

STATE AND LOCAL UPDATEJuly 23, 2018

Policy and Politics**I. Trending Topics****Issue in Focus**

TEXAS TAKES TITLE OF TOP STATE FOR BUSINESS: Riding the rising tide of energy prices—and the job growth that goes with it—Texas [claims](#) the top spot in CNBC's 2018 America's Top States for Business rankings. This is familiar territory for the Lone Star State, which becomes the first four-time winner in our annual study, now in its 12th year. But it has been a long time coming. This is the first time since 2012 that Texas has claimed top honors. Not coincidentally, West Texas Intermediate Crude Oil—the state's most important export—peaked at just over \$108 per barrel that year, a figure it has not seen since. But it has risen enough—around 60 percent in the last year, powering through the \$70 per barrel mark in June—to turbocharge the \$1.6 trillion Texas economy. Rounding out the top five are some perennial contenders and some returning favorites - Washington, Utah, Virginia, and Colorado.

A. BUDGETS, TAXES, & REVENUE

STATES SUE IRS, TREASURY TO STRIKE DOWN SALT CAP UNDER NEW TAX LAW: In the days following tax reform, leaders in some states complained loudly about feeling targeted by deduction caps imposed on state and local taxes (SALT). [Now they've taken action.](#) Now four states (Connecticut, Maryland, New Jersey, and New York) have filed a lawsuit in federal court to strike down the cap on SALT deductions under the new tax law. The lawsuit names Treasury Secretary Steven Mnuchin and IRS acting Commissioner David Kautter, as well as the U.S. Treasury, the Internal Revenue Service (IRS) and the United States of America (including all government agencies and departments responsible for the passage and implementation of TCJA) as defendants. The plaintiffs – the states of Connecticut, Maryland, New Jersey, and New York – are seeking “declaratory and injunctive relief” to eliminate the cap. What that means is that the states are asking the courts to declare that the cap will not be enforceable; there is no separate request for money or other damages.

RED STATE CONSIDERS 'MILLIONAIRE'S TAX': The latest state to [consider](#) a so-called millionaire's tax may surprise you. Tax hikes aimed at the rich are a revenue-raising strategy that's been embraced mostly by blue states in recent years. New Jersey became the most recent government to enact one this week, following a trend set by California, Connecticut, New York and Washington, D.C. But this fall, voters in conservative Arizona seem set to vote on whether to tax the state's wealthiest residents in order to pay for teacher raises. Organizers for the Invest in Education Act said they have collected enough signatures to put the question on the ballot in November. Arizona is among a group of states that has prioritized cutting taxes over restoring education funding since the Great Recession. It was one of three governments gripped this spring by teacher strikes that shut down schools for more than a week to demand higher funding and better pay.

SALES TAX HOLIDAYS DON'T BENEFIT STATES, REPORT SAYS: In a handful of states, including Wisconsin, Virginia and Texas, residents can take advantage of cheaper school supplies and other select goods for a few days in August thanks to sales tax holidays. Seventeen states will hold sales tax holidays, where certain products are exempted from state or local taxes, in 2018. Though some states hold multiple holidays throughout the year, most hold one just in time for back-to-school shopping. Many businesses and public officials support these holidays, claiming that they encourage economic growth. But a new [report](#), released in July by the Tax Foundation, argues that the

temporary tax exemptions are a "political gimmick" that cause more harm than good and fail to solve larger policy issues. More [here](#).

REPORT, SIN TAXES AREN'T RELIABLE SOURCES OF CASH FOR STATES: Consumers who smoke, gamble, drink alcohol or use marijuana are forced to pay for their behavior by states imposing so-called sin taxes. But while such fees can bring some short-term cash into state coffers, legislators shouldn't be tempted to rely on them as a steady revenue source, says a [new report](#) by the Pew Charitable Trusts. Sin taxes are the budget equivalent of a swear jar: Part of the point is to discourage potentially detrimental behavior by putting an extra price on it. But the deterrence factor, to the extent that it exists, means less money for state lawmakers to work with as they craft their budgets. States, then, need to "take the long view" on budgeting, understanding that excise taxes on alcohol, tobacco and the like "may be inconsistent and difficult to forecast," said Mary Murphy, one of the authors of the report, during a Wednesday conference call with reporters. The warning is especially relevant as a recent Supreme Court decision opening up legalized sports betting has led many states to consider allowing (and taxing) the activity. More [here](#).

FILM TAX CREDIT BATTLES HEAT UP ACROSS STATES: When New Jersey Gov. Phil Murphy on July 3 signed film and TV tax credit legislation that would allocate up to \$85 million per year over the next five years to projects in the state, he pledged that the move would allow the state to "regain a competitive footing." But the revival of New Jersey's tax credit program arrives as states [jostle ever more fiercely](#) for major studio projects, with the payoff of boosting local economies and spurring tourism. California, where Gov. Jerry Brown signed a June 27 extension to fund a \$330 million annual film and TV program through 2025, hopes to retain what would otherwise be runaway production.

BORROWERS REJOICE OVER FEWER MUNICIPAL BONDS: The prices for municipal bonds have [recovered](#) from their worst first-quarter slump of the last 15 years. The reason: U.S. states and cities continue to cut back on their borrowing. Municipalities borrowed \$156 billion in the first two quarters of this year, down 17% from last year. Citigroup researchers are projecting that year-over-year decline will reach 25% by the end of the year. The low supply is pushing up the value of existing bonds and reducing borrowing costs for some governments, particularly on riskier bond deals. Twelve-year bonds backed by settlement payments from tobacco companies to the state of California sold with yields of 3.07% in June, compared with yields of 3.25% in March of last year. About half of the drop in supply resulted from Congress's decision last year to end tax exemption for early refinancings of outstanding municipal bonds, according to an estimate by Vikram Rai, head of municipal strategy at Citigroup. Borrowers also rushed to sell municipal bonds amid talk of other legislative proposals—such as a ban on tax-exempt issuance by hospitals and universities—that weren't ultimately enacted.

B. HEALTHCARE & INSURANCE

SOME STATES PROCEED DESPITE ADVERSE MEDICAID RULING: It was over before it even started. Just hours before work requirements for Medicaid were set to go into effect in Kentucky, a federal judge struck them down, [ruling](#) that they were "arbitrary and capricious." It would have been the first time in the United States that some people applying for the government health care program had to meet a certain number of hours working or job training -- a condition for insurance that the Obama administration repeatedly rejected. But Kentucky isn't the only state that has received or requested approval from the Trump administration to implement Medicaid work requirements. The ruling leaves at least 10 states in limbo, as they await next steps from the federal Centers for Medicare and Medicaid Services (CMS). There is no clarity from CMS about how the ruling could impact approved or pending waivers for Medicaid work requirements. Seven states are still awaiting a decision: Arizona, Kansas, Maine, Mississippi, Ohio, Utah and Wisconsin.

WHITE HOUSE, STATES TO SQUARE OFF ON ASSOCIATION HEALTH PLANS: Frustrated in their attempts to demolish in one fell swoop the Affordable Care Act, Republicans have turned to a “one thousand small cuts” strategy to disable the act. Among the largest of those small cuts: expansion and promotion of association health plans, or AHPs, via a White House written rule. But if several state authorities have their way, this cut, if not healed, may be wrapped in legal bandages. Compared to the myriad other attacks, the AHP strategy offers more long-term promise for undermining Obamacare. The Trump Administration has marketed the “skinny” plans as a solution for “the little guy”—meaning small business owners—to provide affordable insurance to employers and small business owners themselves. The key to the affordability: Such plans don’t have to meet the full requirements of the act. But AHPs can be regulated by states, and several aren’t going along with the GOP plan willingly. At present, resistance is strongest in the upper East Coast. New York, Massachusetts and Vermont have already taken steps to defang the AHP strategy. But other states have indicated their opposition to the GOP strategy. And compelling reasons exist to support a states revolt. More [here](#).

ADMINISTRATION TO EXPLORE DRUG IMPORTS TO COUNTER PRICE HIKES: The Trump administration is [cracking open the door](#) to using prescription drugs imported from overseas - ones that have not been approved by the Food and Drug Administration - to combat high drug prices in limited circumstances. The FDA said that it plans to create a working group to examine how to safely import drugs in a specific situation: when there's a sharp price increase for an off-patent drug produced by a single manufacturer. Generally, the importation of drugs from other countries is illegal. But the FDA doesn't enforce the ban against individuals bringing in small amounts of drugs for personal use. And it occasionally allows the importation of foreign-approved drugs to ease supply shortages, such as those resulting from last year's hurricane in Puerto Rico.

BGR Insight

REPUBLICANS SHOULD STUDY ALEXANDRIA OCASIO-CORTEZ'S RISE: BGR Founding Partner, Ed Rogers, looks at the Alexandria Ocasio-Cortez and assesses what her primary victory over longtime Democrat Congressman Joe Crowley means for Democrats and Republicans alike. He [writes](#) in the Washington Post, “With Alexandria Ocasio-Cortez’s primary victory in New York’s 14th Congressional District, a new Democratic star is born. Ocasio-Cortez is being celebrated far and wide. And why not? The Democrats need some young faces and a fresh approach. It will be interesting to see if Ocasio-Cortez becomes a legitimate crusader against the party establishment or if she will be co-opted and become little more than something of a priestess who grants absolution to establishment Democratic Party leaders and candidates who take corporate money, live in the swamp and have not adopted the new leftist progressive agenda. Will she be an East Coast version of Sen. Kamala D. Harris (D-Calif.) whom Republicans see as overly scripted and desperately checking all the right liberal boxes or will she be a true product of the Occupy and Bernie Sanders movements?”

C. ECONOMY, TRADE & INFRASTRUCTURE

IMPACT OF TRUMP'S TARIFFS ON STATES: As the U.S. and its trading partners [continue](#) to ratchet up trade tensions, some states – particularly ones President Donald Trump won in 2016 – can expect to feel a much bigger economic impact than others, according to data compiled by the nation’s largest business lobbying group. The U.S. Chamber of Commerce recently launched a campaign attacking Trump's trade policies with a state-by-state breakdown of the impact of rising tariffs on hundreds of specific products recently targeted by China, Canada, Mexico and the European Union. The data provide a closer look at how the economic fallout from an escalating trade war would be felt unevenly across the country. Since the Trump administration’s decision earlier this year to raise tariffs on steel and aluminum imports, major U.S. trading partners have retaliated by targeting a growing list of U.S. export products.

GOVERNORS DELVE INTO FOREIGN DIPLOMACY ON TRADE WAR: State governors [discussed ways](#) to court foreign investment in the wake of President Donald Trump's trade disputes with countries including China, Canada and Mexico. Several of the more than 20 governors attending the annual meeting of the National Governors Association said shifting U.S. trade policies are rattling markets for agricultural commodities and complicating decisions by foreign investors. "It gets damaging when you get into these very frictional relationships where people are trying to measure this tariff or that tariff," said Democratic Gov. John Hickenlooper of Colorado. "I'm not saying the previous system was fair." Republican Arkansas Gov. Asa Hutchinson said he is sending the state's economic development director on an additional trip to China this year to meet with companies that are making investments in his state, amid concerns about deteriorating U.S.-China trade relations.

STATES LAUNCH INVESTIGATION TARGETING FAST-FOOD HIRING: Attorneys general in 10 states and the District of Columbia are [launching](#) an investigation of contracts at fast-food chains that prevent their workers from switching franchises, targeting a practice some economists say drags down wages for millions of Americans. The group will send letters to eight fast-food companies — including Burger King, Dunkin' Donuts, Panera Bread and Wendy's — requesting information about "no-poaching" agreements that bar or restrict managers from hiring workers at another store in the same chain. The states said they will ask for information and documents from the firms about their use of the practice. No-poaching clauses have come under increasing scrutiny by Democrats and some policy experts over the past several years as wage growth remains a persistent weakness for an otherwise strong and growing economy. Along with Massachusetts, the group includes attorneys general in California, the District, Illinois, Maryland, Minnesota, New Jersey, New York, Oregon, Pennsylvania and Rhode Island.

STATES WEIGH BETS ON MOBILE SPORTS GAMBLING: Now that states are free to craft laws legalizing sports gambling, the latest [question](#) is whether to enter the potential \$9 billion mobile-betting market. Americans who legally gambled on the World Cup final and other athletic competitions primarily did so in person at a limited number of casinos. Increasingly, though, gamblers in other countries are placing wagers from their smartphones.

D. EDUCATION & THE ENVIRONMENT

JUDGE TOSSES CITY CLIMATE CHANGE LAWSUIT AGAINST BIG OIL: BP Plc, Exxon Mobil Corp. and Chevron Corp. [escaped](#) blame for the public costs of global warming when a U.S. judge ruled that lawsuits by cities against oil companies aren't the answer to climate change. "The problem deserves a solution on a more vast scale than can be supplied by a district judge or jury in a public nuisance case," U.S. District Judge William Alsup wrote in dismissing complaints by the cities of San Francisco and Oakland, California. Litigation by local governments in the U.S. including New York City, Boulder, Colorado, and eight California cities and counties is a new front in the global fight against climate change. The suits thrown out sought to recover the cost of infrastructure needed to protect against rising sea levels. ConocoPhillips and Royal Dutch Shell Plc were also among the defendants.

