

STATE AND LOCAL UPDATE**October 2, 2019****Policy and Politics****I. Trending Topics****Issue in Focus**

STATES RELYING ON INVESTMENT INCOME FACE RECESSION DANGERS: Since its explosive [growth](#) in the years following the Great Recession, the humble sovereign wealth fund — essentially a massive investment account for public money — has become an increasingly vital tool for managing the wealth of nations and states around the world. While their purposes vary, the functions of sovereign wealth funds are largely the same: governments at the state and national level invest massive amounts of public money, using the income for some type of public good. These can range widely, from an annual dividend, like in Alaska, to a national pension system, like Norway has done since 1996. And Wyoming — with approximately \$20 billion tied up in the world markets — boasts one of the world’s largest sovereign wealth funds, using its income from federal mineral royalties each year to generate an average of \$412 million every year since 2010. Wyoming’s wealth management has been so successful, with the amount of money Wyoming earns on that fund growing so significantly, that the Equality State could fully fund its government for more than a year solely off the money in its reserves, according to a study from the Pew Trusts. That extra funding really matters: According to numbers from the state budget office, nearly one-quarter of Wyoming’s operating expenses each year are paid for with income earned from its investments, making the state’s performance on the stock market a significant factor in how well it can fund schools and pave roads. However good the past decade has been to Wyoming, the good times unfortunately won’t last forever.

A. BUDGETS, TAXES, & REVENUE

JUDGE THROWS OUT STATES’ CHALLENGE TO TAX DEDUCTION CAP: A federal judge Monday [dismissed](#) a suit by four states, including New York and New Jersey, that challenged a cap on state and local tax deductions Congress imposed as part of its 2017 tax overhaul. “The States have cited no constitutional principle that would bar Congress from exercising” its authority “to impose an income tax without a limitless SALT deduction,” U.S. District Judge J. Paul Oetken wrote in his opinion. The states, which also included Connecticut and Maryland, sued the Treasury Department and the IRS in July 2018, seeking to block the cap. They argued that the \$10,000 limit on the amount of state and local taxes that can be deducted from someone’s federal tax liability is unconstitutional because it exceeds Congress’ taxing authority and was designed to “coerce” them to change their own tax policies.

WHITMER SIGNS 16 MICHIGAN BUDGETS, 147 LINE-ITEM VETOES: Whitmer used her line-item veto authority 147 times [throughout](#) the different departmental budgets, including slashing \$375 million in one-time road funding and \$128 million in the School Aid budget. The Whitmer administration said the vetoes totaled \$947 million in cuts from the total \$59.9 billion budget; though specifics as to what else was cut were not made public as of Monday night.

KELLY LAUNCHES GOVERNOR’S COUNCIL ON TAX REFORM: Kansas Governor Laura Kelly [lauded](#) the start of a bipartisan, in-depth study of the state’s tax system. The Governor’s Council on Tax Reform, which will make specific statutory recommendations to state lawmakers, met for the first time last Tuesday and Wednesday in the Capitol. The meeting began with an overview of state tax policy changes since 2012 and continued with presentations on the current status of revenue, economic development, transportation and labor in Kansas; sales tax requirements; and an overview of property taxes. Among issues cited during the initial Council meeting: sales taxes are high and complicated, with a

number of inconsistencies; high property taxes, a situation worsened by shrinking state support; and, the economic health of the state relies on business and population growth, making it imperative to pursue quality-of-life improvements that require stable revenue. Future meetings of the Council in 2019 are set for Oct. 15-16, Nov. 14 and Dec. 3-4. An interim report by the Council is planned for December 2019, in advance of the 2020 legislative session. A final report is due in December 2020, in advance of the 2021 legislative session.

BGR Insights

INSIGHT FROM BGR DIRECTOR OF STATE AFFAIRS RYAN DALTON: This summer, three impressive new Democratic Governors were appointed to the National Governors Association (NGA) Executive Committee. Businesses looking to impact policy or craft legislative strategies for the year ahead would be smart to start their relationship building.

At the National Governors Association Summer Meeting in Salt Lake City, Utah, Governor Andrew Cuomo (NY) assumed the role of NGA Vice-Chair, ahead of his appointment to NGA Chair in Summer 2020. His first act in NGA leadership was to appoint three new Democratic Governors to the NGA Executive Committee, which supervises the association's operations and policies around federalism, federal spending, and federal tax policy. His selections: New Mexico Governor Michelle Lujan Grisham, Colorado Governor Jared Polis, and Michigan Governor Gretchen Whitmer.

All three are new Governors with bold ideas to enhance their states -- and, like Governor Cuomo, have proven they are eager to get things done rather than wait around for Washington, DC to deliver the change their constituents want. For example:

New Mexico Governor Michelle Lujan Grisham has already signed energy legislation requiring New Mexico's major electric utilities to get 100 percent of their power from carbon emission-free sources by 2045. While Washington, DC has gone into reverse on the Paris Climate Accord and other environmental protections, Governor Lujan Grisham found a path to passing legislation supported by industry, environmentalists, and other key stakeholders.

Colorado Governor Jared Polis recently enacted two pieces of legislation aimed at reducing the cost of healthcare. He created a healthcare reinsurance program to reduce premiums for the 251,000 buying health insurance on state exchanges. And he enacted legislation that will lower the cost of prescription drugs by allowing them to be imported from Canada.

Michigan Governor Gretchen Whitmer, who was famously elected on a promise to "fix the damn roads," has proposed a fully paid for \$2.5 billion infrastructure plan that she is fighting to get across the finish line this fall in the GOP held legislature. In the absence of any major federal infrastructure proposal, Governor Whitmer is looking for what should be a bipartisan opportunity to get key projects funded in her home state with all the associated economic development potential.

Outside the beltway, state leaders like these three incoming Governors are focused on strategies to deliver results and pushing priorities that their constituents demanded in the 2018 elections. They have thus far been willing and eager to work across coalitions and in a bipartisan fashion to get things done, and may offer companies and organizations opportunity to advance shared priorities that have stalled out in Washington.

