STATELINE MIDWEST

CSG MIDWEST

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CARRYING THE LOAD: HOW STATES ARE PLANNING FOR GROWTH IN DATA CENTERS

Recent legislative activity focuses on preventing cost shifts, adding transparency

by Jon Davis *(jdavis@csg.org)*

Data centers are becoming a conundrum for state policymakers.

As repositories for terabytes of digital images, information and artificial intelligence applications, they are both home to "the cloud" and key to the digital economy. They also can provide jobs and property tax revenue in communities needing both.

But their proliferation and need for plentiful power and water have sparked concern from voters to city halls to state capitols and beyond.

In the Midwest, only a few years ago, much of the talk in the region's legislatures centered on tax incentives to attract data centers. More recently, attention has turned to potentially scaling back those incentives, ramping up regulation and oversight, or even halting projects altogether.

A large data center in the Ohio town of New Albany is pictured above. Ohio is a hot spot of data center activity. It also is one of many Midwestern states where legislatures are considering proposals to protect ratepayers, communities and natural resources amid the proliferation of data centers.

Meanwhile, communities across the region are becoming the homes of new data centers. Many more projects are coming soon.

Among Great Lakes states, the number of data centers is expected to increase by 41.9 percent over the next few years, a figure based on projects being planned or already under construction, according to a January 2026 study prepared for the Joyce Foundation.

Illinois and Ohio have the region's largest number of planned projects; by 2030, data centers' share of total electricity demand in those two states are expected to reach 16 percent and 11 percent, respectively, the study says.

A separate analysis from the Electric Power Research Institute estimates the share to exceed 20 percent in Indiana, Iowa and Nebraska (see map).

Brad Teitz, director of state policy for the Data Center Coalition, says the industry is open to reasonable state regulation as digital infrastructures continue to get built out.

"Quite frankly, a balanced kind of approach to this could lead to greater certainty and stability for the industry," he notes.

For example, Tietz says the use of "large-load tariffs" (the use of specialized terms, conditions and rates) and more-stringent water-use regulations are workable, as long as they're applied to all large industrial users. But as legislatures craft new laws, he cautions against having a "monolithic view of the industry."

"We really can't treat a 30- or 50-megawatt [GW] data center the same as a gigawatt-plus data center," he says.

This article, based on interviews with Midwest lawmakers and a regionwide analysis of legislative activity, explores five common approaches under consideration this year on data center policy.

1 NEW RATEPAYER RIGHTS, RESOURCE PROTECTIONS

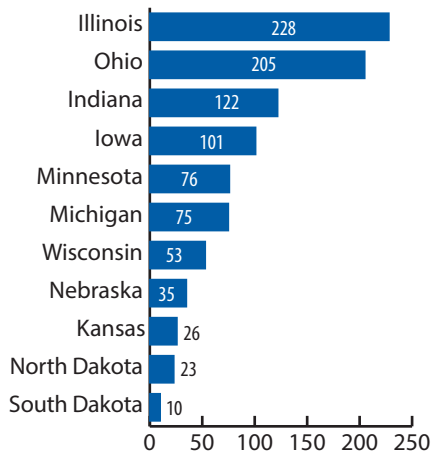
Earlier this year, the South Dakota Legislature passed SB 135, dubbed the "Data Center Bill of Rights for Citizens."

Under the new law, electricity providers will establish "separate terms and conditions" for data centers. As part of these agreements, providers must get reimbursed "for all costs fairly attributed to the data center for service and consumption, including costs if the center shuts down or materially reduces its demand."

The goals of SB 135: prevent other ratepayers from bearing the costs of a data center buildout and protecting them from future fluctuations in these facilities' energy needs.

COVER STORY CONTINUED ON PAGE 3

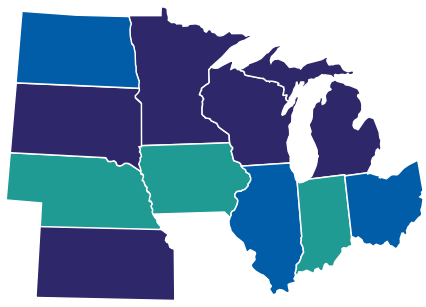
OF DATA CENTERS IN MIDWEST*



** Numbers are based on information accessed in May through Data Center Map, an industry resource that tracks data center locations. It reported a total of 4,283 data centers in the United States; the 11-state Midwest was home to 22.3 percent of them.*

Illinois ranks fourth among U.S. states for the number of data centers, behind Virginia, Texas and California. Ohio ranks sixth.

ESTIMATES ON DATA CENTERS' SHARE OF TOTAL ELECTRICITY USE IN EACH MIDWEST STATE BY 2030*



- Estimated to exceed 20%
- Estimated to exceed 10%, but be below 20%
- Estimated under 10%

These estimates come from the Electric Power Research Institute's "Powering Intelligence 2026." The percentage share is based on this report's "medium growth" scenario, which assumes that all projects under construction, 75% of those in advanced planning, and 10% in early planning are fully operational by 2030.

INSIDE THIS ISSUE

REVENUE CAPS, EXPANDED HOMESTEAD CREDITS AND SALES TAX BEING USED FOR PROPERTY TAX RELIEF

Pathways to property tax relief once again topped many legislative agendas in 2026, leading to the enactment of new laws in states such as **Iowa**, **South Dakota** and **Minnesota** prior to adjournment for the year.

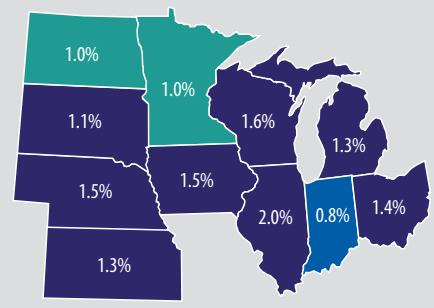
Iowa's SF 2472 was passed in May during the final few days of session. The centerpiece of this measure is a new cap of 2 percent on year-over-year property tax revenue growth for city and county governments. Increases from new construction projects in a taxing district are excluded from this new limit, and debt service and certain other levies are exempt.