EPA GIVES STATES MORE FLEXIBILITY TO REGULATE SITES STORING TOXIC COAL ASH: The Environmental Protection Agency has [changed a rule](#) requiring cleanup of ponds holding coal mining waste to give states more flexibility and postpone the deadline to close facilities that have contaminated the surrounding groundwater. The decision changes a 2015 Obama administration rule about ponds and landfills that store coal ash, a byproduct of burning coal that contains heavy metals like arsenic, mercury, and cadmium. Coal ash is stored in ponds at sites around the country and testing at hundreds of those sites have shown that those toxic substances have spread from the holding pond into the groundwater. There are hundreds of active coal ash sites across the country that handle more than 100

million tons of ash every year, according to the EPA. As much as 95 percent of the sites have contaminated groundwater with levels of the metals higher than is considered safe, according to the Environmental Integrity Project. The EPA says the changes will let states address coal ash contamination on a case-by-case basis, but environmental groups say the change will weaken protections.

BGR in the News

JERRY STRICKLAND, FORMERLY TEXAS GOV. GREG ABBOTT'S HEAD OF STATE-FEDERAL RELATIONS, JOINS BGR GROUP: Jerry Strickland, who was Texas Gov. Greg Abbott's head of the Texas Office of State-Federal Relations, will join BGR Group as vice president. In his new role, Strickland will open up the firm's new Texas office in Austin. The Texas office is BGR group's first office in another state. Lanny Griffith, chief executive of BGR Group, told PI that given Texas houses numerous industries, including technology, transportation, infrastructure, energy and shipping, there's "a lot of opportunity there." Opening a Texas office, he said, is "something that will help us serve current clients as well as make it possible for us to attract new clients." More [here](#).

AP STUDY – BILLIONAIRES FUEL U.S. CHARTER SCHOOL MOVEMENT: Since 2006, philanthropists and their private foundations and charities have given almost half a billion dollars to state level charter support organizations, according to an Associated Press analysis of tax filings and Foundation Center data. The review looked at 52 groups noted by a U.S. Department of Education website as official charter school resources in the 44 states plus Washington, D.C., that currently have a charter law, as well as the National Alliance for Public Charter Schools. Most of the money has gone to the top 15 groups, which received \$425 million from philanthropy. The Walton Family Foundation, run by the heirs to the Walmart fortune, is the largest donor to the state charter advocates, giving \$144 million to 27 groups. Charters aren't subject to the same rules or standards governing traditional public schools but are embraced by Gates and other philanthropists who see them as investments in developing better and different ways to educate those who struggle in traditional school systems, particularly children in poor, urban areas. Studies on academic success are mixed. Nationwide, about 5 percent of students attend charters. They have become a polarizing political issue amid criticism from some, notably teacher's unions, that they drain resources from cash-starved schools and erode the neighborhood schooling model that defines communities. More [here](#).

STATES TO LINE UP FOR FEDERAL PRESCHOOL GRANTS: A federal grant program aimed at helping states boost their preschool offerings will [make its debut next month](#) — when states can begin vying for a piece of the \$250 million pot. The first iteration of the program was conceived during the Obama administration and helped kickstart statewide preschool programs. Montana, for example, used its \$40 million award over four years to add more than 750 new preschool slots for 4-year-olds that meet federal early learning standards, like low student-teacher ratios, according to the [Billings Gazette](#). The new version of the program, codified in the Every Student Succeeds Act, is meant to help states serve children from birth to age 5, and not just 4-year-olds. The funding isn't intended as seed money for universal preschool efforts, and instead should help "maximize parental choice" by helping states coordinate care through a variety of existing programs, like Head Start centers and private providers — according to language in ESSA.

E. TECHNOLOGY & PROCUREMENT

STATES SLOW TO PREPARE FOR HACKING THREATS: U.S. intelligence officials and security experts have spent years urging states to shore up their elections' digital defenses, and the latest indictments from special counsel Robert Mueller drew fresh attention to Russia's cyberattacks on the 2016 presidential election. But less than four months before the midterm elections that will shape the rest of Donald Trump's presidency, most states' election offices have failed to fix

their most glaring security weaknesses, [according to a POLITICO survey of all 50 states](#). And few states are planning steps that would improve their safeguards before November, even after they receive their shares of the \$380 million in election security funding that Congress approved in March. Only 13 states said they intend to use the federal dollars to buy new voting machines. At least 22 said they have no plans to replace their machines before the election — including all five states that rely solely on paperless electronic voting devices, which cybersecurity experts consider a top vulnerability.

NEW NGA REPORT GUIDES GOVERNORS ON AUTONOMOUS VEHICLES: A [report released](#) this month by the National Governors Association says the successful deployment of autonomous vehicles begins with leadership from the top. The potential benefits of the technology — including improved mobility for seniors and disabled people, reduced air pollution and greater work productivity — present a great opportunity, the report says, but also challenges set to influence the lifestyles of residents and economies in every state.

F. FEDERAL/STATE RELATIONS

NEW BATTLEGROUND EMERGES OVER GOVERNMENT UNION FEES: Public worker unions that represent state and local government employees are [confronting](#) new legal challenges after the U.S. Supreme Court ruled last month that fees they'd been collecting from non-members were unconstitutional. Employees who did not join unions but had "agency" or "fair share" fees deducted from their pay have filed lawsuits in an effort to get that money back. States and local governments may be unable to avoid the legal fray. A lawsuit filed in Washington state last week names **Gov. JAY INSLEE** and another state officials as defendants alongside a union. In California, seven current or former teachers filed a lawsuit earlier this week in federal court seeking fee refunds. They are asking the court to certify the suit as a class action. The class of people who could ultimately be covered by that case is not entirely clear yet. But one of the lawyers representing the teachers said he expects it to include other teachers in California who paid agency or fair share fees to unions during the last three years.

SIX STATES AND NEW YORK CITY SUE U.S. OVER IMMIGRATION-RELATED POLICY: Six states and New York City [sued the federal government](#), joining other cities and states who say the government is trying to unlawfully force "sanctuary" communities to engage in federal immigration enforcement if they want anti-crime funds. Lawsuits were filed in Manhattan federal court on behalf of New York state and city, Connecticut, New Jersey, Washington, Massachusetts and Virginia. The federal government in July 2017 imposed conditions requiring cities receiving public safety grants to notify federal agents when immigrants in the country illegally are about to be released from police detention. Since then, federal courts in Illinois, Pennsylvania and California have struck down the conditions affecting so-called "sanctuary" communities.

BIPARTISAN BILL SEEKS TO MAKE PUERTO RICO 51ST STATE: A bipartisan bill recently [introduced](#) seeks to make the U.S. territory of Puerto Rico the nation's 51st state. Filed by **REP. JENNIFER GONZÁLEZ-COLÓN** (R), Puerto Rico's resident commissioner and non-voting representative in Congress, the bill lays out a plan to enable the territory to become a state by January 2021. The move has been described as Puerto Rico's "biggest push for statehood" in many years. Fourteen Democrats and 20 Republicans have backed the bill thus far; however, it remains unclear what odds the legislation has of passing. Several lawmakers supporting the bill said the federal government's response to Puerto Rico's devastation following Hurricane Maria highlighted the territory's need for statehood. "The hard truth is that Puerto Rico's lack of political power allows Washington to treat Puerto Rico like an afterthought, as the federal government's inadequate preparation for and response to Hurricane Maria made crystal clear," **REP. STEPHANIE MURPHY** (D-Fla.) told NBC News. González said her new bill calls for the creation of a bipartisan, nine-member task force to look into what measures need to be changed to allow Puerto Rico to be incorporated as a state. Puerto Ricans have been divided on

the issue of statehood for decades. In the last referendum on the issue, 97 percent of those who voted supported statehood.

II. Politics

A. GOVERNORS & STATEWIDE OFFICES

DEMOCRATS EYE EXPANDED MAP OF GOVERNOR'S RACES IN KEY YEAR FOR REDISTRICTING: President Donald Trump's stumbles overseas and awkward intervention in key states has Democrats optimistic that the playing field is expanding in what could be the [most important year of governor's races for the next decade](#). November's midterm elections feature 36 governor's races -- including 23 seats that are currently in Republican hands. Because most governors have veto power over redistricting maps made by state lawmakers, Democratic governors have spent the year arguing that this year is their only chance at installing a check on Republican-dominated legislatures and preventing maps that would give the GOP a major advantage in the battle for control of Congress for another decade. The stakes grew higher when the Supreme Court refused to rule this year on several cases that challenged gerrymandered maps.

MORE GUBERNATORIAL RACES BECOME TOSSUPS AS NOVEMBER NEARS: Since March, when Governing last handicapped the nation's 36 gubernatorial races, the number of tossups has risen. But overall, Democrats still seem poised to gain a few seats this fall. In this handicapping, Governing [shifted](#) the ratings in eight states -- four in Republicans' direction and four toward Democrats. Those states, respectively, are Alabama, Maryland, Massachusetts and New Hampshire, and Arizona, Iowa, Ohio and Pennsylvania.

LARRY SABATO – THREE REPUBLICAN GOVERNORS FACE INCREASINGLY TOUGH ELECTION CONTESTS: The *Crystal Ball* has [three ratings changes](#) in gubernatorial contests, all shifts in the Democrats' direction: Arizona moves from Likely Republican to Leans Republican, Illinois moves from Leans Democratic to Likely Democratic, and Iowa moves from Leans Republican to Toss-up.

DEMS SEEK TO REBUILD RUST BELT 'BLUE WALL': For a quarter-century, Democratic presidential candidates relied on a blue wall of Midwestern and Rust Belt states that delivered electoral votes on a regular basis. Then Donald Trump smashed that wall, winning states like Michigan, Wisconsin and Pennsylvania. [Now](#), those same states, along with perpetual swing states, are battlegrounds in a different fight — electing governors.

POPULAR REPUBLICANS - THE NEW ENGLAND ENIGMA: Both Connecticut and Rhode Island are deeply blue states; both have gone for the Democratic presidential candidate since 1992; both have all-Democratic congressional delegations. [Why](#), then, are Republicans doing so well? Certainly, one can point to the unpopularity of incumbents such as Malloy and Raimondo (and, in particular, Malloy's unprecedented unpopularity). But Democrats have been unpopular before in these states without the governors' mansions' going to the Republicans. Perhaps it's better to look at what is popular in New England. Three of the most popular governors in the country are also in New England, and they're Republicans: Massachusetts's Charlie Baker, Vermont's Phil Scott, and New Hampshire's Chris Sununu. (The only exception to this trend is Maine's Republican governor, Paul LePage, who has a 42 percent approval in that Morning Consult poll.) If Boughton

and Fung are able to pull off wins in Connecticut and Rhode Island, *every New England state* will have a Republican governor, an unprecedented situation in modern times.

DEMOCRATIC GOVERNORS SET TO TAKE ON THE BIGGER NAMES IN 2020 PRESIDENTIAL CONTEST:

A handful of Democratic governors are [wading into](#) the early stages of the 2020 presidential contest. Three governors -- Montana's Steve Bullock, Colorado's John Hickenlooper and Washington state's Jay Inslee -- each said in interviews at the National Governors Association summer meeting in New Mexico that they are considering 2020 runs. All three have already visited Iowa, the first state to vote during the caucus and primary season, once this year. Bullock said he will visit eastern Iowa next week to campaign for Democratic House and statewide candidates.

FOR LIEUTENANT GOVERNORS, MIDTERMS LOOK PREDICTABLE: This fall, 10 states will [hold](#) independent elections -- meaning they are separate from the governor's race -- for lieutenant governor. But don't expect the partisan lineup to change very much. At this point, only one seat -- Nevada's -- is at serious risk to flip parties. Another race or two could become competitive as the election approaches. Republicans currently hold the office in seven of the states with elections in November: Alabama, Arkansas, Georgia, Idaho, Nevada, Oklahoma and Texas. Democrats hold the other three seats, in California, Rhode Island and Vermont.

IN TRUMP'S AMERICA, SECRETARY OF STATE BECOMES HOTTEST RACE: [Races](#) for secretary of state across the country have historically not been the most interesting on the ballot. The office typically manages the state's administration, and so the campaign issues can be mundane — think voter registration timetables, small business registration, and, in some cases, protecting the state's official symbols. But 2018 appears to be different. For many states, this year's elections for secretary of state appear against the backdrop of [US Supreme Court gutting the Voting Rights Act](#), several states [going to court over requiring voter ID at the polls](#), the election of Donald Trump that ushered in a controversial and now-[defunct voter fraud commission](#), and [questions about foreign nations hacking](#) — or at least attempting to hack — into voter databases and election systems. What's more, many secretary of states will be [heavily involved in the next round of redistricting](#). It all adds up to one thing: the contests for secretary of state haven't gotten this much attention in more than a century.

WITH MORE STATE CONTROL, REPUBLICANS HAVE MORE TO LOSE IN MIDTERMS: In this midterm election year, the battle for control of Congress is getting most of the attention. But it is not all that is at stake. Voters in 36 states will [choose](#) governors this year, and more than 80 percent of state legislative seats are up for grabs. Republicans overwhelmingly control U.S. statehouses. The GOP holds 33 governor's seats, compared to 16 for the Democrats (Alaska's **GOV. BILL WALKER** is an Independent). And Republicans had outright control of 24 state legislatures at the start of 2018, according to the National Conference of State Legislatures. Democrats control just seven. In 18 states each party controls one house (Nebraska's legislature is nonpartisan). Sabato said that means Republicans have the most to lose at the state level, especially because they hold 26 of the 36 governorships up for grabs.

B. STATE LEGISLATURES & MAYORS

MAYORS MUSCLE INTO 2020 PRESIDENTIAL RACE: No mayor has [ever](#) sprung directly from City Hall to the White House. But that historic streak stands to be tested in 2020, with at least three Democratic mayors mulling presidential campaigns: Los Angeles **MAYOR ERIC GARCETTI**, **FORMER NEW ORLEANS MAYOR MITCH LANDRIEU** and South Bend, Ind., **MAYOR PETE BUTTIGIEG**. They're exploiting a newfound opening for politicians at the municipal level, one enabled by broader economic and cultural forces, among them the rise of the Democratic Party's diverse and ascendant Obama coalition. In part, the opportunity for Democratic mayors is a product of the party's failings elsewhere. With Democrats

out of power in Washington and in many state capitals, large, heavily Democratic cities have become progressives' power centers of last resort, with an increasingly diverse media landscape offering exposure to a previously anonymous class of politicians.