B. HEALTHCARE & INSURANCE

GOVERNORS MEET TO DISCUSS VAPING, MARIJUANA: New York Gov. Andrew Cuomo and Connecticut Gov. Ned Lamont recently [joined](#) forces to push for a uniform regional approach to regulating vaping, which has exploded in popularity but has also led to a rash of unexpected health problems across the country. The two governors also talked about legalizing recreational marijuana, which neither state has done. The legislatures in both states are expected to debate the controversial topic next year, but officials said that passing a marijuana bill would be difficult in an election year. In a wide-ranging conversation at the Governor's Residence in Hartford's West End, the two Democrats talked about cybersecurity, public safety, joint purchasing, transportation, the environment and improving the Metro-North Commuter Railroad that connects the two states. Cuomo said they did not, however, talk about Lamont's proposal to establish electronic tolls on Connecticut highways.

TENNESSEE UNVEILS MEDICAID BLOCK GRANT PROPOSAL: Tennessee recently [unveiled](#) its plan to transform its Medicaid program into a block grant, essentially capping its funding rather than paying for anyone who enrolls. If approved by the Trump administration, the plan would upend the open-ended funding that has defined Medicaid since its creation in 1965. Under the current system, states and the federal government both contribute to Medicaid, and that dollar amount rises and falls based on the number of people enrolled. In block grant funding, however, the federal government would make a lump sum contribution to the state no matter how many people were in the program. States also would be given more authority to set the rules on how the money would be spent and on whom. Opponents believe such a plan would inevitably lead to either more restrictions on eligibility or fewer services, leaving vulnerable populations without the health care they need. But in unveiling Tennessee's plan, Republican Gov. Bill Lee told the Washington Post that it would "lower the cost of Medicaid services without changing the quality or level of those services to the Medicaid population." According to the latest federal report, Tennessee's Medicaid program has about 1.4 million enrollees.

STATES ROLLOUT HEALTH INSURANCE EXCHANGES, AGAIN: The [launch](#) of President Barack Obama's Affordable Care Act was marred by the performance of the newly created state health insurance marketplaces. With generous federal financial support, many states created these markets, also called exchanges, based on soaring promises: Individuals and small businesses could compare policies. They could get federal subsidies. It would be easy to sign up. And if people's income declined, they could enroll in their state's Medicaid plan. It didn't work out that way. Websites didn't work. Data couldn't be accessed. Call centers were overwhelmed, and states spent millions on quick fixes, many of which failed. Hawaii, Nevada and Oregon abandoned plans to operate their independent marketplaces and instead relied on the federal marketplace, Healthcare.gov. Other states, including California, Colorado, Massachusetts, Maryland and Washington, spent millions of dollars to overcome problems with technology. The experience so rattled states that seven years later, only 11 of them, plus Washington, D.C., operate independent marketplaces. The rest either use the federal marketplace or a federal-state partnership. But now at least six states — Maine, New Mexico, New Jersey, Nevada, Oregon and Pennsylvania — are creating their own marketplaces or seriously considering doing so. Officials in those states insist they can avoid past failures and state-focused websites can help more residents get insurance. They believe they can piggyback on the successes of other states, and knowing their population and geography better positions them to increase enrollment and possibly reduce their residents' premiums.

CUOMO ANNOUNCES 'SECOND LEGAL FRONT' AGAINST OPIOID INDUSTRY: Insurance companies [bilked](#) New Yorkers out of \$2 billion by overcharging them premiums and blaming it on the opioid epidemic, Gov. Cuomo said. The state Department of Financial Services has issued a laundry-list of subpoenas as part of an investigation into the insurance fraud scheme, the governor said. That's on top of Attorney General Letitia James' sweeping lawsuit against several opioid producers. The \$2 billion scheme, as explained by Cuomo, has played out over the past 10 years and involves drugmakers

operating in cahoots with distributors and pharmacy benefit managers to downplay the risks of prescription painkillers and flood the market with the narcotics despite knowing how addictive and dangerous they are. In turn, New York taxpayers have had to cover health insurance premiums that Cuomo said have skyrocketed because of costs associated with the opioid epidemic, including addiction treatment and other health issues stemming from drug use. The alleged scam was uncovered when DFS combed through insurance companies' records, according to agency supervisor Linda Laceywell.

NEW YORK BANS FLAVORED E-CIGARETTES: Amid a rash of pulmonary illnesses and several deaths in the U.S. linked to vaping and e-cigarette usage, New York state health officials recently [passed](#) an emergency regulation temporarily banning the sale of flavored e-cigarettes and nicotine e-liquids. Members of the state's Public Health and Health Planning Council approved the ban, arguing it would help stem a rise in e-cigarette use among minors, which they called a public health crisis. Michigan has also banned the sale of flavored e-cigarettes. Some members of the Public Health and Health Planning Council said they were torn about approving the emergency measure, while others said it should have included a ban on menthol e-cigarettes. The ban went into effect immediately and is expected to last 90 days, with the expectation that it will be renewed absent a permanent legislative ban.

C. ECONOMY, TRADE & INFRASTRUCTURE

U.S. METRO ECONOMIES REPORT: Metropolitan areas [dominated](#) US economic growth in 2018. They were home to 85.9% of the nation's population, 91.1% of real gross domestic product, and their share of total employment increased to 88.1% as metros added 2.1 million jobs, accounting for 94% of all US job gains. The metro shares of US total personal income, 89.3%, and wage income, 91.8%, also increased again in 2018. Combined, the nation's 10 highest-producing metro economies generated \$7.2 trillion in economic value in 2018, surpassing the output of the sum of 38 US states. Their combined output exceeds all the nations of the world save China, and is 45% greater than that of Japan, the 3rd largest economy of the world. Many US metros have larger economies than states. New York's gross metropolitan product (GMP), the largest among metros at \$1.85 trillion, exceeds the Gross State Product (GSP) of Texas, and Los Angeles's exceeds that of Florida, the fourth ranked state in GSP. In many states, metro economies account for almost all of the state economy. In California, for example, the metro share of GSP is 98.9%. In Texas, it is 93.1%; in Florida 98.1%; and in New York, 97.4%. In 19 states the metro share of GSP exceeds 90%, and in 29 it exceeds 80%. Only in Montana, North Dakota, Wyoming, and Vermont is the metro contribution to GSP lower than 50% of the state economy.