Other provisions in the Iowa law include establishing a new homestead tax exemption (generally equal to 10 percent of a property's valuation) and increasing state funding for schools in exchange for a reduction in local property tax rates. Iowa's plan also relies on revenue from the state sales tax. It does so by establishing a threshold for how money from the Secure an Advanced Vision for Education (SAVE) Fund is used. The Legislature established this fund 18 years ago when it raised the state sales tax rate from 5 percent to 6 percent. Increased tax collections from that percentage-point increase goes to the fund for school infrastructure projects or property tax relief. Under SF 2472, the state will require that more and more SAVE dollars be dedicated to taxpayer relief, reaching 25 percent by fiscal year 2031.

Three years ago, South Dakota legislators temporarily reduced the sales tax in their state, from 4.5 percent to 4.2 percent. The rate is scheduled to return to 4.5 percent in FY 2028. Starting that fiscal year, 0.3 percent of the state's sales tax will be deposited into a Property Tax Reduction Fund. SF 245, signed into law in March, also is transferring close to $56 million in general-fund dollars into that fund. Under a second enacted measure, SB 96, South Dakota counties now have the option of imposing a sales tax of 0.5 percent; revenue would need to be used to reduce or eliminate their portion of local property tax bills.

Minnesota's final tax bill (HF 2438) provides $125 million to increase the amount of money that homeowners receive via an existing homestead credit refund program. Under this program, the refund amount varies based on household income and how much is owed in property taxes: the higher the amount owed relative to income, the higher the refund for a homeowner. According to the Minnesota Department of Revenue, eligibility in 2025 was limited to households with incomes of less than $142,490. A separate refund program is available for homeowners whose net property tax increases by 12 percent or more in a single year.

EFFECTIVE PROPERTY TAX RATES IN MIDWEST (AS OF 2022)*



* The rate is based on this calculation: the median real estate tax paid on owner-occupied homes as a percent of the value of the median owner-occupied home.

Source: Lincoln Institute of Land Policy

UNDER NEW LAW, A MAJOR MERGER OF TOWNSHIP GOVERNMENTS IN INDIANA IS LIKELY COMING SOON

With backing by the state's association of township governments, a new law in **Indiana** sets in place a process for analyzing the performance of townships and, likely, consolidating hundreds of them. The *Indiana Capital Chronicle* notes that this year's signing of SB 270 comes after failed legislative efforts over the past two decades to reorganize township government in the state.

By the end of this year, the Indiana Department of Local Government Finance must compile data for a points system detailing the work and performance of each township. This includes measures of township assistance services for the poor, fire and emergency services, budget management, and the presence or lack of candidates for trustee positions.

Townships that meet a certain threshold on this "scorecard" must dissolve by January 2029, merging with a neighboring township or reorganizing with an overlapping municipality. Indiana currently has about 1,000 townships; a consolidation of hundreds of them is possible under SB 270. The Indiana Township Association supported the compromise legislation and says its passage marks "a significant milestone for township government."

This kind of push for local government consolidation and efficiency is the goal of other recent measures in the Midwest. For example, two governors have voiced support for the idea: **Illinois** Gov. JB Pritzker has proposed township consolidation in counties with populations of under 5,000 (township functions would be taken over by overlapping county or city governments), while **Iowa** Gov. Kim Reynolds this year sought a $10 million grant program to encourage consolidation and shared-service agreements among local governments. **Ohio**'s HB 574 would create a two-year, $25 million grant program for townships, cities and villages to merge.

Most states in the Midwest rank high nationally for their numbers of local governments, according to the U.S. Census Bureau. For example, Illinois has the highest number among all 50 U.S. states, and Ohio, **Kansas** and **Minnesota** rank among the top 10. On a per capita basis, **North Dakota** and **South Dakota** have the highest number of local governments; **Nebraska** and Kansas are in the top 10.

Outside the region, several mid-sized and larger states are notable for their relatively small number of local governments, a CSG Midwest analysis of federal data shows. Arizona has only 15 counties and no township governments. Florida has a smaller number of "special purpose" districts than most states, including only 95 local school districts. It has no township governments. Maryland also doesn't have township governments, and it and Virginia have county-based school systems. Hawaii has the smallest number of local governments, only 21. Its unique structure includes having a statewide school district.

CSG Midwest conducted the 50-state analysis based on a request for information from a legislator. These individualized research services are available throughout the year for legislators, legislative staff and state officials. Requests can be sent to csgm@csg.org.

LOCAL GOVERNMENTS IN MIDWEST

State	Total # (U.S. rank)	# per 100,000 people (U.S. rank)
Illinois	6,930 (1)	55.0 (14)
Indiana	2,648 (13)	38.7 (19)
Iowa	1,826 (20)	57.0 (13)
Kansas	3,768 (7)	128.2 (5)
Michigan	2,860 (12)	28.5 (28)
Minnesota	3,629 (9)	57.1 (12)
Nebraska	2,541 (15)	128.8 (4)
North Dakota	2,570 (14)	329.4 (1)
Ohio	3,939 (5)	33.5 (24)
South Dakota	1,900 (17)	209.0 (2)
Wisconsin	3,062 (11)	51.9 (15)

Source: CSG Midwest analysis of U.S. Census Bureau "Census of Governments" and population estimates for 2022

CAPITAL CLOSEUP: LIEUTENANT GOVERNORS PRESIDE OVER MANY STATE SENATES; CAN THEY BREAK TIE VOTES?

One look at the numbers, and the **South Dakota** Senate would seem to be one of the nation's least likely legislative chambers to have a constitutional dispute arise about breaking tie votes on bills.

But it happened early on in the 2026 session, despite the chamber being overwhelmingly controlled by one party (Republicans hold a 32-3 edge) and having an odd number of members, 35 (a medical absence brought the number of voting members down to 34). In January, a bill changing parts of the permitting process for energy and transmission facilities received 17 yeas and 17 nays. South Dakota Lt. Gov. Tony Venhuizen broke the Senate tie, voting in favor of the measure and declaring it passed.

What followed were questions about the balance of powers between the executive and legislative branches and two different sections of the South Dakota Constitution.