LEGISLATURES COULD SOON HAVE MORE WOMEN THAN MEN: A record number of women won Nevada's primaries in June. And there is now a possibility for the Legislature to have more women than men, which would be a first in United States history. Of the states that have had primaries so far, at least eight more have a shot at reaching or surpassing the 50 percent mark in November. Nationally, for women to be at least equally represented as men in all state legislatures, voters in November would need to elect 1,816 more women, nearly doubling the current count of female legislators in state office. Women now [make up](#) a quarter of all state legislature seats in the United States. There is a "[gender gap in political ambition](#)," largely because women are less likely to be encouraged to run and more female candidates are likely to doubt their own qualifications, said Jennifer Lawless, the director of the Women & Politics Institute at American University.

'EDUCATOR SPRING' SPAWNS WAVE OF TEACHER CANDIDATES: Angry educators are [flooding](#) down-ballot races in the wake of recent red-state teacher strikes, accelerating the Democratic Party's rebuilding process at the statehouse level and raising the prospect of legislative gains after years of decline. Nearly 300 members of the American Federation of Teachers union are running for political office this year, more than double the number in each of the years 2012 and 2016. The teacher candidacies are part of a rising tide of political activism in 2018, with nearly 800 candidates running in the first round of Oklahoma's primaries, breaking the previous record of 594 set in 2006, and more than 200 filing to run in next month's Arizona primary — more than ran during each of the previous three election cycles.

C. BALLOT INITIATIVES & OTHER

RNC FIGHTS BLUE WAVE WITH VOTER OUTREACH: Heading into the summer with a major cash advantage over the Democrats, the Republican National Committee [says](#) its efforts to contact voters ahead of the November midterms are on pace to match, and in some categories have already surpassed, the 2016 presidential election. The RNC told NBC News it has already made 20 million traditional voter contacts by phone or door knocking this election cycle, a large number for a nonpresidential election year. That's just part of the total 487 million contacts it says it has already made this cycle, including emails opened (250 million), calls made for data gathering purposes (183 million), digital petitions or surveys completed (19 million), direct mail sent (9.6 million), and get-out-the-vote calls made (5.6 million). The RNC also has enjoyed a considerable fundraising edge over its Democratic counterpart, entering the summer campaign season with 47.4 million cash on hand — more than five times the \$8.7 million that the Democratic National Committee has in the bank.

OBAMA RETURNS TO BOOST HOLDER-LED GROUP TARGETING GOP: FORMER PRESIDENT BARACK OBAMA, who has maintained a low profile since leaving the White House, [reemerged](#) in a new video to garner support for a redistricting group led by former attorney general Eric Holder that is targeting Republican politicians in a dozen states across the country. The National Democratic Redistricting Committee (NDRC), a group headquartered in Washington, D.C., and chaired by Holder, emailed the video out this month. The NDRC seeks to enact a "comprehensive" strategy to impact the 2021 redistricting process by using electoral, legal, and ballot initiative components.

COMPANIES INCREASINGLY TAKING STAND ON POLITICAL ISSUES: Political divide in the country is [creating](#) a new landscape for business, in which fierce debates often lead consumers and employees to demand that corporations and chief executives take positions on big issues. That is increasingly pulling Walmart, the world's largest retailer and largest private employer, into weighing in on issues such as immigration, the Confederate flag and gay rights—generally after

other companies or politicians have done the same. In the past, "the CEO rule was basically keep your head down, stay out of complicated issues, because there were opinions on both sides of any issue," said Lawrence Parnell, associate professor at the strategic public relations program at George Washington University's Graduate School of Political Management, who also consults with companies on the topic. "It's no longer a question of if, but where, when and how to engage on these issues and what type of topics to engage on," he added. "These are new challenges and things CEOs and boards never had to deal with before, so they are struggling."

TOP DEMOCRATIC GROUP LAUNCHES EFFORT TO ATTACK REPUBLICANS OVER TRUMP'S TRADE AGENDA: A top Democratic opposition research firm is [launching a months-long effort](#) ahead of the midterm elections to tie Republican candidates to the impacts of President Donald Trump's moves on international trade. American Bridge 21st Century will launch "[Trade War Watch](#)" on Thursday, which includes a campaign of digital ads, research and a tailored website to make voters aware of how a tit-for-tat trade conflict with China, the European Union, Mexico and Canada is affecting industries across the United States. The campaign is the latest sign of how Democrats believe the impacts of Trump's trade moves on particular industries could resonate with voters in key states. The operatives tasked with leading the campaign believe that the issue will also highlight how GOP leaders have dispensed with long-held Republican views on trade to fall in line with Trump.

State of the States

ALABAMA

STATE SEES FACTORY INVESTMENTS STALL: The state of Alabama is [seeing](#) delays in big manufacturing investments in light of **PRESIDENT DONALD TRUMP'S** bellicose trade policies and is urging a more conciliatory approach. "We've seen a couple of projects that we've been actively working where their timeline has slipped," **GREG CANFIELD**, the state's secretary of commerce, said in an interview. "The longer this drags out, the more danger there is that we'll see a real drag on our economy. We're going to see Alabama lose jobs, and that's not acceptable."

GOVERNOR LOBBIES WHITE HOUSE AGAINST AUTO TARIFFS: Alabama Gov. Kay Ivey continues to push the White House to reverse course on its trade policy. Ivey has been [lobbying](#) Commerce Secretary Wilbur Ross and Vice President Mike Pence to advise President Donald Trump not to impose tariffs on automobiles and automotive parts. A 10 percent decrease in exports of vehicles made in Alabama could result in the loss of 4,000 jobs, she said. Last year, the auto industry invested \$3 billion in Alabama. Five original equipment manufacturers and more than 200 suppliers have created more than 57,000 auto manufacturing jobs, producing \$10.9 billion in exports for the state in 2017.

HANDICAPPERS MOVE ALABAMA GOVERNOR'S RACE FROM 'LIKELY REPUBLICAN' TO 'SAFE REPUBLICAN': A strong primary showing for Kay Ivey has prompted political pundits to [reclassify the Alabama governor's race](#). Louis Jacobson, Politifact senior correspondent, has tracked statewide races around the country, using polls and other data to forecast the outcomes. Before the primary, Jacobson forecast Alabama's gubernatorial race as "likely Republican." After Ivey soundly defeated all challengers to win the GOP nomination without a runoff, Jacobson moved the state squarely into the GOP's corner.

ARIZONA

DUCEY SIGNS EXECUTIVE ORDER FOLLOWING LEGISLATIVE IMMUNITY CONTROVERSY: Gov. Doug Ducey [clarified](#) that legislative immunity does not mean lawmakers can't get speeding tickets. An executive order signed by the governor says officers should consider any criminal violations, including criminal speeding, reckless driving and driving under the influence, as a "breach of the peace," and thus subject to citation. "It is clear in some recent cases that the peace has been breached, and we have a responsibility to enforce the law in these cases," the executive order states. The order comes after Rep. Paul Mosley, R-Lake Havasu City, came under fire for claiming legislative immunity, a constitutional provision, to avoid a ticket for speeding 97 mph in a 55 mph zone.

VOUCHER VOTE CREATES DILEMMA FOR SCHOOL CHOICE SUPPORTERS: School-choice supporters won legislative passage of a 2017 law to expand Arizona's voucher program, but some now [aren't sure](#) whether they want the law's fate in the hands of a voters' referendum. The expansion supporters' unease stems from a 20-year-old state constitutional provision under which voter approval of the expansion law apparently would virtually lock in its provisions, including a 30,000-student enrollment cap, the Arizona Capitol Times reported. Arizona has had vouchers since 2011, when they were originally designated for children with special needs. A "yes" on Proposition 305 would keep Senate Bill 1431, the expansion of ESAs, in place as approved by the Legislature in 2017.

DAVID GARCIA HANDS DUCEY A GIFT WITH CALL TO ABOLISH ICE: Gov. Doug Ducey might want to send a thank-you note to the guy who wants his job. Polls have indicated that Ducey is behind Democrat David Garcia or at best dead even, which is not a good sign for an incumbent Republican in a red state. But Garcia gave the gov a gift, joining the Democratic call to abolish Immigration and Customs Enforcement. So naturally, Doug Ducey is out with an [op-ed](#) in *USA Today* defending ICE, calling out Massachusetts Sen. Elizabeth Warren and others but curiously, not Garcia. More [here](#).

ARKANSAS

HUTCHINSON TO SERVE ON COUNCIL OF GOVERNORS: PRESIDENT DONALD TRUMP [announced](#) last week his intention to nominate **GOVERNOR ASA HUTCHINSON** to a two-year term on the 10-member Council of Governors. The Council of Governors was created by the National Defense Authorization Act for FY 2008 and formally established by Executive Order on January 11, 2010. The Council is intended to serve as a mechanism for governors and key federal officials to address matters pertaining to the National Guard, homeland defense, and defense support to civil authorities.

HUTCHINSON STICKS WITH TRUMP ON TRADE WAR: Republican Arkansas Gov. Asa Hutchinson [told CNBC](#) that he gives "confidence and latitude" to President Donald Trump in the China trade war but urges a quick resolution for the sake of the nearly 48,000 family owned farms in his state. "I continue to support the president," Hutchinson said. "But we feel it's appropriate to say there is a point that you should not squeeze us further." The United States and China exchanged \$34 billion worth of tariffs. American farmers are among the hardest hit by China's 25 percent retaliatory duties on everything from meats and dairy to fruits and vegetables to rice and soybeans. Agriculture is the No. 1 industry in Arkansas, adding \$16 billion per year to the state's \$124 billion economy. Soybeans are Arkansas' top export to the tune of about \$850 million annually.

CALIFORNIA

GOP BETS ON GAS TAX REPEAL: California Republicans are [banking](#) on a ballot measure this fall that the embattled state party believes can stave off a Democratic wave in November — and perhaps even spark a GOP revival in the run-up to 2020. Carl DeMaio, a former San Diego city council member, announced he's raised more than \$1.1 million online for his campaign to repeal the 12-cent-a-gallon gas tax backed by **GOV. JERRY BROWN** — and [polls suggest it may be heading for a November victory](#). The repeal effort — known as Proposition 6 on the November ballot — has also attracted backing from state and national Republican leaders, including **HOUSE SPEAKER PAUL RYAN** and **MAJORITY LEADER KEVIN MCCARTHY**. They are counting on it to energize enough voters to save a handful of endangered California GOP House members — which could prevent the House from flipping Democratic.

VOTERS FACE DECISION ON \$2 BILLION SPENDING PLAN FOR HOMELESS HOUSING: Californians will [decide](#) in November whether to borrow \$2 billion to fund new housing for homeless residents. **GOV. JERRY BROWN** authorized the ballot measure Wednesday when he signed the state's annual budget and related legislation. The measure would draw funding from dollars generated by Proposition 63, a 1% income tax surcharge on millionaires passed in 2004 that funds mental health services. Housing built or rehabilitated under the plan would be designated for mentally ill residents living on the streets. This is the second try at a spending plan for Brown and state lawmakers, who first tried to approve the money without a public vote in 2016. But a Sacramento attorney and mental health advocates challenged the effort in court, arguing that the money shouldn't be diverted from treatment programs and that legislators needed a vote of the people to authorize the funds. That case is still in litigation and the November ballot measure, if successful, would free up the money.

NEW LAW REQUIRES VOTER DATA BREACH REPORTING: Journalists, researchers and political campaigns that receive voter data must tell California officials if it may have been stolen under a [new law](#) Gov. Jerry Brown announced he signed. It requires people and organizations that have California voter registration data to report security breaches affecting the storage of that information, which can include names, birth dates and addresses. Counties and the secretary of state's office provide voter registration information to people and organizations who agree to use the data only for journalistic, scholarly, political or government purposes. The new law directs the secretary of state to develop guidelines for how such information should be securely stored. Additionally, it makes intentionally misinforming a voter about voting locations, eligibility or times a misdemeanor.

LAWMAKERS AGREE ON STRONGEST NET NEUTRALITY PROTECTION: Ending a [dispute](#) over a proposed net neutrality bill, California Democratic legislators they have agreed on a proposal that would provide the strongest protections of open access to the internet in the country in response to last month's federal repeal of similar rules. The compromise measures, which still require legislative approval, would bar internet service providers from blocking, speeding up or slowing down websites and video, as well as charging websites fees for fast lanes, said **STATE SEN. SCOTT WIENER** (D-San Francisco), an author of one of the two proposed bills. California is one of 29 states that have proposed legislation on net neutrality, including Hawaii, New York, Rhode Island and Vermont, while action has been taken on bills in Oregon and Washington, officials said.

STATE PASSES SWEEPING LAW TO PROTECT ONLINE PRIVACY: California has [passed](#) a digital privacy law granting consumers more control over and insight into the spread of their personal information online, creating one of the most significant regulations overseeing the data-collection practices of technology companies in the United States. The bill raced through the State Legislature without opposition and was signed into law by **GOV. JERRY BROWN**, just hours before a deadline to pull from the November ballot an initiative seeking even tougher oversight over technology companies. The new law grants consumers the right to know what information companies are collecting about them, why they are collecting that data and with whom they are sharing it. It gives consumers the right to tell companies to delete their

information as well as to not sell or share their data. Businesses must still give consumers who opt out the same quality of service. It also makes it more difficult to share or sell data on children younger than 16. The legislation, which goes into effect in January 2020, makes it easier for consumers to sue companies after a data breach. And it gives the state's attorney general more authority to fine companies that don't adhere to the new regulations.