STATES OF ECONOMIC COMPARISON: Incomes overall in America are growing smartly, but some states and regions are doing [better](#) than others. The Bureau of Economic Analysis (BEA) this week published state personal income data for the second quarter and revisions for the past three years—and the comparisons carry economic and policy lessons. Economists have been surprised by the strength of consumer spending, and one reason may be that income growth has been faster than they thought. The BEA revised personal income growth upward in most states, especially in the West and Midwest. Incomes were revised up 4.2% in Colorado and Washington, 3.9% in Utah and 3.1% in Idaho. One not so surprising exception is Illinois where growth was revised down 1.2%. Its neighbors Indiana (1.5%), Michigan (2.5%) and Wisconsin (2.6%) experienced modest upward revisions. Illinois incomes have grown faster over the last year (3.7%) than during the late Obama years amid an uptick in manufacturing, but the state still lags in the Great Lakes region.

SURVEY RANKS ALABAMA AS TOP IN JOBS FROM FOREIGN INVESTMENT: Alabama Governor Kay Ivey [announced](#) Alabama is tops for jobs from foreign investment in 2018. The information comes from the 2019 Global Location Trends report, prepared by IBM-Plant Location International. Governor Ivey reported the survey found that Alabama is the No.

1 state in the U.S. based on new job creation from foreign investments during 2018. Alabama also ranks No. 7 among states for job creation from foreign and domestic (state-to-state) investment together.

BGR Spotlight

BGR Senior Director of State Affairs Kristin Strobel recently co-hosted an event with Texas Attorney General Paxton and Lynn Fitch, the Republican nominee for Mississippi's Attorney General. Also attending the event were attorneys general from Georgia, South Carolina and Indiana.



STATEWIDE APPRENTICESHIPS: At least 36 states have a state-level policy addressing apprenticeships. The policy ranges from establishing rules for the registration of an [apprenticeship](#) to requirements that must be met by businesses and participating apprentices. In states that do not have a state-level policy, it is often the case that apprenticeships are governed through federal policy or industry-specific state-level policy. Where state statute, regulation or a statewide program does not exist, apprenticeship opportunities are available in every state.

NYC SUBWAY SIGNALS TO RECEIVE UPGRADE: New Yorkers have [grown](#) unhappily accustomed to hearing that their trains are delayed by "signal problems." But most riders probably have no idea what that means. The signal system is the invisible, unglamorous backbone of the subway, controlling when trains can move down the tracks. But the demands of a 21st-century ridership are being borne by archaic signal equipment, some of which dates to when Franklin D. Roosevelt was president. Installing modern signals is fundamental to restoring the subway to a level of reliability that is vital to New York's economic future. The aging system's importance was underscored last week when the Metropolitan Transportation Authority said that it wanted to spend \$7 billion to greatly expand the number of subway lines slated to get new signals. It was a major moment for subway signals, and a remarkable shift from neglected piece of anonymous infrastructure to urgent priority for elected officials.

IS HIGH SPEED RAIL EVER ARRIVING? A new era of passenger rail in the United States may [finally](#) be on the way, according to high-speed rail advocates. Despite the Trump administration's move to yank federal funding from California's long-troubled high-speed rail venture, that project and others like it are quickly moving from drawing-board concepts to physical reality. By the end of this year, the country may have as many as three new passenger railroad systems under construction, each promising fast service between cities in just a few years. The projects in California, Florida and Texas differ quite a bit from one another in size, scope and funding sources. But each one of those projects seems to be moving forward despite significant obstacles, something many rail proponents see as a promising sign.

D. EDUCATION & THE ENVIRONMENT

CLIMATE CHANGE COULD MAKE BORROWING COSTLIER FOR STATES, CITIES: Someday soon, analysts will [determine](#) that a city or county, or maybe a school district or utility, is so vulnerable to sea level rise, flooding, drought or wildfire that it is an investment risk. To be sure, no community has yet seen its credit rating downgraded because of climate forecasting. And no one has heard of a government struggling to access capital because of its precarious geographical position. But as ratings firms begin to focus on climate change, and investors increasingly talk about the issue, those involved in the market say now is the time for communities to make serious investments in climate resilience — or risk being punished by the financial sector in the future. Moody's has been especially vocal about its climate change concerns. The firm has issued numerous papers assessing climate risk, and two months ago it purchased a majority stake in Four Twenty Seven, a climate-risk data firm.

What We Are Reading

BLUE STATES SEE DIP IN IMMIGRANTS: [Despite](#) having more welcoming policies for immigrants, blue states that once led immigration growth saw some of the steepest decreases in immigrant population last year. The red states of Florida and Texas had the biggest increases, along with Washington state. New York, Illinois and California had the biggest drops in immigrant population, along with New Jersey, Maryland and Connecticut — losing a combined 206,000 immigrants as Florida and Texas together gained about 170,000. The numbers were released Thursday by the U.S. Census Bureau's American Community Survey. It has been a gradual shift from earlier years, when in 2010 California and New York had some of the largest increases in immigration and the biggest drops were in more conservative states such as Arizona and Idaho.

CHANGES TO CHILD WELFARE: Tucked [inside](#) the \$1.3 trillion spending bill passed by Congress in February 2018 was a piece of legislation called the Family First Prevention Services Act. The measure was little noticed outside human services circles. But once it's implemented, the new law will completely upend the way child welfare operates at the state level. At its core, Family First redirects the way states will get reimbursed for their services. For the first time, the federal government will pay states for evidence-based programs aimed at keeping kids in their homes rather than placing them in foster care. Mental health care, in-home parenting programs and substance abuse treatment will now all be covered. For instance, a mom in a residential substance abuse program will be able to have her child with her -- something not financially possible before Family First. "We're really encouraging states to rethink what foster care even looks like, toward a new system that doesn't require as many kids in foster care," says David Sanders, executive vice president of systems improvement at Casey Family Programs, a child welfare organization and one of the chief proponents of the new law. To fund this more prevention-based approach, reimbursement for children staying in group homes will be limited to two weeks, with the exception of children with severe emotional and health needs. That's a significant shift from the past, when group home stays were essentially uncapped. But it dovetails with changing attitudes about how states should be caring for children in need of services.