One section gives the lieutenant governor the power to serve as presiding officer of the Senate and to vote when members are "equally divided." However, there is other constitutional language with respect to the final passage of bills: "No law shall be passed unless by assent of a majority of all the members elected to each house of the Legislature," this section reads. The lieutenant governor is not elected to the Senate. On this basis, the Senate challenged the lieutenant governor's authority to break ties on votes determining the final passage of legislation.

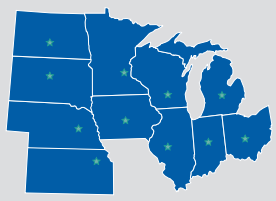
Upon the governor's request, the South Dakota Supreme Court issued an advisory opinion in February.

The lieutenant governor can break ties "on any matter," the justices said, noting the lack of any language limiting this authority in the section spelling out the presiding officer's powers and duties. In other states that have addressed this same question, they added, the majority of courts have held that the lieutenant governor can cast tie-breaking votes of any kind when serving as presiding officer.

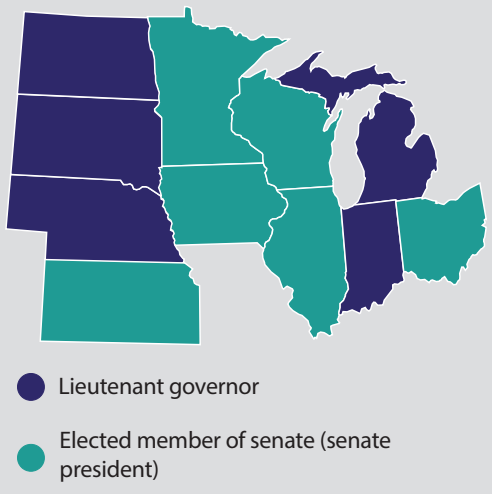
There are exceptions, however. In a 1981 case, the **Nebraska** Supreme Court concluded that for a bill to pass the 49-member Unicameral Legislature, it "must receive the affirmative vote of 25 senators on final reading before it can become law." A "yes" vote by the state's lieutenant governor cannot break a 24-24 tie and advance the bill to the governor's desk. According to The Council of State Governments' "Book of the States," Georgia's lieutenant governor presides over the Senate but does not break roll-call ties. The tie-breaking authority in the New York Senate applies only to procedural matters, not legislation, and in Nevada, the lieutenant governor cannot break ties on votes determining the final passage of bills.

Capital Closeup is an ongoing series of CSG Midwest articles focusing on institutional issues in state governments and legislatures. Past articles can be found at csgmidwest.org.

Capital Closeup



PRESIDING OFFICERS IN STATE SENATES



SAFEGUARDS FOR RATEPAYERS, LOCAL RESIDENTS FOCUS OF LEGISLATIVE ACTIVITY ON DATA CENTERS

» CONTINUED FROM PAGE 1

Also under the new law, data center operators must provide South Dakota's local water utilities with estimates of projected water use. Operators are barred from using more water than authorized, and they must file semi-annual use reports with the state Water Management Board.

In Illinois, new environmental, water and energy regulations are part of the proposed POWER Act (HB 5513 and SB 4016), a comprehensive measure addressing "hyperscale" data centers. This measure applies to facilities whose total highest demand is more than 50 megawatts (MW) of electricity per month. (Versions of the POWER Act were actively under consideration as of early May but had not passed.)

Illinois Sen. Ram Villivalam

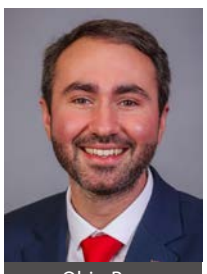
"What we found is that creating incentives, not too dissimilar to what we've seen in other industries, is an effective tool for us to utilize," says Illinois Sen. Ram Villivalam, sponsor of the Senate version.

With that in mind, the POWER Act spells out a carrot-and-stick regulatory approach. Operators would need to show how they plan to produce their own renewable energy and battery storage capacity to meet their electricity needs. At times of peak demand on the regional grid, they could only draw an amount of power proportional to the amount of new clean energy they bring to the grid.

But there also is this "carrot": Data centers that prove they're producing and using renewable energy would get to connect to the grid sooner, essentially jumping the line on centers that don't.

"Any incentive is attractive if it allows them to do it a little cheaper and quicker," Villivalam says. "I think time is a resource that they are often monitoring."

These provisions in the POWER Act are coupled with several new reporting requirements. For example, the operator of a large data center would need to develop, regularly update and make publicly accessible its water use and efficiency plans. Other provisions would require data centers to have plans for addressing water scarcity to submit reports to the state on their energy and water use.



Ohio Rep. David Thomas

To date, Minnesota often has been singled out as having the Midwest's most comprehensive law on data centers. Under last year's enacted HF 16, new permitting rules and state evaluations are required for projects that use more than 100 million gallons of water in a given year. The law also is notable for requiring that any new power produced for data centers be consistent with the state's clean-energy standards: 100 percent carbon-free by 2040.

2 USE OF 'LARGE LOAD' TARIFFS BY STATES, UTILITIES

That same Minnesota law directs electric utilities to create a new "very large customer class" (data centers) and enter into tariff/energy-supply agreements with these large users of power. The tariff agreements must ensure that "other customers ... are not placed at risk for paying stranded costs."

Under another part of HF 16, large data centers will pay an annual fee of between $2 million and $5 million, with the money going to an account that funds energy conservation and weatherization.

Two years ago, the electric utility AEP Ohio sought implementation of a "large-load tariff": Require data centers whose aggregate monthly load demands are 25 MW or more, along with crypto/mobile data centers whose demands are at least 1 MW, to pay for 85 percent of the power they reserve, whether or not they use it all.

The tariff includes 12-year service agreements with a collateral requirement for these large energy users, plus penalties and fees for premature contract cancellations.

AEP Ohio's request was approved by the state Public Utilities Commission.

"It's working, lowering the speculative data center potential load," Ohio Rep. David Thomas says of the tariff. "Essentially, they've shown that it's stopped the shifting of the build-out costs in electrification."

He wants utilities across Ohio to follow this same model, and has introduced HB 706 to make sure that happens.