SPLITTING UP CALIFORNIA – STATE SUPREME COURT TAKES INITIATIVE OFF BALLOT: The state Supreme Court decided that California will remain intact geographically, at least for now, while it decides whether the voters can consider a proposal to divide the Golden State into three new states. The three-state initiative, Proposition 9, had gathered enough signatures to qualify for the November ballot. Nine days after opponents filed suit, the [court issued a unanimous order](#) removing the measure from the ballot and ordering further legal arguments on whether it should be placed on another ballot in 2020 or struck down altogether. The court said it usually allows ballot measures to go to the voters before considering constitutional challenges. But in this case, the six justices said, "significant questions regarding the proposition's validity" and the "potential harm" of allowing a public vote before those questions are resolved "outweighs the potential harm in delaying the proposition to a future election."

PROPOSED SAN FRANCISCO TAX TO ADDRESS HOMELESSNESS COULD HIT RETAIL: Some of San Francisco's largest companies [could](#) collectively be facing an [estimated \\$300 million annual tax increase](#), which is likely to spark a political fight amid concerns over higher costs for consumers and the effect on businesses. Homeless advocates, nonprofits and community groups submitted 28,000 signatures last week for a November ballot measure called "Our City Our Home," which would raise gross receipts taxes by 0.5 percent for companies making \$50 million or more in gross receipts.

AS SILICON VALLEY LOOKS TO TAX TECH, SAN FRANCISCO HAS LIGHTENED ITS LOAD: As fast-growing tech companies strain housing, transportation and other civic resources, cities are pushing to increase their taxes. There's one [exception](#): San Francisco. In 2012, as unemployment remained high, voters passed an initiative to [phase out](#) the 1.5 percent payroll tax in favor of a [gross receipts](#) tax that covers more or less all corporate income. The idea was to expand the number of businesses paying taxes and not discourage companies from hiring. The gross receipts tax varies by revenue and sector, with companies making over \$25 million paying the highest rates; in 2017, the highest marginal rate was under 0.5 percent. Since 2012, that rate has risen as the payroll tax rate falls, a system meant to keep city revenue level. As of 2016, when the payroll tax had been cut by nearly half and gross receipts taxes raised accordingly, nearly 4,000 more businesses paid the gross receipts tax than paid the payroll tax, according to an October city report, indicating it had broadened the city's tax base. For now, San Francisco's commercial landlords are the only businesses facing a targeted tax hike. In June, voters [narrowly passed](#) Proposition C to create a rent tax of 3.5 percent on office buildings and 1 percent on warehouses, which will raise \$146 million a year for child care and early education.

BREED STEPS IN AS SAN FRANCISCO MAYOR: Elected by the slimmest margin in modern history, **LONDON BREED** [takes](#) the helm of a city where, despite a booming economy and rocketing job growth, the majority of voters feel San Francisco is on the wrong track. And where, despite hundreds of millions of dollars spent on various programs to house the homeless, clean up the city's streets and clear up the clogged traffic, only 2 out of 10 voters feel City Hall is doing a good job managing its resources. Topping the list of voter frustrations is homelessness, with 68 percent citing it as the city's No. 1 problem, followed by the high cost of living, at 50 percent, and lack of affordable housing at 47 percent. Mayor-elect Breed is well aware the voters want action — the question will be, is it business as usual or can she make a difference?

CITY REGISTERS NON-CITIZENS TO VOTE IN BOARD OF EDUCATION ELECTIONS: Non-citizen parents and guardians of children in San Francisco Unified School District are [now able to register to vote](#) for Board of Education members, the city's Department of Elections announced. The department began issuing voter registration forms today for the Nov. 6 election. San Francisco voters in 2016 first passed Proposition N, which allowed non-citizen voting, winning with 54 percent of the vote. In May of this year, the Board of Supervisors adopted an ordinance amending the Municipal Elections Code to begin implementing Prop N by requiring the elections department to develop the required forms and documents.

SAN BERNARDINO COUNTY SUES DRUG COMPANIES, DISTRIBUTORS AND PHARMACIES OVER OPIOID EPIDEMIC: San Bernardino County [filed a lawsuit](#) on July 19, against a number of drug companies, distributors and pharmacies alleging that their "aggressive and fraudulent" marketing of prescription opioid painkillers and distribution practices have led to the opioid crisis plaguing the county and the nation. County officials say at least 35 people died in 2017 from opiate overdoses. Apart from that, there were at least 259 non-heroin opioid overdose emergency department visits and 179 hospitalizations as a result of opioid overdoses in San Bernardino County, they said. Defendants in this lawsuit include large corporations such as Johnson & Johnson, CVS, Kroger, RiteAid, Walgreens, Wal-Mart, Teva, Janssen and Watson Pharmaceuticals. The suit seeks relief for the cost to the county to combat the epidemic, which it says was created by "the drug companies' deceptive marketing campaign that misrepresents the safety and efficacy of long-term opioid use." The complaint also alleges and others involved in the supply chain, such as drug distributors and pharmacies, have failed to maintain effective controls over the distribution of the opioids and in fact, have "actively sought to evade such controls."

COLORADO

COLORADO POISED TO PASS CALIFORNIA FOR OIL PRODUCTION: Oil production is booming in Colorado — so much so that the state is [about to overtake California](#) in the crude-oil output rankings, federal figures show. Crude oil output in Colorado reached 451,000 barrels a day in April, according to data from the U.S. Energy Information Administration. That's slightly less than in California, a traditional oil and gas powerhouse where production has been dropping gradually in recent years. And by August, oil production in Colorado could hit a record level of 611,000 barrels a day, EIA projects. One reason for the jump in production is that Colorado has a better network of pipelines to carry crude oil elsewhere than some other oil-producing states.

BALLOT MEASURE WOULD LIMIT OIL, GAS EXTRACTION: More than 4 of every 5 acres of non-federal land in Colorado [would](#) be off-limits to new oil and gas drilling if voters this fall approve a proposed ballot measure that aims to significantly widen the distance wells have to be from occupied buildings and water sources, according to an [analysis released this month by state energy regulators](#). The report, which doesn't directly address the initiative's potential economic impact, comes at the fever pitch of a years-long dispute over how and where companies access mineral rights. Supporters call the industry an engine of economic growth, whereas critics point to the fading gap between extraction sites and fast-expanding neighborhoods. Initiative 97 would establish the minimum setback of oil and gas wells to 2,500 feet — from the current 500 feet for homes and 1,000 feet for schools. Industry advocates warn that would decimate the state's oil and gas sector, which was cited in a [recent Colorado Petroleum Council study](#) for having generated nearly 233,000 jobs in Colorado and contributed more than \$31 billion to the state's economy.

STAPLETON PICKS RUNNING MATE: Colorado Republican gubernatorial candidate **WALKER STAPLETON** [announced LANG SIAS](#) as his running mate last week. Sias, 59, is a former U.S. Navy pilot and currently represents House District 27, which covers Arvada. Stapleton's Democratic opponent, U.S. **REP. JARED POLIS**, picked cancer foundation executive and **FORMER STATE LAWMAKER DIANNE PRIMAVERA** as his running mate earlier this month — solidifying himself with the left wing of his party.

CONNECTICUT

STATE BUILDS BUDGET RESERVE AS DEFICITS LOOM: After three consecutive years of draining its emergency reserves, state government is [on pace](#) to deposit nearly \$780 million in its rainy day fund. And for **GOV. DANIEL P. MALLOY**, who has struggled with deficits for most of his second term in office, it means a chance to leave a nearly \$1 billion fiscal cushion for his successor, who is projected to face shortfalls more than double that size. In his final monthly report for the 2017-18 fiscal year — which officially ended last Saturday — **COMPTROLLER KEVIN P. LEMBO** estimated the state will deposit \$779.4 million in the budget reserve after closing the books. Coupled with existing funds, that would elevate the reserve to \$992.3 million, or 5.25 percent of annual operating expenses. State finances, unless adjusted, were on pace to run an unprecedented \$3.67 billion deficit in the 2011-12 fiscal year — a problem Malloy inherited during his first year in office from former **GOV. M. JODI RELL** and from the 2010 General Assembly.

SOME GOVERNOR CANDIDATES ALREADY DEVOTING LARGE SUMS TO RACE: Some candidates for Connecticut governor are already [devoting large sums to the race](#). Newly released campaign finance documents show former Greenwich hedge fund manager and Republican candidate David Stemerman is leading the pack. He has loaned his campaign \$12.8 million and raised nearly \$100,000 so far from private contributors. He has spent about \$3 million. Five Republicans and two Democrats have qualified to appear on the Aug. 14 primary ballot. Three of the Republicans are participating in the state's public campaign financing system, which limits how much they can spend. Ned Lamont, a wealthy Greenwich businessman and the Democratic Party's endorsed candidate, has spent nearly \$1 million of mostly his own money on the race. That may increase, considering he spent \$9 million on his failed 2010 gubernatorial primary bid.

FLORIDA

TAX HIKE SUPERMAJORITY RECEIVES NEW PUSH: Florida Republicans are [pursuing](#) a plan to make it harder for lawmakers to raise taxes in the state, adding new hurdles for Democrats hoping to enact bold social programs such as "Medicare for all" and more robust education spending. For Republicans, the effort aims to ensure conservative policies govern the state even if they are voted out of office — a very real possibility ahead of midterms featuring tough polling and an unpopular president. For Democrats, the new rules could make it harder to raise the revenue they need to enact progressive reforms with tax increases on the wealthy. Since winning [control of 25 state legislatures](#) in 2010, Republicans have successfully moved state level policy to the right. Democrats hope to pull it back left via victories in 2018 — but are worried that changes to state rules could put their agenda out of reach. At least 14 states already have supermajority tax requirements, according to a 2017 [tally by the National Conference of State Legislatures](#). They include some states that Democrats are hoping to take back this year, such as Wisconsin and Michigan.

STATE APPROVES FUNDS TO BEEF UP ELECTION SECURITY: Each of the state's 67 elections supervisors met a deadline to apply for a share of \$19 million for cyber security. State lawmakers [approved](#) the cash, but the big questions

is how quickly they'll get the money to spend. Russian hackers tried at least a hundred times to breach Florida's elections systems in 2016. Lawmakers were told none were successful. A special panel of state lawmakers approved spending of \$19 million from the federal government. It will be used to beef up election year security. The biggest worry supervisors have is having to rush to spend the money. A use-it-or-lose-it string attached will require the money to be spent now, but time is running short.

OYSTERS GET A SAY IN SALTY STATE 'WATER WARS': Florida and Georgia have been [arguing](#) about the water that flows into the Apalachicola Bay for three decades, about as long as Tommy Ward and his family have been selling oysters from the bay. Florida says Georgia draws more than its fair share of water from the Flint and Chattahoochee rivers before they fuse to create the Apalachicola River. Georgia uses the water to supply thirsty Atlanta and the vast farmland south of the metropolis. But its disruption of the freshwater flow has increased the salinity of the bay and the number of oyster-eating predators, which are able to thrive in saltier water. The result: The virtual collapse of the oyster industry in Apalachicola Bay. To increase water flow into the bay, Florida in 2013 asked the U.S. Supreme Court to cap Georgia's water usage at 1992 levels, when the population of metropolitan Atlanta was about half what it is today. Georgia says that its water usage is not responsible for the environmental and economic decline of the Apalachicola Bay.

TRUMP ENDORSES DESANTIS: PRESIDENT DONALD TRUMP left no doubt on who he's supporting in the race for Florida Governor. President Donald Trump jolted Florida's still-evolving governor's race by throwing his [support](#) to Republican **CONGRESSMAN RON DESANTIS**. Trump tweeted that DeSantis is "a brilliant young leader" who "would make a GREAT governor. He loves our Country and is a true FIGHTER!" The president made the endorsement even though DeSantis has not officially jumped into the race to replace Gov. Rick Scott. Scott leaves office in early 2019 due to term limits. DeSantis, a U.S. Navy veteran and a graduate of both Yale and Harvard, has represented a northeast Florida congressional district since 2013. DeSantis also joined Trump during a campaign-style event that the president held in Pensacola just before the recent Senate election in Alabama. In a statement, DeSantis said he was "grateful to have the President's support" and that he appreciated Trump's push for tax cuts and for recognizing Jerusalem as Israel's capital and other efforts to "get our country back on track."

STATE HIGH ON DGA NATIONAL PRIORITY LIST: The 2018 midterms bring a handful of toss-up governor's races across the country, but few fights for the governor's mansion carry as much weight nationally as Florida, a state where Democrats have been in political exile for nearly two decades. "It is high on our national priority list," Washington state **GOV. JAY INSLEE**, who chairs the Democratic Governors Association, [told](#) POLITICO. "Florida is ready for a change after two decades." Democrats are in the middle of a five-person primary fight that has at times morphed into a circular firing squad replete with social media shots, and a debate that featured ample attack lines for all on stage. Inslee said his group does not yet have a set budget or outline for what it will spend on the Florida race, but stressed the winner of the primary race will have DGA resources in the general election. Former Miami Beach **MAYOR PHILIP LEVINE** is leading in most recent polls over Tallahassee **MAYOR ANDREW GILLUM**, **FORMER REP. GWEN GRAHAM**, Winter Park housing developer **CHRIS KING**, and billionaire **JEFF GREENE**, who only recently entered the contest.

