TOP 12 FOR 2012

It's a full agenda for states in the new year as they tackle tough issues in a difficult economy. These 12 promise to rise to the top.

BY MEAGAN DORSCH

1 Federal Deficit

Actions—or inaction—by Congress to reduce the federal deficit will have a significant effect on state budgets. Lawmakers in eight states—Hawaii, Maine, Maryland, Massachusetts, Tennessee, Utah, Vermont and Virginia—have developed contingency plans in the event of federal cutbacks. More may consider doing so with the failure of the Joint Select Committee on Deficit Reduction to produce a bill to cut up to \$1.5 trillion in federal spending. With automatic across-the-board cuts looming in the future, states will be grappling with how to prepare for such a potentially cataclysmic hit to their budgets. The inaction of the super committee places federal funding for state education, energy, environment and criminal justice programs in jeopardy.

2 State Budgets

With unemployment rates still high —11 states are still in the double digits—the demand for state services, especially Medicaid, is expected to remain high for the foreseeable future. In addition, the level of support from the federal government could be dwindling. Even though half the states predict revenues are likely to meet FY 2012 estimates, budget officials recognize state economies are fragile and they are concerned about the potential of a double-dip recession, according to NCSL's new "State Budget Update."

3 Jobs

There are about 13.9 million people unemployed in the United States, according to the Bureau of Labor Statistics. Although private sector employment continues to expand, more than 500,000 government jobs have been lost since September 2008. Many state legislatures will be looking for ways to create more jobs by offering tax credits, supporting the growth of small businesses, increasing the availability of capital in local financial markets, reforming state development funds and investing in green energy.

4 Pensions

Over the past two years, 40 legislatures have revised at least one state retirement plan. The changes range from increasing employee contribution requirements and age and service requirements for retirement to revising cost-of-living adjustments. In 2012, states will continue to redesign retirement plans, looking for ways to control the costs of retiree health care programs, and manage unfunded liabilities. Some policymakers may consider a "hybrid" model for state pensions that offers employees both a traditional pension plan and a 401(k)-type plan.

5 Medicaid

Recent studies confirm what many policymakers already know: The tough economy is making it difficult to balance or even plan for their state's Medicaid budgets. In 2011, nearly every state took steps to contain Medicaid costs. Lawmakers are especially concerned about the expansion of Medicaid in 2014 dictated by federal health reform. They are experimenting with new approaches to paying providers, delivering health care and streamlining services for those eligible for both Medicaid and Medicare.

6 Voter ID

Although lawmakers may not see the volume of voter ID legislation in 2012 that they did in 2011, the issue will continue to garner attention. Lawsuits will challenge recently passed voter ID legislation, and some state legislators will re-introduce voter ID laws. 2012 will be the first presidential election year with so many new voter ID laws in place. Citizens in 31 states will have to show ID before voting.

7 Health Reform

The U.S. Supreme Court agreed to hear arguments on the federal health reform law in the spring, but the ruling is not expected until at least June. Several elements of health reform, however, will remain on legislative to-do lists. These include:

♦ Health Benefit Exchanges. Developing a plan for establishing an exchange—a website for people to compare and purchase individual health insurance policies—will be a 2012 priority for the 14 states that have committed to conducting their own

exchange. States must meet the Jan. 1, 2013, deadline to be eligible to receive federal money.

- ♦ Health Information Exchanges. States are responsible for developing information systems that contain electronic health records to allow health care professionals easy access to patients' health histories, so they can avoid costly and dangerous errors and duplication of services. By the middle of the year, every state will need to have a Medicaid electronic health record incentive in place and be working on an exchange, required by late 2014 or early 2015.
- ◆ Essential Benefits Package. Thousands of state laws require coverage of a variety of health services that apply to different types of insurance. The federal government will announce early this year the minimum or "essential" benefits all states must require insurers to offer. Depending on how much the list differs from a state's laws will dictate how much effort lawmakers will spend on this issue in 2012.

8 Corrections and Juvenile Justice

With corrections costs rising quickly, states are experimenting with "justice reinvestment," which redirects funding to manage spending and reduce crime. More states will likely be considering this promising reform in 2012. States will also continue to reform sentencing policies, and improve and expand eligibility for community supervi-

sion and treatment programs. At least 13 states already have study committees exploring corrections and sentencing policy and will be proposing changes in 2012 legislative sessions.

State legislative agendas will also focus on better results for young people in the justice system, including new requirements that attorneys be provided during all critical stages of juvenile proceedings and that mental health and substance abuse treatment be expanded. The approach this year will be on controlling costs while improving public safety, keeping young people out of institutions, investing in community-based alternatives, and expanding prevention programs.

9 Funding Education

Lawmakers will consider how to reallocate funding to K-12 programs that consistently improve student achievement, such as improving teacher effectiveness and implementing more rigorous standards and assessments. They will also closely watch for Congress to reauthorize the Elementary and Secondary Education Act and for the U.S. Department of Education to announce waivers from some of the more restrictive provisions of existing No Child Left Behind law. Colleges and universities are facing even more cuts this year. They'll urge legislators to give them more flexibility to spend the limited money they receive from the state.



10 Transportation Infrastructure

A large gap still exists between revenue generated by the gasoline tax and the amount of money needed to repairs roads, bridges and other infrastructure, and to pay for new transportation projects. States will continue to seek new revenue sources to replace the vanishing gas tax revenue. In addition, state lawmakers expect Congress to reauthorize the surface transportation act, which will help stabilize state planning and project funding.

11 Environmental Regulations

The energy industry will have to comply with a wave of new federal regulations aimed at protecting public health and environmental quality. New clean air and water rules will force significant changes by coal, natural gas and nuclear power providers, the costs of which will be passed on to consumers and ratepayers. State legislatures will largely be responsible for enforcing the new federal standards in a way that protects natural resources, citizens' health and the economy. Many lawmakers are concerned about protecting consumers' pocket books as well, and will be looking at how regulatory costs can be reduced. Some will be looking to avoid regulatory costs altogether by promoting the development of clean energy and efficiency.

12 Natural Gas

New natural gas discoveries have been a game changer for the industry, lowering prices and adding stability. This has led to more construction of natural gas plants and some displacement of coal with natural gas. The new technology that has opened up these resources, fracking, has some worried about water contamination and other environmental dangers, however. State lawmakers will be working to develop adequate regulations that protect the environment without harming the industry.

There are many other hot topics legislators will be debating, promoting and voting on. Early voting policies, common core educational standards, drugged driving, prescription drug abuse, programs to help families facing foreclosure, food safety, and help for families living in poverty are all issues likely to draw attention and action from lawmakers in many states.

OSL ONLINE

Read more about the issues that will be important to lawmakers this year at www.ncsl.org/magazine.