STATES SPURRING ADOPTION OF ELECTRIC VEHICLES, BARRIERS REMAIN: Governors are [supporting](#) a variety of policies to encourage greater use of electric vehicles, but many barriers to adoption remain, the National Governors Association (NGA) concluded in a white paper that summarized discussions from four regional workshops. Motivations for taking action include potential environmental, economic development, resiliency and financial benefits. State interest in the topic is high, as evidenced by the participation in the NGA workshops in Connecticut, Tennessee, Washington and

Missouri between November 2018 and May 2019. In total, 40 states and territories participated. The paper acknowledges that, despite increased efforts, the adoption of electric vehicles remains low in most of the country. The states with the highest levels of adoption, based on 2018 market share, are California at 7.84 percent, Washington at 4.28 percent and Oregon at 3.41 percent. However, many observers expect adoption to grow substantially in the coming years, as the technology improves, initial costs decline, recharging infrastructure becomes more widespread, available vehicle models expand, and consumer familiarity increases.

BOSTON GIVES KINDERGARTENERS \$50 IN SAVINGS ACCOUNTS: Kindergarteners in Boston are [getting](#) a unique back-to-school gift: \$50 deposited into their very own savings accounts. Boston Mayor Marty Walsh recently announced that every kindergarten student in the city's public school system will get the savings accounts and cash starting this fall as part of the Boston Saves initiative. The effort also includes incentives for families to build the account for their child's future. Families can earn up to an extra \$65 from the city during the first year through regular contributions. The accounts become available when the student graduates high school. It's meant to help pay for college or job training. Walsh says the effort expands a pilot program in place in about a dozen schools since 2016. Some 1,600 students have benefited from that earlier effort.

E. TECHNOLOGY & PROCUREMENT

APPEALS COURT UPHOLDS NET NEUTRALITY REPEAL, RULES FCC CAN'T BLOCK STATES: A federal appeals court on Tuesday [delivered](#) a mixed ruling for net neutrality supporters and opponents alike, allowing the Federal Communications Commission's (FCC) 2017 repeal to stand but striking down a key provision blocking states from implementing their own open internet rules. The D.C. Circuit Court of Appeals also sent the repeal order back to the FCC, ordering the agency to revise it to take into consideration other issues, like the effect that it will have on public safety, broadband subsidies and the regulation of cable pole attachments. Though the ruling was mixed for both sides of the issue, it's still unclear whether any of the parties involved in the lawsuit plan on appealing the decision. The FCC decided to repeal the Obama-era net neutrality rules in 2017, with Republicans on the commission carrying the 3-2 vote along party lines. The rules classified internet service providers like Comcast and Verizon as common carriers, subjecting them to tougher regulations and oversight, and prohibited them from blocking or discriminating against certain websites.

LEGAL BATTLES BREW OVER 5G BUILDOUT: A legal battle [brewing](#) in upstate New York over the use of municipal utility poles could have nationwide repercussions as private telecom companies seeking to build fifth-generation wireless networks contend with city governments that say they aren't being fairly compensated. A lawsuit filed by Verizon against the city of Rochester last month marks the latest in a string of cases pitting telecom giants against cities that want more autonomy over fees charged for the deployment of small cells on poles controlled by local governments. Unlike current, fourth-generation wireless technology, which uses existing cell towers and can send signals across long distances, implementation of the next stage, known as 5G, will require installation of new cells. They're smaller than previous ones — sometimes the size of a backpack — but 5G requires that hundreds be deployed, in close proximity to each other. This means that cities that want faster connectivity must grapple with more frequent use of their utility poles and other infrastructure and more construction on roads where companies want to bury fiber optic cables. And companies who want to win the so-called "race to 5G" must navigate an uneven regulatory landscape in which municipalities have a range of requirements for use of utility poles and other types of public infrastructure. Verizon's suit against Rochester claims that an ordinance passed by its city council in early February violates a 2018 order by the Federal Communications Commission that limits the annual fees a city may charge for deployment of small cells on utility poles to \$270 per piece of equipment. The city's ordinance allows fees of \$1,500 for the use of each utility or light pole.

FOR STATES, CYBERSECURITY IS GETTING MORE COMPLEX: State and big-city governments have [stepped](#) up their cybersecurity policies considerably over the past few years, officials said at a Department of Homeland Security conference outside Washington. Several chief information security officers and homeland security advisers painted a rosy picture of state and local governments getting serious about enhanced training for public workers, more partnerships with other rungs of government and the private sector, and revising emergency response plans to cover cyberattacks. But they also acknowledged they face an expanding threat landscape that endangers everything from government IT functions to critical public infrastructure.

CONGRESS MOVING TOWARD STATE-FOCUSED CYBERSECURITY AID: Federal legislation [creating](#) new grants and other programs designed to help state and local governments with cybersecurity is expected to advance in Congress in the next few weeks, following a year that has seen scores of ransomware attacks against municipalities large and small. The State and Local Government Cybersecurity Act would represent one of the most significant federal investments in state and local information security efforts, according to the National Association of State Chief Information Officers, which took the rare step in July of endorsing the legislation. The bill by Sens. Gary Peters, D-Mich., and Rob Portman, R-Ohio, was recently placed on the Senate's legislative calendar, the list of bills ready for floor action this fall.