AG RACE PITS ESTABLISHMENT CANDIDATES AGAINST NEWCOMERS: In the race to [replace](#) **ATTORNEY GENERAL PAM BONDI**, both the Republican and Democratic primaries feature an establishment-backed candidate facing a challenge from a rival seeking to ride a groundswell of support to victory. The Democratic primary has a favorite, **STATE REP. SEAN SHAW** of Tampa, facing down a challenge from another Tampa-area lawyer, **RYAN TORRENS**. Shaw has received the endorsement of several major elected Democratic official in Florida and has outraised Torrens by nearly 4 to 1. Shaw, 40, is the son of the late Leander Shaw, the first African-American chief justice of the Florida Supreme Court. Shaw and Torrens have said they will emphasize the office's consumer protection duties to crack down on fraud and identity theft.

Both have also pledged to advocate for stricter gun control laws and protect the Affordable Care Act. Shaw and Torrens have shown few differences on the issues. But Shaw has a huge edge in campaign resources and support from Democratic elected officials and groups. In addition to endorsements from **HOUSE DEMOCRATIC LEADER JANET CRUZ** of Tampa and **SENATE DEMOCRATIC LEADER OSCAR BRAYNON** of Miami Gardens, Shaw has received support from groups that typically back Democrats, including the Florida Education Association, the Florida AFL-CIO and Moms Demand Action, a national gun control advocacy group.

GEORGIA

GEORGIA STATE BUDGET OVERVIEW: Georgia [plans](#) to spend \$26.2 billion in state funds raised through taxes and fees for the 2019 fiscal year. The budget plan anticipates a revenue increase of \$1.2 billion, or 4.9 percent more than the prior year. Keep in mind when you hear Georgia's \$26.2 billion budget is record-setting that 64 percent of the increase over the year before is due to natural growth. Unless the state's economy sinks, factors like an increasing population and rising retirement benefits for state employees will almost always make the cost of running the state higher from year to year. Georgia's 2019 budget adds \$167 million more to the K-12 spending plan than the prior year, fully funding the state's own formula for the first time in 16 years. The 2019 budget also adds \$20.5 million for children's mental health services for crisis intervention, education assistance and suicide prevention programs. Meanwhile, providers of foster care are allotted \$15.1 million more in the 2019 state budget to keep pace with need, largely caused by Georgia's opioid crisis.

DEAL ENDORSES CAGLE: Gov. NATHAN DEAL [endorsed](#) Lt. Gov. CASEY CAGLE in the race to succeed him, giving the Republican candidate key support from a popular incumbent in his July 24 race against **SECRETARY OF STATE BRIAN KEMP**. The governor said Cagle was in the best position to continue his "tradition" of conservative leadership. The governor had long stayed studiously quiet on the sidelines as the race for his job has evolved, warning only through his top aide that he'll respond harshly to any candidate who critiques his legacy. That started to change in recent weeks as some of Cagle's key supporters – many of whom were also Deal's early allies – urged him to endorse the lieutenant governor.

TRUMP ENDORSES KEMP: President Donald Trump [gave](#) Secretary of State Brian Kemp his "full and total endorsement" Wednesday in Georgia's Republican race for governor, dealing Lt. Gov. Casey Cagle a devastating blow in a bitter runoff. In an afternoon tweet, Trump said Kemp was "tough on crime, strong on the border and illegal immigration," and the president urged his supporters to cast ballots for Kemp in the July 24 race. "He loves our Military and our Vets and protects our Second Amendment," Trump wrote. "I give him my full and total endorsement." It was a stinging setback for Cagle, who had jockeyed to win over the deeply conservative runoff electorate by saying he was the bigger supporter of Trump. The president won Georgia by 5 percentage points in 2016 and remains wildly popular with the GOP base.

TRUMP ENDORSEMENT SURPRISED, AND FRUSTRATED, SOME REPUBLICANS: President Trump's unexpected endorsement of Brian Kemp this week in the Georgia governor's race blindsided and alarmed Republican governors, who fear that Mr. Trump's penchant for capriciously intervening in party primaries is imperiling their prospects in a series of statehouse races. Mr. Trump's personal unpopularity with the general electorate has already created a difficult political environment for Republicans running for governor in many states. But with a handful of hotly contested primaries in the coming weeks, governors and their aides are [scrambling to dissuade](#) the president from taking more active steps to insert himself into the midterm campaign, lobbying the White House to stay out of Republican races in Kansas and Tennessee.

HAWAII

STATE BECOMES FIRST TO BAN SUNSCREENS WITH CORAL-DAMAGING CHEMICALS: Hawaii [became](#) the first state in the nation to ban sales of sunscreens containing chemicals deemed harmful to coral reefs after **Gov. David Ige** signed a bill into law at the Capitol Rotunda in Honolulu. [Senate Bill 2571](#) prohibits the sale and distribution of over-the-counter sunscreens containing oxybenzone and octinoxate in Hawaii. Despite opposition from retail and health industry representatives, Hawaii lawmakers approved the bill in May. The new law goes into effect Jan. 1, 2021. The bill met with opposition from the Hawaii Medical Association (HMA), Hawaii Skin Cancer Coalition, ABC Stores, Hawaii Food Industry Association, Retail Merchants of Hawaii and Personal Care Products Council, among others, as well as Bayer, which manufactures Coppertone sunscreens.

AS FILM INDUSTRY THRIVES IN STATE, SOME FEAR TAX CREDIT CAP COULD PUT IT IN DANGER: Industry experts credit the state's film tax credit program, which refunds production companies a portion of what they spend to film in the islands, for wooing productions to the islands — and enticing productions to keep coming back. And that's been a boon to the economy, they say, generating an estimated \$320 million last year alone and providing hundreds of jobs. But [film industry experts fear](#) a big change coming to the tax credit in the new year could spur productions to look elsewhere, including Mexico, Australia or New Zealand. On New Year's Day, the state will impose a new \$35 million cap on the credits — more than \$20 million less than what the state shelled out in 2017. Supporters of the cap argued it was necessary because there were questions around how much the state was really benefiting from film productions in Hawaii, many of which are made by mainland companies.

NEW POLL SHOWS SHIFT IN SUPPORT FOR GUBERNATORIAL CANDIDATES: According to a new Honolulu Star Advertiser poll, U.S. Rep. Colleen Hanabusa's lead in the race for governor is dwindling over Gov. David Ige in the Democratic primary. [The poll](#) has Gov. Ige slightly ahead by four percentage points. The poll asked potential voters if the primary was held today, who would get their vote? Some 44 percent of likely Democratic voters surveyed said they would vote for Ige while only 40 percent would choose Hanabusa. Another 16 percent said they are undecided.

IDAHO

MEDICAID EXPANSION CERTIFIED FOR STATE BALLOT: A voter initiative on Medicaid expansion in Idaho will appear on the November ballot, state officials announced this week. Idaho becomes the second state to put the question before voters, following Utah, which certified a Medicaid expansion initiative in May. A petition in Nebraska is still pending while Maine's referendum, which passed last year, has been tied up in court while **Gov. Paul LePage** argues the state can't afford expansion.

ILLINOIS

POT SHOPS DISRUPT CALIFORNIA'S BUDDING LEGAL MARKET: Broad marijuana legalization [arrived](#) in California at the start of the year. From the beginning, there was concern the legal market would be undercut by the massive black market that has existed for decades. And that's what's happening. Nowhere is it a bigger problem than in the state's biggest legal local marijuana market: Los Angeles County. Outlaw dispensaries there greatly outnumber about 150 licensed storefront retailers. Legal pot shops are losing customers who can get products more cheaply at illegal outlets

that don't charge or pay taxes, said Adam Spiker, executive director of the Southern California Coalition, a trade organization that represents cannabis growers, distributors and dispensary owners. One of the selling points for legalization was it would generate a tax windfall for state and local governments. However, during the first quarter, the state reported only \$34 million from cultivation and excise taxes, putting it on pace to fall well below the \$175 million forecast for the first six months.

GOVERNOR SIGNS 2 BILLS TO TIGHTEN GUN RESTRICTIONS: Gov. Bruce Rauner [signed laws](#) authorizing judges to take weapons away from people facing problems that make them dangerous to themselves or others and to extend the waiting period for delivery of newly purchased guns, but pledged to veto a third piece of legislation that would require state licensing of firearms dealers. The Republican also called on the General Assembly to send him other measures to restrict gun violence, including a ban on fire-enhancing bump stocks. Those measures were part of a much-publicized gun-legislation package Rauner promoted in May. But he failed to mention the hallmark of that package — an election-year call to reinstate the death penalty for mass killers and those who gun down police officers.

SALES TAX HOLIDAY SHELVED IN LEGISLATIVE TAX DEAL: The tax deal struck by lawmakers and Gov. John Bel Edwards to balance this year's budget will [end Louisiana's state sales tax holidays](#) for seven years. When lawmakers renewed 0.45 percent of an expiring 1 percent state sales tax, they also reworked sales tax breaks. Louisiana's revenue department says that means shoppers won't see annual state sales tax holiday weekends through mid-2025. Those state sales tax holidays that won't be held include a general sales tax holiday on the first Friday and Saturday in August, a hurricane preparedness sales tax holiday on the last Saturday and Sunday in May and a Second Amendment sales tax holiday on the first Friday through Sunday in September.

STATE MAKES IT DEPARTMENT A PERMANENT FIXTURE: As Illinois heads into the 2018 elections and an uncertain political future, the [state has enacted a law](#) giving more permanency to its relatively young IT structure. The Illinois Department of Innovation and Technology (DoIT) is only two years old, having been created through an executive order from Gov. Bruce Rauner in 2016. In May, the state legislature passed House Bill 5611, and on July 20 Rauner officially signed it, celebrating the act with legislators, academics and department leaders. The law doesn't make any material changes to the agency's responsibilities, structure or leadership, but rather firms up its status as a state department by officially codifying its existence.

INDIANA

INDIANA ATTORNEY GENERAL PUBLICLY ACCUSED OF SEXUAL MISCONDUCT BY REPUBLICAN STAFFER: Indiana Attorney General Curtis Hill continues to rebuff calls for his resignation over multiple allegations of sexual misconduct, as a Republican staffer has come forward to publicly accuse him of groping her at a party. Earlier this month, [The Indianapolis Star obtained](#) a memo detailing the stories of six women who said Hill, a Republican, made sexually inappropriate comments and groped multiple women while drunk at a party in March. Hill has denied what he has called the "vicious and false" allegations. More [here](#).

KANSAS

COYLER, KOBACH BACK TRUMP AS TRADE WAR BEGINS: Gov. JEFF COLYER [backed](#) PRESIDENT TRUMP'S efforts to reach better trade agreements with other countries as the United States launched a trade war with China that has

alarmed some farmers. Colyer, and the other Republican candidates for governor, are trying to find the right balance on trade in a deeply agricultural state that also supports Trump. Meanwhile, Democratic candidate **JOSH SVATY** contends Trump's trade policies have made farmers more willing to consider supporting a Democrat. Kansas **SECRETARY OF STATE KRIS KOBACH** said he's giving Trump's approach a chance to work and warned it will fail "if his own country is shooting him in the back" while he's trying to hold firm in negotiations with other countries. Other Republican candidates were more cautious or critical. **FORMER STATE SENATOR JIM BARNETT** said a trade war is highly risky. And **INSURANCE COMMISSIONER KEN SELZER** said tariffs will be "hugely damaging" to the state's economy.

EMBRACING TRUMP, MOVING PAST BROWNBAC, COLYER TRIES TO FIND HIS LANE IN GOVERNOR

RUN: Since taking office at the end of January, Colyer and his running mate have trotted around the state using the governor's office in every way they can, from celebrations to parades and public events that can be especially beneficial to a GOP governor facing a Republican primary in an election year. And as the Republican primary has approached, he's even started fighting back against Kobach, his chief GOP rival for governor. Colyer lamented Kobach's losing a court case over the state's proof of citizenship voting law that Kobach has long championed. Like any politician, Colyer returns to familiar lines: He's looking ahead, not backward (that's where the remains of the Brownback administration rest), and no one can confuse him and Brownback because no one confuses Trump and Vice President Mike Pence. Colyer said he fully supports Trump and thinks he's a great president. More [here](#).

KENTUCKY

JUDGE OVERTURNS STATE MEDICAID WORK PROVISIONS: A federal judge [vacated](#) the federal government's approval of new requirements by the state of Kentucky that people must work or get jobs training if they are to receive benefits from the Medicaid health insurance program. U.S. District Judge James Boasberg in Washington, D.C., ruled that the U.S. Department of Health and Human Services never adequately considered whether the work requirements actually help the state furnish medical assistance to state residents.

TRUMP OFFICIALS TAKE NEW STEP FORWARD ON KENTUCKY MEDICAID WORK REQUIREMENTS:

The Trump administration is taking a new step forward on its plan to impose work requirements in Kentucky's Medicaid program, despite a federal judge blocking the move last month. The federal Centers for Medicare and Medicaid Services (CMS) said that it is going to [reopen a new 30-day comment period](#) on Kentucky's plan. The move could allow the administration to show that it is giving further consideration to concerns about the proposal, after the judge ruled that officials did not give adequate consideration to the coverage losses that could result. Work requirements for Medicaid are a top priority of the Trump administration, as well as CMS Administrator Seema Verma, and the move shows that officials are trying to find a way forward, rather than backing down in the face of the judge's ruling.

BESHEAR ANNOUNCES BID FOR GOVERNOR: In [announcing](#) his candidacy for Kentucky governor, **ATTORNEY GENERAL ANDY BESHEAR** said he wants to honor teacher pensions and break away from the current culture of "bullying" in **Gov. MATT BEVIN's** administration. With educator **JACQUELINE COLEMAN** as his running mate, Beshear, a Democrat, is the first candidate of either party to announce a bid for governor in 2019. Bevin, a Republican, has not yet said whether he will seek re-election. Beshear, 40, was elected attorney general in 2016, when he narrowly defeated Republican **WHITNEY WESTERFIELD**. His father, **STEVE BESHEAR**, was governor from 2007 to 2015.