Initially, the bill envisioned a straight-up adaptation of the AEP tariff, Thomas says, but substitute language is making the AEP tariff more of a "floor."

"[The bill] essentially says, 'You're going to go to the Public Utilities Commission of Ohio and have a tariff,' " Thomas explains. "You create what the tariff is, but here's what it at least has to include."

According to the Georgetown Climate Center, at least 60 "large-load tariffs" have been proposed or formally adopted by utilities, state legislatures or public utility commissions across the country. The terms in these agreements can be used to advance a state's energy efficiency or clean energy goals, as well as to protect system reliability, the center notes. One common goal is to protect energy consumers by preventing cost shifts.

For example, the commission-approved utility tariff in Ohio shields energy consumers in two ways. First, it aims to cover the costs of increased load demand; second, if a large utility customer suddenly reduces its demand for electricity, other consumers aren't "saddled with the costs." That is because over the course of the service agreement, large users must pay the minimum demand charge, regardless of the amount of power they actually use.

In Indiana, a tariff order issued in February 2025 requires data centers and other large-load customers to provide utilities with five years of advance notice before reducing their demand for electricity by more than 20 percent. The plan would need to be submitted to the state for review as well.

A large-load tariff also is part of Illinois' POWER Act, Villivalam says. The legislation includes penalties and fees for premature exits from contracts while also incentivizing "bring your own" or "behind the meter" power generation. "From a constituent standpoint, that was an important piece because when you look at energy costs and utility rates going up already, affordability is a key issue," he says.

3 A SECOND LOOK AT TAX INCENTIVES

Every Midwestern state except Nebraska and South Dakota offers some kind of tax incentive for data center development, from sales tax exemptions on equipment and/or electricity to investment credits to property tax breaks.

There appears to be a shift in thinking on some of these tax policies, however.

Last year in Minnesota, as part of HF 9, legislators repealed a tax exemption on electricity use by data centers. Illinois Gov. JB Pritzker earlier this year proposed a two-year pause in tax breaks for data center development while the impacts on energy use and local economies are further studied. This pause is included in the POWER Act.

Michigan Rep. Dylan Wegela

In Michigan, where legislators in 2024 approved sales, use and property tax breaks for data center development, a trio of bills (HB 5396-5398) would repeal them.

"I think this one's pretty simple," says Michigan Rep. Dylan Wegala, the author of HB 5396. "Some of the wealthiest companies in the history of the Earth are behind AI and data centers, and they desperately don't need tax breaks."

As part of an Indiana bill this year, data centers using tax breaks on equipment purchases would have been required to share at least 1 percent of their tax savings with local governments. HB 1333 passed the House but stalled in the Senate.

4 TALK OF STATEWIDE MORATORIA, BUT NO ACTION YET

Proposed one-year moratoria on data centers have been introduced in states such as Michigan (HB 5594-HB 5596), Minnesota (HF 4888/SF 4298), and South Dakota (HB 1301 and SB 232).

As of May, the U.S. state coming closest to adopting a temporary ban was Maine. Passed by the Legislature in April, LB 307 sought a halt in the permitting of data centers (those using 20 MW of power or more) through Nov. 1, 2027. However, Maine Gov. Janet Mills vetoed LB 307, citing the impact of such a moratorium on an already-planned project that "enjoys strong local support."

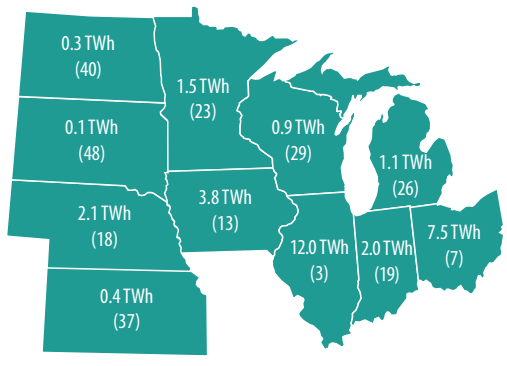
Meanwhile, support for an outright prohibition on data centers might soon be tested in Ohio. In early 2026, signatures began being gathered for a proposed constitutional amendment banning centers with a peak electricity load demand of more than 25 MW per month. Supporters are hoping to get the measure on the November ballot.

This year, legislators in Kansas and Wisconsin considered but did not pass bills to prevent data centers from operating under specific conditions.

Kansas' SB 531 sought to prevent certain-sized data centers from being built in counties that had a drought emergency within the preceding three years.

Wisconsin's SB 106/AB 1099 would make the operation of larger-sized data centers contingent on 14 specific conditions being met. For example: a ban on shifting related energy and water costs to residential customers; a prohibition on state and local subsidies; a requirement that data centers use renewable energy; local voters' approval of new projects; and a ban on non-disclosure agreements (NDAs) with local government officials.

ANNUAL POWER USED BY DATA CENTERS, IN TERAWATT-HOURS, 2025*; EACH STATE'S U.S. RANK IN PARENTHESES



* A terawatt-hour is enough to power approximately 93,000 homes for one year.

Source: Electric Choice

5 PROPOSED BANS ON NON-DISCLOSURE AGREEMENTS

NDAs between data center developers and local officials have drawn constituents' ire and state legislators' attention, resulting in proposals to ban such agreements and ensure greater transparency. As of May, proposed NDA bans were active in states such as Illinois (the POWER Act), Michigan (HB 5399), Minnesota (HF4077/SF 4379), and Ohio (HB 695). The Illinois bills also would require centers to enter into legally binding community-benefits agreements with local jurisdictions.

In Wisconsin, a proposed NDA ban (AB 1036/SB 969) failed to advance prior to legislative adjournment. According to Wisconsin Public Radio, these measures were introduced in response to four instances of local officials signing NDAs with data center developers.

Earlier this year, voters in the Wisconsin city of Port Washington passed a referendum seen as a first-of-its-kind rebuke of data centers. The initiative was a response to backlash over a data center project, including concerns about a lack of transparency. It requires voter approval of any future tax increment financing districts of more than $10 million.

Jon Davis is CSG Midwest staff liaison to the Midwestern Legislative Conference Energy & Environment Committee. Illinois Sen. Laura Ellman and Michigan Rep. Pauline Wendzel serve as committee co-chairs. North Dakota Rep. Anna Novak and Saskatchewan MLA Erika Ritchie are the co-vice chairs.