COLORADO BECOMES FIRST STATE TO BAN BARCODES FOR COUNTING VOTES: Citing security concerns, Colorado has [become](#) the first state to stop counting ballots with printed barcodes. The state's secretary of state told CNN she felt it was a necessary step to ensure Colorado maintains its position as a national leader on election security. The decision is a further step toward prioritizing the role of human eye, rather than computers to count votes. In recent years — after researchers have repeatedly demonstrated it's possible to hack many voting machines in particular circumstances and the US intelligence community detailed Russia's interference in the 2016 election — both government and industry leaders have reached a general consensus that the US needs to use paper ballots so that elections can be properly audited.

BGR In The News

BGR GROUP FOUNDING PARTNER ED ROGERS [WRITES](#) IN THE WASHINGTON POST: "The best politicians know that it is important to start any initiative from an honest place. In Washington, it is easy for things to become distorted and to evolve in unpredictable ways. Also, the best politicians know there should never be a gap between what they are saying and what people observe for themselves. Voters don't like to be taken for fools. Yet House Democrats have started a momentous impeachment process that violates both of these fundamental tenets."

F. FEDERAL/STATE RELATIONS

17 STATES SUE TRUMP ADMINISTRATION OVER ENDANGERED SPECIES ACT: A coalition of state Attorneys General — led by California, Maryland and Massachusetts — are [suing](#) the Trump administration over recent changes made to the way it enforces the Endangered Species Act (ESA). California AG Xavier Becerra (D) challenged the Trump administration's changes to the way it will protect species under the ESA as a choice "to prioritize endangering endangered species rather than protecting them." The lawsuit follows the administration's announcement in August that it would weaken protections on various plants and animals, opting to no longer regulate threatened species at the same

degree as endangered species. The procedural changes finalized by the Fish and Wildlife Service, also changed protections of species habitat and allowed economic factors to be weighed before adding an animal to the list.

CFPB PARTNERS WITH STATE REGULATORS FOR FINANCIAL INNOVATION NETWORK: The Consumer Financial Protection Bureau (CFPB) recently [announced](#) a new partnership with a group of state-level regulating authorities to launch the American Consumer Financial Innovation Network (ACFIN), a network that is designed to “enhance coordination among federal and state regulators to facilitate financial innovation,” according to an announcement released by the CFPB. While sending initial invitations out to all state regulators to join the new project, the initial roster is made up of Attorneys General of seven different states: Alabama, Arizona, Georgia, Indiana, South Carolina, Tennessee, and Utah. The aim of the new organization is to “promote regulatory certainty for innovators,” which the Bureau contends will benefit both the larger U.S. economy and consumers specifically.

II. Politics

A. GOVERNORS & STATEWIDE OFFICES

GOP SEEKS HELPING HAND FROM TRUMP IN 2019 GOVERNOR RACES: Republicans running for governor this year are [turning](#) to President Trump — and familiar Democratic boogeymen — to carry them over the finish line in Kentucky, Mississippi and Louisiana, three of the most conservative states in the country. In all three states, Trump is likely to be an asset to Republicans. He won Kentucky’s electoral votes with 62 percent of the vote in 2016, and he scored about 58 percent in both Mississippi and Louisiana. The Republican gubernatorial nominees this year will need the help. Polls show Kentucky Gov. Matt Bevin (R) running virtually even with Attorney General Andy Beshear (D). In Mississippi, Lt. Gov. Tate Reeves (R) was forced into a runoff and now faces a spirited challenge from Attorney General Jim Hood (D). And two Republicans in Louisiana are running far behind Gov. John Bel Edwards (D) ahead of an Oct. 12 jungle primary. The Republican nominees in Kentucky and Mississippi have already signaled to the Trump team that they want to campaign alongside the president, according to sources close to both campaigns. The two Louisiana Republicans are also likely to ask for help, though any rally would come after the primary.

HOW IMPEACHMENT CAUSES A HEADACHE FOR SOUTHERN DEMS: On Thursday, as President Donald Trump mused about a possible “spy” in the White House, Democrats alleged a “cover-up” and Washington fired up the gears of impeachment, the Democratic [candidate](#) for governor in Kentucky, Andy Beshear, was politely shaking hands at a senior center. He vowed to crack down on robocalls that target the elderly and talked about combating the cost of prescription drugs. For a few minutes, in a corner of this center, it was a Trump-free zone. Beshear and other Southern Democrats running for governor this fall want to keep it that way. While Democrats in Washington charge ahead with an impeachment inquiry, their party’s candidates for governor in Kentucky, Mississippi and Louisiana are doing all they can to steer the conversation away from Trump and toward safer ground back home. As red-state Democrats, their best chance at winning is to sell their platforms and personalities — not their partisan affiliation — and keep their distance from the turmoil in Washington.

MURPHY TO ENTER NATIONAL STAGE AT DGA: New Jersey Gov. Phil Murphy, who remains relatively low-profile in his home state nearly two years after taking office, will get a [chance](#) to shine on the national stage come December, when he takes over as chairman of the Democratic Governors Association. It’s a high-profile position that will give Murphy a chance to develop relationships with fundraisers and Democratic governors around the country, all of which will provide him a platform as a state-level progressive counterpoint to President Donald Trump’s policies. Murphy will get the opportunity to hone that message in 2020, when 11 governors — seven of them Republicans — are up for election.

Flipping several of those seats could bolster Murphy's profile as a progressive governor willing to take on the Trump administration when Congress won't, potentially making him a national figure. A poor showing, however, could relegate him to nationwide obscurity while exacerbating his political problems at home.

BULLOCK EYES PUBLIC FINANCING FOR 2020 RUN: Steve Bullock will [apply](#) to be the first — and perhaps only — Democrat in the presidential primary who accepts public financing for his campaign, a potentially risky move that could give his struggling fundraising a boost but would also require the Montana governor to abide by a cap on the amount of money he can spend. Top presidential contenders for years fueled their campaigns using the public financing system, which was established to reduce the influence of big donors in the wake of the Watergate scandal. But that's waned ever since George W. Bush rejected the assistance in 2000. And the trend has become even more pronounced following a series of court rulings and regulatory changes that allowed even more cash to course through elections. Bullock, who filed legal challenges to reverse those rulings when he was Montana's attorney general, says his turn to public financing demonstrates that he is "walking the walk" at a time when rejecting big money in politics has become an animating issue for party activists.