LOUISIANA

TRUMP'S TRADE WAR SPOOKS AMERICA'S BIGGEST PORT: To [understand](#) what a trade war means for America, go to the Mississippi. Follow the mud-brown river past Louisiana's chemical plants, oil refineries, granaries, ports, and the rail networks and highways that spring from its fingers. Over centuries, trade on the winding waterway hailed as the great spine of the U.S. built hundreds of communities. Most U.S. grain, nearly a quarter of its coal, and much of its petrochemicals pass through here. But the river carries not only goods—it also carries consequences. Although **DONALD TRUMP** garnered more votes from Louisianans in 2016 than any other presidential candidate in history, his promise to put America first targets the heart of its commerce. The U.S. imposed steel and aluminum tariffs on Canada, Mexico and the European Union among others; Trump has threatened to add charges on up to \$450 billion in Chinese goods, with the first round targeting \$34 billion commencing July 6; and the erstwhile partners are retaliating. Louisiana's reliance on trade makes it a unique microcosm of how the tariff battle will affect America.

MAINE

LEPAGE FLOATS HOSPITAL TAX TO PAY FOR MEDICAID EXPANSION: Some lawmakers [said](#) that Maine's Republican governor has been floating a new tax on hospitals to pay for voter-approved Medicaid expansion. Republican **SENATE PRESIDENT MIKE THIBODEAU** said that **GOV. PAUL LEPAGE'S** administration has sent word the governor is considering the idea. LePage's office didn't respond to repeated requests for comment. But it's unclear whether lawmakers would get behind such an idea at this stage. Thibodeau said if formally proposed, such a tax hike would typically receive a public hearing.

DESPITE UNCERTAIN TRADE ENVIRONMENT, LOBSTER PRICES STRONG: New England's lobster industry faces big new challenges in selling to Europe and China, but the trouble hasn't caused prices to budge much for American consumers. The business is in the midst of its busiest part of the year, when tourists flock to coastal states with a beachside lobster dinner in mind. Summer is also when prices tend to fall a bit because it's when the majority of lobsters are caught. But the prices haven't fallen much. Retailers are selling live lobsters in the \$7 to \$12 per pound (per 0.45 kilogram) range in Maine, where the American lobster industry is based. That's not too far behind recent summers. More [here](#).

MARYLAND

HOGAN ELECTED VICE CHAIRMAN OF NGA: **GOV. LARRY HOGAN** will be officially [elected](#) Vice-Chairman of the National Governors Association (NGA) at the organization's 2018 summer meeting later this week in Santa Fe, New Mexico, which the governor will attend from July 20-22. Gov. Hogan will lead the bipartisan coalition of governors along with **GOV. STEVE BULLOCK** (D-Montana), who will serve as Chairman.

RGA ATTACKS JEALOUS: The Republican Governors Association recently [began](#) a weeklong campaign of negative television advertisements against Maryland Democratic gubernatorial candidate **BEN JEALOUS**. The ads call Jealous, the former president of the NAACP, a "big spender" and warn viewers that he will raise their taxes if elected. The RGA declined to reveal how much it was paying for the ad campaign in Maryland, but said the amount was "significant" and the ads will run "statewide" on broadcast and cable stations. Public filings with Baltimore's WBAL-TV and WMAR-TV show the Republicans have contracted with those stations to run the ads through Aug. 8

MASSACHUSETTS

FEDS REJECT BAKER BID TO REIN IN PHARMACY COSTS: The federal government [rejected](#) a bid by the Baker administration to rein in pharmacy spending by restricting which drugs would be covered under its MassHealth program. Pharmacy spending is a growing concern with MassHealth, the state's Medicaid program. In just the last five years, pharmacy spending has doubled from \$1.1 billion to \$2.2 billion. Officials say a significant part of the spending growth is driven by a relatively small number of drugs with little or no competition. The Baker administration sought a waiver from the Center for Medicare and Medicaid Services to establish its own policies about which drugs would be covered. Normally, Medicaid drug programs cover all medications with only minor restrictions. Analysts say the Massachusetts request was the first of its kind in the nation.

LEGISLATURE SENDS FY19 STATE BUDGET TO GOVERNOR: Less than seven hours after it was released from committee on Wednesday, Massachusetts lawmakers [sent](#) a final version of a \$41.88 billion state budget for fiscal 2019 to Gov. Charlie Baker's desk. The budget would increase spending by 4.2 percent over what was initially budgeted and 1.9 percent over what was actually spent in fiscal 2018. The budget is already 18 days late, since the fiscal year started July 1. Baker has 10 days to review it. Baker said Monday that he had not yet started reviewing it.

LEGISLATURE MOVES 'RED FLAG' GUN BILL TO BAKER'S DESK: State lawmakers on [sent](#) a bill to **GOV. CHARLIE BAKER** that would give judges the power to confiscate weapons from individuals deemed a risk to themselves or others. The House and Senate moved quickly to pass a compromise version of the so-called "red flag" legislation, which would allow family members, roommates, current and former romantic partners, and police officials to petition a local court to take away a gun owner's weapons for up to a year. Baker, who has said he supports the concept of the bill, had 10 days from its passage to act on it. His office said he'll carefully review the legislation.

BAKER SIGNS \$15 MINIMUM WAGE, PAID FAMILY LEAVE INTO LAW: A new mother in Massachusetts will get paid time off to care for her baby, beginning in 2021. A son will get paid time off to care for his ailing parent. A fast food worker will earn at least \$15 an hour by 2023. **GOV. CHARLIE BAKER** [signed](#) into law a bill that will reshape the state's workplaces. The new law is the result of a so-called "grand bargain" that lawmakers reached last week in order to keep three ballot questions off of the November 2018 ballot. Those questions would have raised the minimum wage, instituted paid leave and also lowered the state sales tax. Baker said the compromise, negotiated with lawmakers by business and labor groups, is "a far better product for the commonwealth than each of these as standalone entities would be for Massachusetts." By 2023, Massachusetts will be tied with California for the state with the highest minimum wage in the country, unless other states follow suit. Washington, D.C. and New York have also passed a \$15 minimum wage, but New York's law will go into effect more gradually.

VOTER REGISTRATION BILL PASSES SENATE: A Massachusetts bill to [enact](#) automatic voter registration is one step closer to becoming law after the state Senate voted to approve it. The House passed a different version last month, and the chambers will have to hammer out the differences before sending the bill to **GOV. CHARLIE BAKER**. The bill would automatically register citizens to vote when they register at motor vehicle offices or sign up for state health insurance. The bill, which lawmakers hope will be implemented before the 2020 elections, is expected to register an estimated 680,000 voters. More than a dozen other states have enacted similar systems, including New Jersey and Washington.

RECREATIONAL MARIJUANA DELAYS SEEDING DOUBT IN STATE BUDGET: Pot sales in Massachusetts are not going as expected. The Massachusetts Taxpayers Foundation says the slow rollout of recreational marijuana sales in the state is [causing doubt on projected state revenue](#) from cannabis taxes. The fiscal research group said that the state budget - which was approved by the Legislature on Wednesday - expected \$63-million in revenue from the 17-percent state tax on marijuana sales. But that estimate was made earlier this year when it was expected that pot shops would open July 1. None have opened so far.

BOSTON WEIGHS GIVING LEGAL, NON-CITIZENS VOTING RIGHTS: Non-U.S. citizens living in the country legally may one day be [allowed](#) to vote in Boston elections. The City Council is holding a hearing on the idea at the request of Council President Andrea Campbell. The council is considering ways to make city elections more inclusive, including allowing immigrants with legal status in the country the right to vote in municipal races. That could include legal permanent residents, visa holders and those on Temporary Protected Status or Deferred Action for Childhood Arrivals. Campbell's order for a hearing says Boston has more than 190,000 foreign-born residents, which represents 28 percent of the city population. It also says non-U.S. citizens paid \$116 million in state and local taxes and generated over \$3.4 billion in spending according to a 2015 city report.

MICHIGAN

TRADE WAR PIERCES HEART OF MICHIGAN: China's flag [flies](#) high above Henniges Automotive, alongside those of Germany, Mexico, Canada and other nations, reflecting the global nature of Michigan's auto industry and, increasingly, its reliance on Beijing. Henniges, which produces sealing products for cars, was bought in 2015 by the Aviation Industry Corporation of China, a state-owned company that has snapped up other investments in the Detroit area, including the automotive supplier Nexteer, which sits just across Interstate 75 from Henniges. Over the past several years, Beijing has steadily pumped billions of dollars' worth of investment into Michigan, buying crumbling factories, building new ones and supporting more than 10,000 jobs in the state. But where Michigan sees an economic partner, President Trump sees an "economic enemy" — one intent on overtaking America's competitive edge by stealing technology, trade secrets and jobs from domestic companies. As Mr. Trump tries to punish China with tariffs and other restrictions, Michigan is caught in the cross hairs, with its ability to remain competitive and develop emerging technologies like autonomous vehicles, robotics and artificial intelligence highly dependent on ties to international markets, including China.

GOP GUBERNATORIAL CANDIDATES GO HEAD-TO-HEAD: In their last televised debate, the Republican candidates for governor [tried](#) to distinguish themselves. Three of them — **LT. GOV. BRIAN CALLEY**, **SEN. PATRICK COLBECK** and Saginaw Township physician **JIM HINES** — often jabbed at **ATTORNEY GENERAL BILL SCHUETTE**, trying to chip away at the consistent lead in the polls he has enjoyed since getting into the race last year. Schuette, instead of turning on his GOP challengers, attacked the Democrats running for governor in virtually every answer and specifically named **GRETCHEN WHITMER**, the front-runner among Democrats in recent polls, saying they would raise taxes, take away guns from law-abiding citizens and close charter schools. While there was much agreement among the four candidates on issues such as guns — don't take them away from people in the name of increasing safety in schools — or fixing the roads without raising taxes, the candidates did diverge on one key issue for Michigan: the impact of tariffs announced by President Donald Trump.

MINNESOTA

DO CANDIDATES NEED TO BOTHER WITH GREATER MINNESOTA? The candidates Minnesotans send to the governor's mansion, elect to the U.S. Senate and pick for other statewide offices will depend on something obvious come November: who gets the most votes. What's less obvious — and what campaigns for the people vying for those positions will be working out over the next several months — is [how](#) exactly to go about getting those votes, which are unevenly distributed across the state. At a time when politicians are increasingly talking about an urban-rural divide, that fact also leads to something of an impolitic question: Can you win a statewide election in Minnesota by focusing only on voters in the Twin Cities metro area? Because of the bigness and the blueness of the metro, the deck is stacked against Republicans winning statewide, and a GOP candidate hasn't won statewide since **TIM PAWLENTY'S** re-election bid in 2006, though several have come close, including **NORM COLEMAN** in the 2008 Senate race against **AL FRANKEN**, Emmer in 2010 and Donald Trump in 2016.

MISSISSIPPI

STATE REVAMPS MEDICAID WORK REQUIREMENT REQUEST: Mississippi has [revamped](#) its request to impose work requirements on its Medicaid beneficiaries, a move to address federal concerns that its original proposal would have left some without insurance. In the overhauled proposal, Mississippi guarantees beneficiaries will receive up to 24 months of coverage if they comply with the proposed work requirements, which include working at least 20 hours per week, volunteering or participating in an alcohol or other drug abuse treatment program. Mississippi submitted its initial request late last year. It's unclear what, if any, impact a recent federal court ruling overturning Kentucky's work requirement waiver could have on the review of this new application. The Trump administration is expected to appeal the Kentucky decision.

CITIES BEGIN TO RALLY FOR SHARE OF ONLINE SALES TAXES, SPECIAL LEGISLATIVE SESSION: The cities of Columbus and Oxford unanimously passed a resolution calling for municipalities to receive a share of online sales taxes and for Gov. Phil Bryant to call the Legislature into special session for lawmakers to pass such a measure. Meanwhile, the Mississippi Municipal League is working to rally other cities in support of more state funding for local infrastructure in a potential late-summer special session. The resolution comes after last month's U.S. Supreme Court ruling that overturned a 1992 ban on states collecting sales taxes from online retailers with no physical presence in the state. It calls for cities to receive 18.5 percent of the state's 7 percent "use tax" collection on online sales — the same cities receive from the state's regular sales taxes collected in their cities. More [here](#).

MISSOURI

PARSON SIGNS BUDGET BILL: Less than a month after taking office, new **GOV. MIKE PARSON** is [putting](#) his stamp on Missouri's budget priorities. And he's gotten some help from an unexpected flurry of new money into state coffers, says state budget director Dan Haug. Parson signed state budget bills that, among other things, call for \$99 million in additional spending for public education compared to the current fiscal year. He also has approved more money for school transportation. Parson also has signed a measure that maintains state spending for higher education at the same level as this fiscal year. That means reversing the higher-ed cuts that **FORMER GOV. ERIC GREITENS** had proposed. The budget bills went into effect Sunday, July 1. The provisions include allocating \$70 million for state construction projects and workforce development.

SIGNS TAX CUT LONG SOUGHT BY REPUBLICAN LAWMAKERS: Gov. Mike Parson [signed](#) a bill cutting Missouri's individual income taxes, a key legislative goal of the state's Republican lawmakers and one widely criticized by Democrats. The new law will deepen individual income tax cuts, limit some deductions and exemptions, and cap a tax cut for pass-through entities, including LLCs. Republicans argued that income tax cuts would allow Missourians to keep more of their money and would generate economic activity in the state, but Democrats worried the bill would knock a hole in the state's already-tight budget. They compared various Republican tax cuts to those Kansas passed under then-Gov. Sam Brownback and later abandoned.