FISCAL AFFAIRS

Conform or decouple? Changes in federal tax policy stir debates in legislatures over impacts on their own state tax codes and revenues

by Joe Dell'Olio *(jdellolio@csg.org)*

Not long after the U.S. Congress passed a sweeping new law with big changes to federal tax law, Michigan legislators found themselves debating it as part of their own budget negotiations.

The question before them: When should our own state's tax code conform with provisions in the One Big Beautiful Bill Act (HR 1 of 2025), and when should we decouple?

They ultimately decided on a mixed approach. Signed into law, HB 4961 conforms with some of the federal law's most talked-about features, namely new tax benefits for workers who earn tips or overtime pay and for individuals who have Social Security income.

In the same bill, though, legislators chose to decouple Michigan's state tax code from multiple corporate income-tax provisions in HR 1 — for example, the federal law's immediate deduction of research-and-development expenses and its 100 percent deduction for qualified production property.

"As far as the coupling versus decoupling [on the corporate tax side], those were things initiated and effective in the middle of a tax year," Michigan Rep. Ann Bollin says. "We felt by continuing the schedule as is, we're not going to create any additional harm to businesses. So, they still get the federal benefit, but the state benefit stays on the same schedule."

Across the country, state legislators are facing similar choices.


Michigan Rep. Ann Bollin

"Congress often tinkers with the tax code from one year to the next, so state conformity debates happen all the time, says Carl Davis, research director at the Institute on Taxation and Economic Policy.

"But they're usually much more minor considerations."

'WHOLE NEW LEVEL' OF DEBATE

HR 1 is widely considered to have ushered in the largest changes in federal tax policy since at least the Tax Cuts and Jobs Act (TCJA) of 2017. The 2025 bill made a majority of the TCJA's provisions permanent, while also adding new short- and long-term tax rules.

"These conformity debates, the high-profile conformity debates, are kind of like cicadas: They'll come around once every several years and you can kind of see it coming," Davis says.

"Anytime you have a major federal tax rewrite that passes and changes the tax base in significant ways, these conformity debates are elevated to a whole other level. There's a lot more revenue on the line."

TWO TYPES OF CONFORMITY

From state to state, laws vary on what type of legislative action is needed in response to changes in federal tax law.

Michigan, for example, is typically categorized as a "rolling conformity" state, meaning it has statutory language to automatically adopt changes in federal tax law as they happen. To decouple, a bill must be passed by the Michigan Legislature and signed by the governor.

"It's the responsibility of the Legislature … to always be looking at that," Bollin says, noting the need to regularly review changes in the Internal Revenue Code and ensure they align with the state's needs.

Along with Michigan, Illinois, Iowa, Kansas, Nebraska and North Dakota are rolling conformity states, according to the Institute on Taxation and Economic Policy.

In contrast, Indiana, Ohio, Minnesota and Wisconsin adhere to "static conformity": modifications to the state tax code are not automatically adjusted to conform with changes in the federal tax code. Minus legislative action, decoupling occurs because the conformity is "static," set to the federal tax code as of a fixed or predetermined date.

Essentially, static conformity provides an opt-in approach for legislatures; rolling conformity an opt-out model. There are advantages to both, Davis says, though he prefers the former.

"State lawmakers should craft the tax code that makes sense for their state, and because of that, static conformity gives them a little more control," he says. "You're not running the risk of things just getting folded in without knowing about it or thinking about it or voting on it, just because Congress thought it was a good idea."

There also can be a middle-ground approach.

Davis points to Maryland as an example. It is a rolling conformity state, but with this caveat: If a federal change would impact annual state tax revenues by $5 million or more, it triggers a temporary decoupling of state tax code for a single tax year.

The intent of this statutory language is to give legislators time to either permanently decouple or conform.

In a January 2026 report, the Maryland comptroller alerted the General Assembly that three aspects of HR 1 would have an impact greater than $5 million for the 2025 tax year, thus triggering a temporary decoupling.

1. Allow for immediate and full deductions of domestic research-and-development expenses;
2. Reverse TCJA interest deduction limitations; and
3. Provide a temporary 100 percent deduction for investment in "qualified production properties," including certain manufacturing, production and refining facilities.

STATE RESPONSES TO HR 1

Conforming to the federal tax code provides advantages to states, including greater administrative simplicity and reduced chances of double taxation. There also can be a benefit to relying on federal court precedents to interpret tax laws.

Not all federal tax provisions are beneficial for individual states, however, and legislatures have the option to choose the provisions they wish to opt out of or decouple from. In fact, no state conforms completely to the Internal Revenue Code, each modifying it in various ways.

In response to HR 1, rather than relying on automatic opt-ins or opt-outs in statute, many state legislatures have taken action to accept or decouple from the changes in federal law.

Michigan's HB 4961, signed into law in fall 2025, is one example of a state response in the Midwest to HR 1.

Additionally, Illinois (like Michigan, a rolling conformity state) decoupled from parts of HR 1 with the passage of SB 1911. The bill decoupled the state from the 100 percent deduction for qualified production property while conforming to changes in the definition of taxable corporate foreign income.

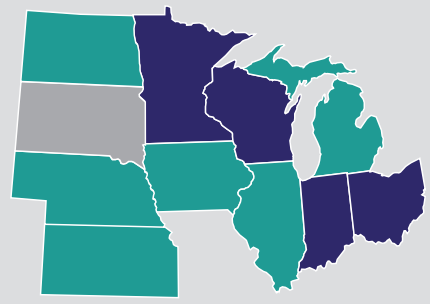
Indiana (SB 212) and Ohio (SB 9) explicitly updated their base conformity to the most recent tax year, adopting aspects of HR 1. This year's omnibus tax bill in Minnesota (HF 2438, signed into law in May) includes several provisions to conform with the federal tax code.

States also have the option to change their approach to conformity altogether.

Nebraska's LB 857, introduced in early 2026, would shift the state from rolling to static conformity. A note prepared by state fiscal analysts estimates that the change would result in a net revenue gain of $103 million in fiscal year 2027. LB 857 did not advance prior to the close of session.