NEWSOM STILL SEEN AS WORK IN PROGRESS IN CALIFORNIA: When California Gov. Gavin Newsom [introduced](#) himself to legislators at his inauguration and in his first State of the State speech, he offered a laundry list of high-profile priorities that would have cemented the Golden State's status as the lodestar of renascent American progressivism. Nine months later, as the legislature wrapped up its work and sent more than 500 bills to Newsom's desk, some of the wish list has been checked off — but several of Newsom's top priorities were left stuck in committee or dead on the floor.

NORTHAM NAMES VIRGINIA'S FIRST DIVERSITY CHIEF: Gov. Ralph Northam recently [named](#) a former university official as Virginia's first director of diversity, equity and inclusion, charged with improving practices throughout the staffing and activities of state government. Janice Underwood, who had been in charge of diversity initiatives at Old Dominion University, was selected for the role after a summerlong search. She will report directly to Northam and his chief of staff. She started Sept. 16. A cabinet-level position devoted to diversity across state government is unusual. A spokesman for the National Governors Association said no other states appear to have such a position.

KANSAS AG SAYS NEW POLICY FOR TAXING ONLINE SALES IS INVALID: Kansas' Republican attorney general [declared](#) Monday that Democratic Gov. Laura Kelly's administration lacked the legal authority to impose what some experts see as the nation's most aggressive policy for collecting state and local taxes on online sales. Top Republicans in the GOP-controlled Legislature called on Kelly to rescind the state Department of Revenue policy immediately after they received a legal opinion from Attorney General Derek Schmidt. But the department's top administrator, Secretary Mark Burghart, a veteran tax attorney himself, said in a statement that the department is obligated to follow its current course unless told otherwise by the courts. He maintained that that the agency is only trying to enforce existing Kansas tax laws in light of a U.S. Supreme Court decision last year allowing states to collect sales taxes on internet sales.

B. STATE LEGISLATURES & MAYORS

NC HOUSE OVERRIDES BUDGET VETO IN SURPRISE VOTE: In an early-morning move that [shocked](#) and angered Democrats in the chamber, the N.C. House of Representatives voted to override Gov. Roy Cooper's veto of the state budget. Just over half of the 120 members were present to vote. Rep. Jason Saine, a Lincolnton Republican, made the motion to reconsider the state budget, and chaos in the chamber quickly ensued. Democrats in the chamber vehemently objected to the bill being brought up, saying they were told there would be no votes during the 8:30 a.m. session and that the session was just a formality so work could begin. House Speaker Tim Moore, a Kings Mountain Republican, denied that such an announcement was made, and even asked the House Clerk to back him up. That prompted an

outburst from Rep. Deb Butler, D-New Hanover. Moore ignored the objections of the Democrats who were in the room and instead mowed through the vote with only 64 members voting. The vote was 55-9. Later, multiple Democratic House members who were there but who weren't able to vote in time had their votes recorded as "no." But it still wasn't enough to change the outcome.

HIGH STAKES IN VA GENERAL ASSEMBLY ELECTION WILL PREVIEW 2020 PRESIDENTIAL: In the wake of the Blue Tsunami that crashed through Virginia on election night in November 2017, the state's Democrats [found](#) their political fortunes in the House of Delegates dramatically transformed. Not only had they held onto the state's governorship for back-to-back Democratic administrations, the party had ridden a wave of anti-Trump backlash to pick up 15 seats in the state's lower chamber, rocketing them from a distant minority to just two seats away from taking the majority away from the GOP. The state's Senate, which was not up for reelection that cycle, already sat within two seats of a Democratic majority and Republicans would be forced to defend it in 2019. Democrats got to work making plans. Republicans got busy, too, moving quickly to take Medicaid expansion, a policy with robust public support among Democrats and Independents in Virginia, but one the party had fought tooth and nail against for the better part of a decade, off the table as a potential campaign issue for Democrats to use against them again in 2019. Despite outcries of treason from Republicans in safe districts, party leadership, senators in competitive districts and the few remaining survivors in competitive House districts joined Democrats to pass Medicaid expansion in May of 2018, just before the 2018 midterms. With two post-Trump elections behind them, both of which had produced large turnout surges for Democrats and sympathetic Independents aligning with Democrats, Republicans already faced an uphill battle defending their General Assembly majorities this year. Then, the federal courts struck down 11 House of Delegates districts due to racial gerrymandering. The court-ordered revisions affected the boundaries of 25 districts and made additional Democratic Party pick-ups even more likely. Several Republicans strategically retired.

C. BALLOT INITIATIVES & POLITICS

DC OFFICIALS MAKE CASE FOR STATEHOOD: The first U.S. House hearing on D.C. statehood in a generation [ended](#) just as it began: with the nation's capital no closer to becoming the 51st state. But that didn't stop D.C. Mayor Muriel E. Bowser (D) and Del. Eleanor Holmes Norton (D) from declaring success in their effort to build momentum for legislation that will someday make the District a state. The House Committee on Oversight and Reform recently held a hearing on legislation introduced by Norton that would shrink the seat of the federal government to a two-square-mile enclave, encompassing the White House, Capitol Hill, the Supreme Court and other federal buildings. The rest of the District would become known as the State of Washington, Douglass Commonwealth. At the hearing, Republicans argued the District is too corrupt and financially dependent on the federal government to be a state.

PROPOSED 2020 BALLOT MEASURE WOULD TIGHTEN CALIFORNIA DATA PRIVACY LAW: Californians would have more [control](#) over the collection of their health and financial data and there would be stiff penalties for companies that wrongly share and sell data about children under a November 2020 statewide ballot measure that was recently submitted. The proposal was drafted by San Francisco real estate developer Alastair Mactaggart, who last year used the threat of a ballot measure to pressure the California Legislature to enact sweeping new privacy protections. Although that law doesn't take effect until January, Mactaggart said that it's important to press ahead and do more.

