that we face, and have to make decisions on and help evolve policy on, depend upon at least a rudimentary understanding of science,” he said.
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