Joe Dell'Olio is CSG Midwest staff liaison to the Midwestern Legislative Conference Fiscal Forum, which is led by a three-officer team: Kansas Rep. Troy Waymaster and Minnesota Rep. Fue Lee, co-chairs; and Illinois Sen. Laura Murphy, vice chair.

STATE APPROACHES TO CHANGES IN FEDERAL TAX LAW (AS OF MARCH 2026)



- Rolling conformity: State automatically adopts federal tax changes as they occur
- Fixed/static conformity: State does not automatically adopt federal tax changes as they occur; state's tax code is linked to the federal tax code as it existed on a specific date
- State does not have an individual or corporate income tax

Source: Institute on Taxation and Economic Policy

TWO MIDWEST STATES' ANALYSES OF FISCAL IMPACTS OF HR 1 (ONE BEAUTIFUL BILL ACT OF 2025)

MICHIGAN

Loss in state revenue as a result of conforming with changes in business taxes:

- FY 2026 — $677 million
- FY 2027 — $613 million
- FY 2028 — $444 million

Michigan is a rolling conformity state (see map), but legislators passed HB 4961, a bill to decouple from the business tax provisions.

NEBRASKA

Loss in general fund revenue:

- FY 2026 — $102 million
- FY 2027 — $114 million
- FY 2028 — $108 million
- FY 2029 — $82 million

The revenue loss in Nebraska is due to a mix of changes in income and corporate income tax; changes in the corporate income tax account for between 62% and 74% of the total revenue loss.

Sources for fiscal estimates: Michigan House Fiscal Agency (July 2025) and Nebraska Department of Revenue (September 2025)

TAX CUTS UNDER HR 1: ESTIMATED, AVERAGE CHANGE IN FEDERAL TAXES PAID PER FILER, INDIVIDUALS AND BUSINESSES

State	2026
Illinois	-$3,772
Indiana	-$3,037
Iowa	-$3,130
Kansas	-$3,341
Michigan	-$3,131
Minnesota	-$3,548
Nebraska	-$3,443
North Dakota	-$3,559
Ohio	-$3,173
South Dakota	-$3,638
Wisconsin	-$3,177
United States	*-$3,813*

Source: Tax Foundation

AGRICULTURE & RURAL AFFAIRS

'Farm Bill loophole' has led to a booming industry for hemp-derived products and a mix of state laws; a new federal framework is coming soon

by Becky Leis *(bleis@csg.org)*

Coming this fall, a new federal definition of hemp will take effect. But what it means for states, their own regulations and laws, and hemp growers remains unclear.

From his viewpoint in Wisconsin, Sen. Mark Spreitzer says the federal change makes legislative action more urgent in a state like his — where no laws specifically regulate the intoxicating hemp products currently legal to sell under the so-called "Farm Bill loophole."

"It puts more pressure on states that haven't enacted anything," he says.

Spreitzer represents one of the five Midwestern states that do not regulate hemp-derived products with intoxicating effects (see map).

On paper, at least, the new federal definition would seem to close the loophole, thus resolving some of the regulatory uncertainty over hemp and limiting some state policy options.

This definition, part of a federal law enacted late last year and set to take effect on Nov. 12, classifies legal hemp as cannabis containing less than 0.3 percent total tetrahydrocannabinol (THC) on a dry weight basis. Hemp-derived cannabinoid products containing more than 0.4 milligrams of THC per container will not qualify as hemp and instead be treated as marijuana.

Wisconsin Sen. Mark Spreitzer

According to the U.S. Hemp Roundtable, an advocacy organization for the industry, the federal change means a majority of hemp-derived cannabinoid products will contain illegal concentrations of hemp and has the potential of eliminating 95 percent of the hemp industry.

But recent experience points to another possibility: non-enforcement.

ENFORCEMENT UNCERTAINTY

Marijuana production, sales and use are illegal under federal law, but a long-standing practice of non-enforcement has been in place for more than a decade.

Could the same happen with hemp-derived cannabinoids?

Spreitzer and others believe that if a state has its own laws to regulate hemp-derived cannabinoids, there is a better chance the U.S. Department of Justice will treat the related products like medicinal and adult-use marijuana.

Though speculative, this non-enforcement scenario seems more likely after two federal actions: a December 2025 presidential executive order on the development of THC serving limits and the U.S. Department of Justice's reclassification in April of state-licensed medical marijuana from a Schedule I controlled substance to a less-restricted Schedule III.

ABOUT THE 'LOOPHOLE'

When the U.S. Congress enacted the 2018 Farm Bill, it did not anticipate that removing longstanding federal restrictions on cannabis cultivation would, within less than a decade, contribute to the emergence of a billion-dollar hemp-derived product market — one primarily comprised of intoxicating edible and drink sales.

From 1970 until 2018, all parts of a cannabis plant were considered marijuana and classified as a Schedule I controlled substance.

Policy changed with the 2018 Farm Bill, which defined hemp as "the plant Cannabis sativa L. and any part of that plant with no more than 0.3 percent delta-9 THC on a dry weight basis."

The intent was to give farmers access to an alternative crop and develop market applications for hemp fiber, foods and CBD products. For instance, hemp stalk can be used to make fibers for textiles, paper, rope and biodegradable plastics; seeds can be used to make flour and oils.

The leaves, flowers and buds contain cannabinoids — such as THC, which has intoxicating effects, as well as CBN (cannabinol) and CBD (cannabidiol), which are nonintoxicating — that can be used in a variety of consumable and non-consumable products.

Using federally compliant hemp, manufacturers began extracting and converting cannabinoids — such as delta-8 THC and other psychoactive isomers — for inclusion in edibles and beverages. While these products remain federally compliant because they contain no more than 0.3 percent delta-9 THC by dry weight, they can produce intoxicating effects comparable to marijuana.

According to a 2025 report by BDSA, a cannabis market research firm, the value of the hemp-derived market is about $23.9 billion. Intoxicating hemp-derived product sales made up most of that total ($21 billion). In comparison, the 2024 value of U.S. hemp production (the segment intended for authorization in the Farm Bill) was $445 million, according to the U.S. Department of Agriculture.