HOLDER-AFFILIATED GROUP CHALLENGES NC CONGRESSIONAL DISTRICT MAP: A nonprofit affiliated with former U.S. Attorney General Eric Holder's nationwide push to end gerrymandering [filed](#) a lawsuit in Wake County on Friday challenging North Carolina's congressional district map. The National Redistricting Foundation is backing a lawsuit filed by individuals in each of the state's 13 congressional districts, alleging that the General Assembly illegally drew the district

lines in 2016 to favor Republican candidates. A similar argument went before the U.S. Supreme Court in March, but the high court ruled 5-4 in June that partisan gerrymandering is "beyond the reach of the federal courts." But in state court, several plaintiffs successfully challenged legislative districts drawn in 2017 on the argument that partisan gerrymandering violates North Carolina's constitution. A three-judge panel recently ordered lawmakers to redraw the maps without considering voting patterns of individual precincts. The House and the Senate tweaked maps used as evidence in that case that were produced by an algorithm and submitted them last week to the court for review.

Campaign News

NOTE: Only three states will hold gubernatorial elections in 2019: Kentucky, Louisiana, and Mississippi. BGR's 2019 *Campaign News* section will primarily include stories from those states. Please let us know if there are specific states or races you are interested in monitoring as well.

KEY ELECTIONS FROM ACROSS THE COUNTRY: The left-leaning *Daily Kos* is out with a [calendar](#) of this year's top races. A version of this calendar with more details about specific election procedures for each race as well as the population for each jurisdiction, can be found [here](#).

KEEPING TRACK:

Days until the Louisiana gubernatorial primary election: 11

Days until the Kentucky, Mississippi, New Jersey and Virginia general elections: 35

HOW STATE RACES THIS FALL WILL SHAPE CONGRESS FOR A DECADE: The path [toward](#) Republican dominance at the state level began more than three decades ago, when Democrats, in the wake of Jimmy Carter's loss to Ronald Reagan in 1980, focused their energy on presidential politics in the 1984 cycle. The current dynamic dates back to 2010, when Karl Rove wrote a Wall Street Journal column laying the groundwork for what came to be called the Redistricting Majority Project (REDMAP). The RSLC's REDMAP program recruited and funded state-level candidates aggressively. REDMAP spent \$30 million to the DLCC's \$8 million that year. The effort netted GOP total control of 11 legislatures and a trifecta in nine additional states. In turn, the party started drawing congressional districts it liked. Republicans still start with a leg up in the battle for the states in 2020. The GOP controls 52% of seats in all state legislatures, with majorities in 62% of state legislative chambers and total control of state government in 22 states, to Democrats' 14. But many of the chambers have narrow GOP edges. Democrats stand to pick up majorities in seven chambers—including those in Minnesota, Arizona and Virginia—if they can win 19 specific races. Meanwhile, the gains Democrats have made in recent years may be difficult to defend. President Donald Trump was a liability for Republicans in 2018, when he wasn't on the ballot and his approval sat at 40% in Gallup's final pre-election survey. But Trump could wind up helping GOP candidates in 2020, when the party hopes his massive political machine will boost fortunes of candidates all the way down the ballot. It's also possible that existing Democratic-led statehouses overstep their mandates and provoke a backlash. In typically blue Illinois, for example, lawmakers declared abortion a fundamental right, no matter what the Supreme Court may say. When Republicans in the Colorado statehouse objected to the pace of change under Democratic control, they raised procedural hurdles and demanded the measures be read aloud. Democrats responded by having five computers read a 2,023-page bill simultaneously—so quickly the text was unintelligible. The issue went to court, where the Republicans won.

MISSISSIPPI

GOVERNORS RACE MOVES TO LEAN REPUBLICAN: Cook Political Report has [moved](#) the race from “Likely Republican to Lean Republican.” Mississippi is the second governor’s race in the Deep South that is surprisingly competitive for Democrats in 2019 — though they have a much tougher climb than next door in Louisiana. Popular GOP Gov. Phil Bryant is term-limited. His No. 2, Lt. Gov. Tate Reeves, survived a Republican primary and subsequent runoff to capture the GOP nomination. Democrats have one of their strongest statewide candidates in years with Attorney General Jim Hood, but in a state President Trump carried by 18 points, it won’t be easy. The two men couldn’t be more different stylistically. Hood is just the type of Democrat who could win in deep, deep red Mississippi — his ads portray him as a good ‘ole boy who drives his pickup to church on Sundays, cleans his guns and fixes his tractor. The bespectacled Reeves comes off as more wonkish and serious. Both men have been looming figures in their parties for years, with each being on the ballot — and winning — every four years, dating back to 2003. In a way, this matchup has felt inevitable for years.

JIM HOOD, THE LONELIEST CANDIDATE: Attorney General Jim Hood [seems](#) to be occupying a political island of his own design. The game plan for his gubernatorial campaign is pretty simple. Run the table on turnout of Democrats and try and peel out rural white moderates to edge out his Republican opponent, Lieutenant Governor Tate Reeves. However, that’s a tall order that requires a precarious balance. If he embraces his fellow national Democrats or is even seen publicly with them or they come campaign on his behalf, he’s sunk. If he takes money from trial lawyers or liberal Hollywood types, he’s sunk. If he is forced to speak out against President Trump, who is incredibly popular among the narrow band of white voters he needs to peel off, he’s sunk. If he even gives Trump a wink and a nod, the vast majority of his base in the black community would bail on him.

HOOD INVESTIGATING POLITICAL RIVAL: Mississippi Attorney General Jim Hood (D) is [using](#) an investigation he personally supervised to attack his opponent in November’s gubernatorial election, raising concerns among good government groups over the politicization of the state’s justice system. Hood, one of the last remaining Democrats who hold statewide office in the Deep South, faces Lt. Gov. Tate Reeves (R) in the battle to replace term-limited Gov. Phil Bryant (R). The campaign has been acrimonious, and closely fought since the beginning. But Hood added a new wrinkle last week, when he released the results of a yearlong investigation into Reeves’s role in building a state-funded frontage road connecting Reeves’s Jackson-area neighborhood with a nearby shopping center. The 43-page report is heavy on inference and light on conclusions. It suggests Reeves violated a provision of the state constitution meant to prevent conflicts of interests simply because, as lieutenant governor, he was a member of the state legislature at the time the road was built.