NEW STATEWIDE BROADBAND DIRECTOR NAMED: Missouri has [chosen](#) a chief for its Broadband Development Office. The state announced that it had selected Tim Arbeiter to head the state's new initiative, which was created earlier this year to improve broadband access statewide. Missouri's departments of economic development and agriculture partnered to establish the broadband office, with the intent of strengthening public-private partnerships and extending broadband access to rural areas of the state that don't have it. Arbeiter will lead the state's efforts to maximize broadband development for all citizens, and will coordinate initiatives between federal, state, and regional officials.

MONTANA

STATE APPOINTS NEW STATEWIDE CIO: Gov. STEVE BULLOCK [announced](#) this month that **TIM BOTTENFIELD**, the chief information officer of the state Department of Revenue, started this week as the statewide CIO. Bottenfield, who had served as the revenue agency's IT chief since 2011, replaced **RON BALDWIN**, who resigned in January to take a job with the consulting firm Deloitte.

NEW HAMPSHIRE

LAWMAKERS FINALIZE LANGUAGE OF SPECIAL SESSION SALES TAX BILL: In uncharted legal waters, [it's full speed ahead](#). The Executive Council at its July 11 meeting wasted no time in approving by a 4-1 vote Gov. Chris Sununu's call for a special legislative session to consider proposals that might shield New Hampshire companies doing online and mail-order businesses from collecting taxes for other states. At the special session, Legislators will be asked to enact a law that will establish a minimum volume of sales before a New Hampshire vendor can be subject to another sales tax from another jurisdiction and will include an exemption for small businesses. It would also require tax collectors to obtain a written determination from the NH Department of Justice that their collection efforts conform to the New Hampshire law. The attorney general would be authorized to file a lawsuit to block tax collections in violation of New Hampshire law. Issues raised might include the placing of an under burden on interstate commerce or the denial of due process to New Hampshire vendors, said John Famella, the governor's legal counsel.

SUNUNU SIGNS VOTING RESIDENCY REQUIREMENT INTO LAW: Gov. Chris Sununu has [signed into law](#) a controversial election bill that opponents say will constrain voting by students and other transient residents of the state. Supporters applauded the move as a way to ensure that only bonafide New Hampshire residents vote in New Hampshire elections. "After receiving an advisory opinion from the New Hampshire Supreme Court finding the bill to be constitutional, I signed HB 1264 into law," the governor said in a statement released Friday after a low-key signing with no ceremonial trappings, as student protesters lined the hall outside his door. The bill defines residency and domicile

as the same thing and requires voters to declare New Hampshire as their place of residence. That means getting a state driver's license and vehicle registration within 60 days.

NEW MEXICO

POSSIBLE NUCLEAR WASTE STORAGE SITE RAISES CONCERNS: There's a chance more than 100,000 tons of nuclear waste could be stored underground, between Hobbs and Carlsbad by the year 2023. There is currently no long-term depository for spent nuclear fuel. The Radioactive and Hazardous Waste Committee of the New Mexico Legislature [heard the concerns](#) of southeast New Mexico residents, business owners, and local officials. One of the main concerns the public had, was the railroad transportation. Some residents worry there might be a crash and radiation will escape the canisters if they are damaged.

OIL BOOM IN SOUTHERN NEW MEXICO IGNITES GROUNDWATER FEUD WITH TEXAS: In the vast, high desert of southeastern New Mexico, underground aquifers are a vital source of water for drinking and agriculture. Groundwater has also become essential to a booming oil business, which is sprawling across the border from Texas and needs the water for hydraulic fracturing ("fracking") operations. Oil well fracking requires large amounts of water, which is injected underground to break up and mobilize the underground petroleum resource. In many parts of this region, without water for fracking, there is no access to oil. But because of differences in state law, oil companies have found the groundwater harder to access in New Mexico. So they are laying pipes across the state line, pumping groundwater in Texas to serve oil wells in New Mexico. Unfortunately, all the groundwater comes from the same aquifer – the Pecos Valley Aquifer – that straddles the state line. And some officials in New Mexico fear that groundwater pumping on the Texas side will eventually deplete the aquifer on the New Mexico side. More [here](#).

PEARCE HAS EARLY CASH LEAD OVER LUJAN GRISHAM: Democratic gubernatorial nominee **MICHELLE LUJAN GRISHAM** spent big bucks in the run-up to last month's primary election and in the weeks after it, leaving her Republican general election opponent, **STEVE PEARCE**, with a hefty financial [edge](#) – at least for now – for their November showdown. Pearce, who did not face primary opposition, reported that he had more than \$1.9 million in his campaign war chest – more than double the \$873,374 that Lujan Grisham reported having in her account.

NEW YORK

'UGLY ALBANY' ON DISPLAY IN FEDERAL TRIALS, PENSION RULING: Alleged payoffs. A taxpayer-paid pension despite disgrace. Keeping donations from your sworn enemies. Such are the ways that money — legal and less so — grabbed headlines in the last week, touching current and former Albany luminaries and underscoring the state capital's [reputation](#) as a place where personal and professional financial concerns often overshadow the work of government. On Friday, it was Dean Skelos, the former Republican leader of the State Senate, testifying in his own defense in a federal courtroom in Lower Manhattan as he attempts to fend off federal corruption charges that he had used his sizable influence to try to financially benefit his son, Adam. On Thursday, it was another former state official making news, as [the New York Law Journal reported](#) that Eric T. Schneiderman, the former state attorney general, had asked for — and would receive — his pension, despite career-ending accusations of physical abuse against his romantic partners.

DRUG COMPANIES SUE NEW YORK OVER NEW OPIOID TAX: A national trade group representing drug distributors is [suing New York](#) in an attempt to block a new law that holds its members financially responsible for the havoc wrought by the opioid epidemic. In a federal complaint filed in the Southern District of New York, the Healthcare Distribution Alliance argues that the state's new Opioid Stewardship Act is unconstitutional because it singles out and punishes drug manufacturers and distributors for their alleged role in a "complex public health epidemic" that involves "myriad actors." The law directs the state Health Department to impose an annual \$100 million surcharge on opioid manufacturers and distributors through 2024. The surcharge will be divided and apportioned based on each entity's share of the market -- the more painkillers a company sells or distributes within state lines, in other words, the more it must pay.

STATE LOOKS TO OFFER ONLINE SPORTS GAMBLING WITHOUT NEW LAW: The state is exploring the possibility of authorizing online sports gambling [without legislative action](#), according to a report of the state Gaming Commission. The state Legislature, which failed to adopt a new law regulating sports gambling this year, was operating under the belief that the 2013 law limits sports gambling to the casino site and didn't authorize the use of online platforms. The commission's effort to craft regulations runs contrary to Gov. Andrew M. Cuomo's position in May that sports gambling could only be offered in New York with additional legislative action.

JUDGE DISMISSES NYC CLIMATE CHANGE LAWSUIT AGAINST OIL COMPANIES: A U.S. judge [threw out](#) New York's lawsuit seeking to hold five of the world's biggest oil companies financially responsible for contributing to climate change. U.S. District Judge John Keenan dismissed the city's claims against Exxon Mobil Corp., Chevron Corp., BP Plc, Royal Dutch Shell Plc and ConocoPhillips, ruling that the federal Clean Air Act controls carbon dioxide emissions and blocks suits such as New York's. The problem of climate change is for Congress and the Executive Branch to address, he said. "The immense and complicated problem of global warming requires a comprehensive solution that weighs the global benefits of fossil fuel use with the gravity of the impending harms," Keenan wrote. The ruling is the latest courtroom defeat for a legal strategy that sought to paint Big Oil as similar to Big Tobacco, with claims they pushed for increased sales while hiding the dangerous effects of their products on the planet. The companies won a similar ruling in June in which a federal judge threw out complaints by the cities of San Francisco and Oakland, California, and also concluded the issue is best addressed by the other branches of government.

NORTH CAROLINA

CHARLOTTE TO HOST 2020 GOP CONVENTION: Charlotte, North Carolina, is [poised](#) to host the Republican Party's 2020 presidential nominating convention. The national GOP's site selection committee voted behind closed doors Wednesday to recommend Charlotte, according to Republican officials with direct knowledge of the vote who were not authorized to address the situation publicly.

OHIO

NEW BILL INTENDS TO LEGALIZE SPORTS BETTING: A bill [introduced](#) this month by **SENS. JOHN EKLUND** (R-Chardon) and **SEAN O'BRIEN** (D-Cortland) would legalize sports betting in Ohio following a May U.S. Supreme Court decision that allows states to determine whether or not it should be legal. The Cleveland Plain Dealer reports that SB316 is mum on details, but O'Brien said he would like to have more specific language in the bill by August or September.

DOCTORS BACK DEWINE FOLLOWING COMMITMENT TO KEEP MEDICAID EXPANSION: Ohio's largest organization of doctors [backed](#) ATTORNEY GENERAL MIKE DeWINE for governor after the Republican committed to supporting - but improving - Medicaid expansion. The Ohio State Medical Association PAC cited DeWine's stance favoring expansion of the government health insurance program in its endorsement. It also said it favors DeWine for his commitment to increasing treatment options for opioid addiction, lowering prescription drug costs and reducing physicians' administrative burdens.

OKLAHOMA

VOTERS APPROVE MEDICAL MARIJUANA DESPITE OPPOSITION: Oklahoma voters this month [backed](#) the medicinal use of marijuana, overcoming a late opposition campaign from law enforcement and business, faith and political leaders. [State Question 788](#), the result of an activist-led signature drive launched more than two years ago, makes it legal to grow, sell and use marijuana for medicinal purposes. The proposed law outlines no qualifying conditions, which would allow physicians to authorize its use for a broad range of ailments — a fact that sparked bitter opposition, particularly from law enforcement. Under the proposed law, a two-year medical marijuana license would allow someone to possess up to 8 ounces of marijuana, six mature plants and six seedlings, along with edibles and concentrated forms of the drug.

GROUP DROPS EFFORT TO REPEAL TAX HIKES FOR TEACHERS: An anti-tax group seeking to roll back a package of tax increases approved by the Oklahoma Legislature to help fund a teacher pay raise [said](#) it is abandoning the effort. The Oklahoma Supreme Court's recent decision to toss the group's ballot initiative didn't leave enough time to gather the 42,000 signatures needed to place the question on the November ballot, said Ronda Vuillemont-Smith, one of the organizers of Oklahoma Taxpayers Unite. The anti-tax group led by FORMER U.S. SEN. TOM COBURN was seeking a public vote to repeal tax hikes on cigarettes, fuel and energy production that were approved by the GOP-controlled Legislature earlier this year to help fund an average teacher pay raise of \$6,100. The tax increases took effect this month.

OREGON

ROSENBLUM CONSIDERS INVESTIGATION INTO ELECTION FRAUD: Oregon's top attorney is [considering](#) whether to investigate if a crime was committed during the process of putting one of the more controversial initiatives on the November ballot. At issue is a [tax-related](#) measure that could make it harder for Democrats to [raise money in the future](#). The measure, Initiative Petition 31, would require a three-fifths vote of the Legislature for all taxes and fee increases, meaning Democrats without a supermajority would need Republican votes to raise revenue.

SANCTUARY STATE REPEAL INITIATIVE MAKES NOVEMBER BALLOT: A ballot measure to repeal Oregon's sanctuary state status [will go before voters](#) in November, the Secretary of State's office confirmed. Initiative Petition 22 garnered 97,762 valid signatures, safely above the 88,184 needed to qualify for the Nov. 6 election. If passed, the ballot measure would undo a 1987 law that prohibits the use of state and local law enforcement resources to enforce federal immigration standard. Groups in support of Initiative Petition 22, such as Oregonians for Immigration Reform and Stop Oregon Sanctuaries, helped gather and submit 111,039 signatures by the July 6 deadline. The Federation for American Immigration Reform, a national organization, also backed the campaign.

PENNSYLVANIA

PENNSYLVANIA SUPREME COURT UPHOLDS PHILADELPHIA SODA TAX: Philadelphia, the nation's largest city with a soda tax, has the right to charge its 1.5-cents-per-ounce levy on sweetened beverages, the state Supreme Court ruled in a bitter defeat for retailers and distributors. The ruling was a crucial victory for backers of such taxes as cities and states wrestle with the contentious tax that could be good for health and public coffers. Seattle began collecting its own sweetened-beverage tax in January – weeks after Chicago's Cook County shelved one amid widespread dissent. Last month, California passed a law allowing a soda tax in San Francisco to remain in place but banning cities from passing new ones.

RHODE ISLAND

GOVERNOR SIGNS MORE THAN 100 BILLS, VETOES THREE: Rhode Island Governor Gina Raimondo [cleared her desk](#) of all pending legislation, signing more than 100 bills while vetoing three others. Of the vetoed bills, one included insurance legislation pushed through in the final minutes of this year's legislative session at the request of House Speaker Nicholas Mattiello's constituent. Also coming under her veto pen was a bill that would have made it a felony to socially isolate seniors and another bill that would have required marijuana growing to be disclosed in real estate transactions.

DEMOCRATS RESCIND BACKING FOR TRUMP SUPPORTER: The Rhode Island Democratic Party, which unleashed a dayslong furor by [endorsing](#) a **DONALD TRUMP**-voting male candidate over an incumbent woman, backtracked and withdrew the endorsement. The party rescinded its backing of **MICHAEL EARNHEART** over **STATE REP. MOIRA WALSH**, who is running for re-election in a district in Providence that voted overwhelmingly for **HILLARY CLINTON**. It said it would not endorse anyone in the race. Earnheart, who was a registered Republican until December, said in an emailed statement that he did not want to be a distraction and accepted the decision to rescind his endorsement. He said he plans to stay in the race.