REGULATE OR BAN?

Consumer demand for hemp-derived THC products quickly outpaced policy and regulatory frameworks. However, some state legislatures have since responded with new laws, some more restrictive than others.

Enacted measures in Michigan (HB 4517 in 2021), Minnesota (HF 4065 in 2022) and Iowa (SB 2605 in 2024) reflect a balance between embracing the market for hemp-derived products and providing consumer protection.

All three states did so by separating the definition of consumable hemp products from industrial hemp. Their regulations for consumable hemp products include potency limits, sales restrictions, labeling standards and more (see list in sidebar for details).

In contrast, Ohio (SB 56 of 2025) and North Dakota (SB 2096 of 2023) adopted a restrictive definition of hemp. Hemp must contain less than 0.3 percent of total THC on a dry weight basis to be legal. Come November, the federal redefinition will match these states' provisions.

This year, South Dakota legislators revised the definitions of "hemp" and "industrial hemp product" to exclude certain cannabinoids, including delta-8 THC, delta-10 THC, THC-O-acetate, HHC, and THCP. HB 39, signed into law in March, also limits hemp cultivation to licensed producers and streamlines requirements for production, processing and transportation, reinforcing the state's role as a top industrial hemp processor.

NO LAWS IN SOME STATES

This biennium, more than 30 bills have been introduced across the Midwest (most in states lacking any regulation) to address some regulatory aspect of the hemp-derived product market.

In Wisconsin, AB 503 would define hemp based upon a 0.3 percent total THC concentration, thereby eliminating most of the state's $700 million market.

SB 681 would have categorized intoxicating hemp-derived products as alcohol. But Sen. Spreitzer explains that Wisconsin bans vertical integration in its alcohol industry: "You have to have separation between the manufacturer, the distributor and the retailer." That would shutter current businesses, he says, noting that hemp manufacturing businesses rely heavily on online sales.

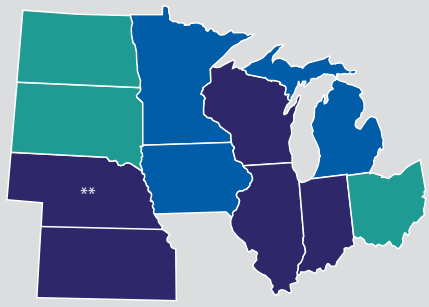
He instead offered bipartisan support for SB 682, which would allow for the continued sale of intoxicating hemp products at gas stations, retail stores and online. The proposal includes regulations similar to those in place in other states:

- restrict sales of intoxicating hemp products to people 21 and older;
- limit THC content: 10 mg per serving for beverages and 20 mg for edibles;
- require independent testing;
- ensure that the packaging is child-resistant, has warning labels, and does not have child-appealing features.

Indiana's SB 250 and Kansas' SB 292 would have added similar state-based guardrails for intoxicating hemp-derived product; neither measure advanced this year. In Illinois, 15 bills have been introduced, ranging from outright bans on intoxicating hemp (SB 3820), to regulating it under existing state liquor laws (HB 5452), to permitting sales with consumer protections (SB 3919).

Becky Leis is CSG Midwest staff liaison to the Midwestern Legislative Conference Agriculture & Rural Affairs Committee. Nebraska Sen. Teresa Ibach and North Dakota Sen. Paul Thomas serve as committee co-chairs. Minnesota Sen. Robert Kupec and Illinois Rep. Bradley Fritts are co-vice chairs.

STATE REGULATION OF HEMP-DERIVED PRODUCTS WITH INTOXICATING EFFECTS (AS OF APRIL 2026)



- Sale and use of these products are heavily restricted under state law, closing "Farm Bill loophole"*
- Sale and use of these products are legal under state law and allowed under the "Farm Bill loophole"*; state has regulations and consumer protections in place
- Sale and use of these products are allowed under the "Farm Bill loophole"*; no state laws specific to these products are in place

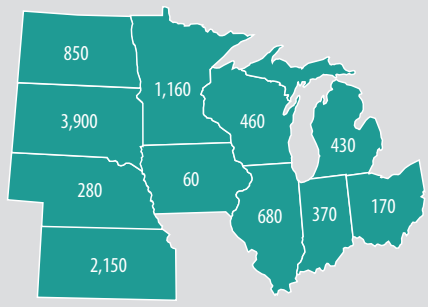
*"Farm Bill loophole" refers to the 2018 federal legislation allowing for the widespread sale of these products

** A January 2026 executive order has directed agencies to review rules and, if necessary, establish new ones to ban sales of food and beverages containing synthetic THC

EXAMPLES OF PRODUCT REGULATIONS

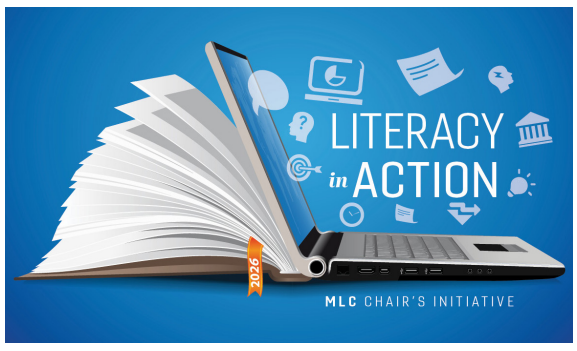
- ✓ restrict purchase to ages 21 and older
- ✓ set potency limits on how much THC can be in a product:
  - Iowa: Maximum of 4 milligrams (mg) THC per serving or 10 mg per container
  - Michigan: THC level in hemp cannot exceed 0.3%. For edibles, the THC limit is 10 mg per dose and 200 mg per container; for beverages, it is 10 mg per serving and 100 mg per container (higher for medicinal purposes)
  - Minnesota: Maximum of 5 mg THC per serving and 50 mg per package
- ✓ require labeling on THC content and warnings about impairment and/or other health effects
- ✓ require potency testing by independent labs to verify THC content (required in Michigan and Minnesota)
- ✓ restrict sales to registered retailers (limited to marijuana dispensaries in Michigan)
- ✓ prohibit child-appealing packaging (applies in Michigan and Minnesota)

INDUSTRIAL HEMP PRODUCTION: # OF HEMP ACRES PLANTED IN THE STATE*



* Figures are for 2024, except for Minnesota, Nebraska and Ohio, where data for that year were withheld to avoid disclosing information on individual operations. Figures for those three states reflect the planted area for 2023. Nationwide, the planted area for all utilizations of industrial hemp totaled 45,294 acres in 2024.