KENTUCKY

BEVIN AD TOUTS JOB GROWTH DURING TERM: Kentucky Republican Gov. Matt Bevin’s first TV ad of his fall reelection campaign [plays](#) up the state’s job growth and his willingness to make tough choices while acknowledging some of those decisions “ruffled some feathers.” The commercial also briefly shows Bevin with President Donald Trump — continuing the governor’s theme of touting his ties to the Republican president, who easily carried Kentucky in 2016 and remains a political force in the bluegrass state. Democratic Attorney General Andy Beshear’s campaign has already been running TV ads for a month, and outside groups have been weighing in with their own commercials in an ad blitz leading up to the Nov. 5 election. Both campaigns say they will be on the air without interruption until Election Day. Bevin’s ad portrays

him as a political outsider who “ruffled some feathers” in making tough choices. It says before Bevin’s election, the state “forever seemed to be moving backward.”

LAWSUIT SEEKS TO REMOVE CAMERON FROM BALLOT: A new [lawsuit](#) seeks to have Republican attorney general nominee Daniel Cameron’s name removed from the Nov. 5 election ballot, arguing that he lacks the eight years of experience as a “practicing attorney” required for the office by Kentucky’s constitution. The Kentucky Bar Association admitted Cameron on Oct. 21, 2011, which means the election will be held eight years after he was licensed to begin practicing law. But Cameron, who is 33, spent the next two years serving as a clerk for U.S. District Judge Gregory Van Tatenhove in Frankfort and London. Judicial clerks may not practice law during their clerkships, as explained to them in their formal ethics guidelines, according to the lawsuit filed Tuesday in Jefferson Circuit Court by Joseph Leon Jackson Sr. of Louisville. Also, Jackson alleges, Kentucky courts define the practice of law as using legal knowledge to represent the needs of a client, which Cameron did not do while assisting a judge.

BESHEAR REPORTS \$2.8 MILLION IN CONTRIBUTIONS, BEVIN REPORTS \$2 MILLION: Democrat Andy Beshear reports his campaign for governor [raised](#) about \$2.8 million in contributions this summer compared with about \$2 million in contributions for incumbent Republican Gov. Matt Bevin. The two campaigns filed their first reports listing donors and expenses of their general election campaigns with the Kentucky Registry of Election Finance. Data posted on the registry’s website shows that Beshear identified 4,234 donations in his report covering the period of May 22 through Sept. 6. That compares with 1,782 contributions itemized in Bevin’s report. But the Bevin campaign also reported it received a personal loan from Bevin of \$500,000 on June 13, bringing its total receipts for the period to nearly \$2.5 million.

LOUISIANA

TRUMP TWEETS SUPPORT FOR REPUBLICANS IN GOVERNOR’S RACE, BASHES BEL EDWARDS: President Donald Trump on Tuesday [urged](#) Republicans to vote for one of the GOP challengers to Democratic Gov. John Bel Edwards in the Oct. 12 primary election. The comments are the first Trump has made publicly about the governor’s race in a state he won by 20 points in 2016, and come in the midst of early voting for the primary election, which runs through Saturday. “REPUBLICANS of Louisiana, it is really important for you to go out and vote on October 12th for either Eddie Rispone or Ralph Abraham (both Great), which will lead to a runoff against a Nancy Pelosi/Chuck Schumer Democrat (John Bel Edwards), who does nothing but stymie all of the things we are doing to Make America Great Again,” Trump said on Twitter. “Don’t be fooled, John Bel Edwards will NEVER be for us. Early voting has already started!”

IN DEBATE, EDWARDS TOUTS ACCOMPLISHMENTS, OPPONENTS HIT ON TAXES, ECONOMY: Gov. John Bel Edwards and U.S. Rep. Ralph Abraham [traded](#) blows during their first televised debate of the governor’s race while the third major candidate, businessman Eddie Rispone, mocked the two as politicians engaged in a cat fight. Abraham, a Republican, seemed intent from the beginning on establishing himself as the best conservative alternative to the only Democratic governor in the Deep South, repeatedly attacking Edwards’ record on taxes and the state’s economy. Edwards defended his record – noting that under his watch, the state has gone from a budget deficit to a surplus and that he expanded Medicaid to 460,000 working poor. Their differences led the governor and Abraham to engage in more than one heated back-and-forth, with each man accusing the other of being a liar. Rispone, also a Republican,

seemed almost like a bystander at times, but he brought attention to himself by riffing off his status as a businessman who has not sought public office before.

RISPONE TV AD ATTACKS ABRAHAM: Louisiana gubernatorial candidate Eddie Risponse [launched](#) a TV attack ad against his fellow GOP contender, U.S. Rep. Ralph Abraham, ending Republican Party leaders' efforts to keep their two main candidates from a slugfest ahead of the Oct. 12 election. Risponse's 30-second spot, which his campaign said will start airing Tuesday, pans Abraham for reneging on a promise to donate his congressional salary to charity and for missing congressional votes. It says he voted with Democratic House Speaker Nancy Pelosi hundreds of times. The ad also hits Abraham, a third-term congressman from northeast Louisiana, for a 2016 statement suggesting Donald Trump should consider stepping aside from the GOP presidential nomination after a recording emerged in which Trump boasted about groping women.

POLL SHOWS EDWARDS' LEAD GROWS, RISPONE GAINING: A new poll shows Baton Rouge businessman and Republican challenger Eddie Risponse making [gains](#) in the race for Louisiana governor, but not likely enough to displace Republican Congressman Ralph Abraham from a runoff slot against incumbent Democrat John Bel Edwards. According to an exclusive Nexstar poll conducted by JMC Analytics and Polling in Baton Rouge, Edwards and Abraham remain the front-runners in the race. Edwards remains firmly in the lead with 41%, up from 38% in April. Abraham is second with 24% and Risponse is third with 16%.