SOUTH CAROLINA

MCMASTER ISSUES BUDGET VETOES: **Gov. HENRY MCMASTER** made good on a campaign [promise](#) when he announced he had vetoed nearly \$16 million in health care services in an effort to defund abortion clinics like Planned Parenthood. The Richland Republican vetoed almost \$16 million in health care dollars from the state budget: \$2.2 million in state money and the rest in federal grants. That was among 42 vetoes he announced.

LAWMAKERS PUSH TO FIX BUILDINGS, COLLEGES: A bipartisan group of S.C. lawmakers [say](#) they plan to push to borrow hundreds of millions of dollars to pay for years of delayed maintenance at many state-owned buildings and at the [state's colleges](#). The stage was set for borrowing — last done by the state almost 20 years ago — when legislative budget writers pulled \$20 million for college renovations from the state budget that took effect July 1. Why pull the money from the budget? Because legislators knew they planned to borrow it — and more — when they return to Columbia on Jan. 1. Several lawmakers said there have been previous conversations about a borrowing bill with Republican **Gov. HENRY MCMASTER**. The reaction then from the Governor's Office was positive, they said, leaving them optimistic that a deal can be cut to address deferred maintenance when the Legislature returns in January. Publicly, however, McMaster — seeking a four-year term in November as the nominee of the no-taxes, no-borrowing GOP — is cool to the idea as he tries to appeal to conservatives to keep his job.

SOUTH CAROLINA CO-OPS WANT STATE SUPREME COURT TO STAY OUT OF NUCLEAR FIGHT WITH SANTEE

COOPER: The S.C. Supreme Court is not the right place to hear a complicated dispute between Santee Cooper and its largest customers — the state's 20 electric cooperatives — over who should pay for the state-owned utility's \$4 billion nuclear blunder, the [co-ops said in a high court filing](#). The fight over Santee Cooper's future electric rates stem from its decision last July to abandon the \$9 billion V.C. Summer Nuclear Station expansion project. The project's collapse has sparked more than a dozen lawsuits against Santee Cooper and its majority partner on the nuclear project, SCE&G, that now are being heard by S.C. Circuit Court Judge John Hayes III. In one of them, the state's co-ops — on the contractual hook to pay \$3 billion of Santee Cooper's \$4 billion in nuclear debt — argue their 1.5 million customers across South Carolina should not have to continue paying for power plants that do not exist.

TENNESSEE

JUDGE STRIKES DOWN LAW TYING COURT FEES TO DRIVER'S LICENSES: It's [unconstitutional](#) for the state of Tennessee to continue revoking driver's licenses from people who can't pay court costs, a federal judge determined recently. The ruling from U.S. District Judge Aleta Trauger will have broad national and state ramifications, said Claudia Wilner, a senior attorney with the National Center for Law and Economic Justice in New York City who worked on the case. Calling Trauger's ruling a "tour de force," Wilner said the order means more than 100,000 people in Tennessee can start the process today of regaining their driver's license.

LAWMAKERS PLAN TO RENEW MEDICAL MARIJUANA LEGISLATION: Heartened by **PRESIDENT DONALD TRUMP'S** recent comments about marijuana, two Tennessee lawmakers who are physicians plan to [renew](#) efforts next year to legalize medical cannabis and are naming the bill after the president. **REP. BRYAN TERRY**, R-Murfreesboro, and **SEN. STEVE DICKERSON**, R-Nashville, who unsuccessfully pressed a medical cannabis bill in this year's General Assembly, say they are working on a bill that includes expanded medical research with treatment options that utilize cannabis and cannabis extracts under medical supervision. The legislation is being called the Tennessee Responsible Use of Medicinal Plants Act or TRUMP Act.

TEXAS

ABBOTT TELLS TRUMP AMERICA NEEDS NAFTA: **Gov. GREG ABBOTT** [urged](#) **PRESIDENT DONALD TRUMP** to implement a U.S. trade policy that won't hurt The Lone Star State's economic growth. "If the president wants to have a good economy for the United States of America, he needs to have a reasonable trade policy that will be good for Texas," Abbott told CNBC's Scott Cohn in an interview on "Squawk on the Street." "What is good for the Texas economy is going to be essential for the American economy," he added. Abbott expects Texas will have "robust" growth this year but it may be "tempered" due to trade issues. Texas, home to 39 companies in the Standard & Poor's 500 index, including AT&T, Exxon Mobil and Texas Instruments, claimed the top spot in CNBC's 2018 America's Top States for Business rankings. With solid economic growth last year — including a torrid 5.2 percent state GDP increase in the fourth quarter — Texas also finished first in CNBC's economy category.

BUDGET FORECAST GETS \$2.8 BILLION BOOST: If **COMPTROLLER GLENN HEGAR'S** latest revenue [estimate](#) is to be believed, Texas budget writers awoke to a \$2.8 billion present. Thanks to Texans' ravenous purchasing appetite — and all the sales tax dollars collected on those purchases — the state has seen bigger revenue growth in 2018 than officials predicted last year. With help from rising oil prices and production, state lawmakers are on track to have more than

\$110 billion to spend on the next two-year budget, according to the comptroller. That's an upward revision of about 2.6 percent from the roughly \$107 billion Hegar estimated in October, meaning lawmakers could have nearly \$3 billion more to work with next year. That forecasted revenue could go a long way toward plugging some of the huge holes that have worried lawmakers since they signed off on their last two-year budget at the end of the 2017 legislative session, such as a \$2 billion underfunding of the Medicaid program for the poor and disabled, a \$2.5 billion annual commitment to the state highway fund and the continued costs of Hurricane Harvey recovery.

FEDS APPROVE \$5 BILLION FOR HARVEY RECOVERY: Nearly \$5 billion in funding for high-priority disaster recovery projects in Texas was [announced](#) this month by the U.S. Army Corps of Engineers, much of it designed to spur continued recovery from Hurricane Harvey. In addition, the Corps also announced nearly \$16 million for studies for projects to help make Texas more resilient in future storms.

UTAH

LAWMAKERS APPROVE \$30 MILLION CHILD TAX CREDIT FOR UTAH FAMILIES IN SPECIAL SESSION: Lawmakers approved giving Utah families a \$30 million break on their state income taxes starting next year, a last-minute addition to the special session agenda. The details of the new tax credit, expected to reduce state income taxes owed by about \$34 for each dependent, or around \$170 for a family with five children, weren't finalized until just before the mid-afternoon session started. The tax break amounts to a little less than half of the estimated impact of changes to the federal tax code on Utah families with more than two children earning between \$40,000 and \$80,000.

PASS REQUIREMENT FOR ONLINE SALES TAX: Utah lawmakers [passed legislation](#) forcing online companies to collect sales tax beginning in 2019, although much of the new revenue has already been earmarked for a tax break for manufacturers. The vote in a special Legislative session came roughly one month after the U.S. Supreme Court ruled to allow states to demand that online shoppers pay sales tax. Supporters called it leveling the playing field for businesses. Utah already collects roughly \$140 million in taxes under voluntary agreements with major online businesses such as Amazon and Airbnb. To incentivize those companies, the state has allowed them to keep up to 18 percent of collected sales taxes. That incentive will end once the law requiring companies to collect taxes takes effect in January. Officials expect that an additional \$60 million is up for grabs from companies not under the current tax umbrella.

INLAND PORT, BEER SALES AND MORE ON AGENDA: Utah legislators are set to [consider a variety of issues](#) in the special session. One of the highest profile topics under discussion is the inland port in Salt Lake City. The Business and Labor Interim Committee will consider new legislation to add provisions and make changes to the Inland Port Authority, which was created during the regular session earlier this year. Also on the agenda, lawmakers will address an issue with recent changes to alcohol laws. When the legislature began requiring all grocery and convenience stores selling beer to fall under state supervision, they did not create the ability to give "conditional licenses" for those businesses.

VERMONT

STAKE TAKES NOVEL STEPS TO REHAB YOUNG CRIMINALS: Vermont is [hoping](#) to place fewer young adults in the adult criminal justice system using a first-in-the-nation law that will place some teenagers 18 and older in the juvenile

justice system. A law signed by **FORMER GOV. PETER SHUMLIN** in 2016 took effect July 1 and allows anyone 21 or younger charged with a nonviolent crime to be eligible for juvenile offender status. In May, a bill was signed into law by current **GOV. PHIL SCOTT** that will begin placing those under the age of 19 in the juvenile justice system by 2020 and raise the age again to those under 20 in 2022. In both cases, the change in procedure does not apply to a dozen violent offenses, including murder and armed robbery.

RECREATIONAL MARIJUANA LEGAL: As of Sunday, July 1, recreational [use](#) of marijuana became legal in Vermont — within boundaries of some clear and not-so-clear rules. Vermont becomes the ninth state to legalize marijuana and the first state to do so through its state legislature. **GOV. PHIL SCOTT** signed the law in January with "mixed emotions." The law allows adults to possess up to 1 ounce of marijuana, two mature and four immature plants. But authorities can't answer some questions and say clarity of the rules will come with case law. Some examples include how police will enforce the one-ounce marijuana limit when it comes to edibles, the boundaries in public versus private consumption and what exactly a secure pot garden looks like.

WASHINGTON

THE ELECTORAL RACES THAT WILL DETERMINE WASHINGTON STATE'S LEGISLATURE: The Democrats' control of the Washington Senate and House is razor thin—25-24 and 50-48. The upcoming primary elections in August and general elections in November [will decide](#) whether Democrats will stay in charge of both chambers, allowing them to advance their agendas beyond what they accomplished earlier this year. From 2013 to 2017, a Republican Senate and Democratic House stopped most of the agendas of both sides. When Democrat Manka Dhingra won the special election for the 45th District Senate seat in November 2017, it opened the floodgates for five years of stalled Democratic legislation, but not all of it could be tackled during the two-month legislation session earlier this year. But despite the current near-even split, the 2018 election playing field appears to favor Democrats in a rundown of potential swing districts.

SEATTLE SODA TAX RAISES NEARLY \$1 MILLION MORE THAN PREDICTED: Seattle's soda tax [brought](#) in some \$1 million more than expected in its first three months. It generated more than \$4.4 million, which exceeded the city's budget office estimate. Almost 2 million gallons of sweetened beverage were taxed over the period. Seattle's budget office has predicted the tax would raise \$14.8 million in its first year.

SEATTLE BECOMES FIRST MAJOR CITY TO BAN PLASTIC STRAWS, UTENSILS: Seattle has officially [become](#) the first major U.S. city to ban restaurants from giving plastic straws and utensils to customers in an effort to help the environment. Starting July 1, restaurants in the Emerald City are now barred from providing customers plastic straws, cocktail picks or utensils unless someone specifically requests one. Then, a customer should be given a compostable option, according to Seattle Public Utilities. With 5,000 food service providers in the area, Seattle is the first major city in the U.S. to enact such a ban.

SEATTLE FLIRTS WITH 'MUNICIPAL SOCIALISM': Seattle, celebrated mainly for software, airplanes and overpriced coffee, is now at the [forefront](#) of a radical new experiment to see how far a city can go—and should go—to improve the lives of the people who work there. In an era when most economic and political trends are making it harder for workers—such as [this week's Supreme Court "Janus" ruling](#) on public union dues—Seattle is pushing the other way and positioning itself almost as a municipal version of a labor union—pushing for precisely the sort of benefits that unions were built to fight for, before globalization

undercut labor's power. And other progressive cities are doing the same: San Francisco, New York, Minneapolis and Washington, for example, have enacted their own \$15 minimum wage laws. In Austin, Texas, and Newark and Morristown, New Jersey, workers now get paid sick leave.

WISCONSIN

CITIES FACE \$2.25 BILLION IN UNFUNDED RETIREMENT HEALTHCARE PROMISES: A new study [shows](#) that some Wisconsin cities are struggling with the cost of health care benefits for retired workers. A [Wisconsin Policy Forum report](#) found that the state's largest 25 cities face \$2.25 billion in unfunded liabilities. Some cities face obligations of thousands of dollars per resident. The study shows that all but three of the 25 cities made progress reducing their burden between 2013 and 2016. During that period, Milwaukee's unfunded liability increased by 15 percent, Racine's increased by 24 percent and West Allis' increased by just 1 percent.

STATE SUPREME COURT UPHOLDS MEDICAL MALPRACTICE CAPS: Wisconsin's [caps](#) on medical malpractice awards are constitutional, meaning a Milwaukee woman who lost all four limbs to malpractice will receive only \$750,000 for the pain and suffering she endures, the state Supreme Court ruled. In a 5-2 decision written by Chief Justice Patience Roggensack, the court declared the cap on noneconomic damages that was enacted in 1986 to be constitutional, overruling a Milwaukee County Circuit Court judge, a state appellate court and a 2005 Supreme Court decision. The closely watched Mayo case attracted the attention of the insurance industry, the business and medical communities and trial lawyers throughout the state. More than a dozen amicus, or friend of the court, briefs were filed. The state's mammoth Injured Patients and Families Compensation Fund, with the support of Republican **ATTORNEY GENERAL BRAD SCHIMEL**, argued the caps were needed to ensure the fund's assets are protected and medical costs are kept in line.

WYOMING

STATE SEEKS WATER BANK LAW AS SHORTAGES LOOM: Worried by growing demands and shrinking water supplies in the Colorado River Basin, Wyoming lawmakers are [seeking](#) legislation to authorize water banking in Wyoming and declare it a "beneficial use." The proposed changes to water law could allow Wyoming to "bank" Green River water for the purpose of meeting obligations to downstream states, and in doing so keep the state's water users from running dry in the event of a shortage. Lawmakers voted, without dissent, to draft a bill that would make water banking in Wyoming a beneficial use for contract obligations and drought contingency. The Agriculture, State and Public Lands and Water Resources Committee wants to consider a draft at its next meeting in September.