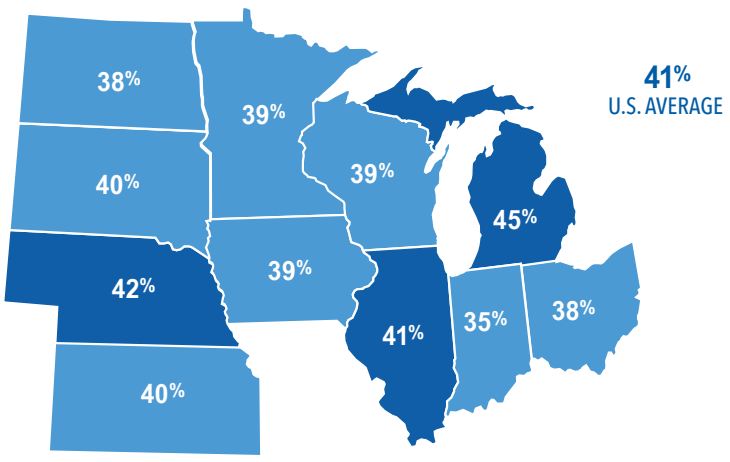
Source: U.S. Department of Agriculture



Under the leadership of Minnesota Sen. Mary Kunesh, the topic of literacy and related state policies is a yearlong focus of The Council of State Governments' Midwestern Legislative Conference. Her MLC Chair's Initiative is *Literacy in Action*. In support of this initiative, articles will appear in *Stateline Midwest* throughout 2026. This year's MLC Annual Meeting also will feature programming on the initiative, including a keynote address from education pioneer Sal Khan. This meeting of state and provincial legislators will be held Aug. 30 to Sept. 2 in Minnesota's capital city of Saint Paul. Learn more and register at *csgmidwest.org*.

'THE MIDWEST'S REPORT CARD': State-by-state snapshot of results on National Assessment of Educational Progress (NAEP)

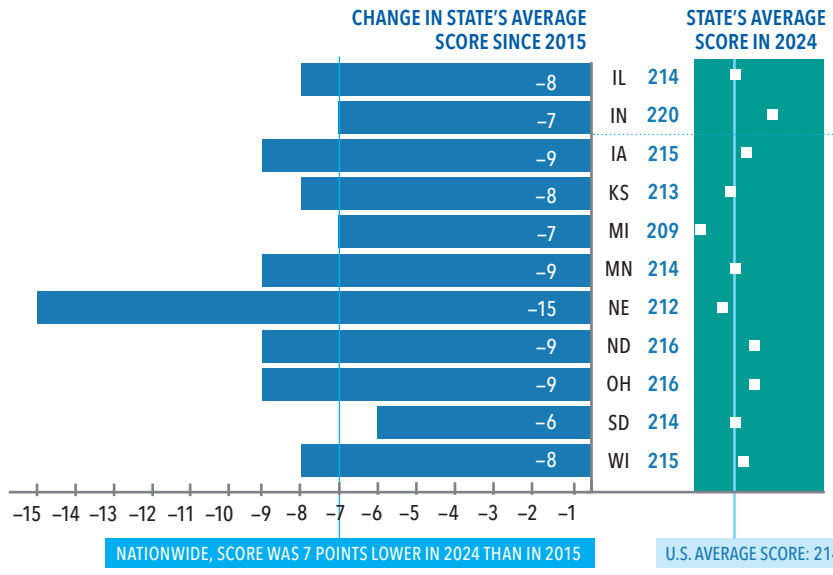
% OF FOURTH-GRADE STUDENTS SCORING BELOW NAEP BASIC ACHIEVEMENT LEVEL FOR READING*, *2024*



*The NAEP basic level denotes partial mastery of prerequisite knowledge and skills that are fundamental for performance at the NAEP proficient level.

Source: The National Assessment of Educational Progress, "The Nation's Report Card"

AVERAGE READING SCORES OF FOURTH-GRADERS: *2024 results and change since 2015*



A basic reading score is between 208 and 237.

Results of the most recent NAEP tests are from 2015, 2017, 2019, 2022 and 2024. Since at least 2019, average reading scores for fourth-graders have fallen in every Midwestern state, with one exception: Indiana's increase in the average score from 2022 to 2024 (217 to 220).

Source: The National Assessment of Educational Progress, "The Nation's Report Card"

MOST MIDWEST STATES HAVE ENACTED 'SCIENCE OF READING' LAWS IN RECENT YEARS *(as of March 2026)*

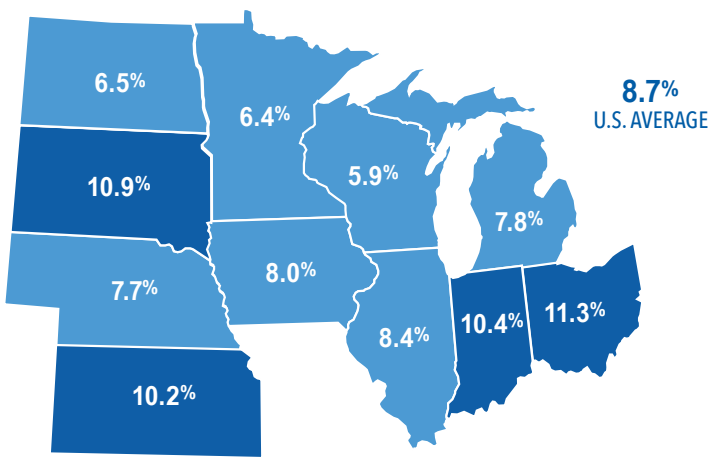
Overview of state policies in the region, based on *Education Week* analysis of laws passed and policies implemented since 2013

ENACTED POLICIES AND LAWS	IL	IN	IA	KS	MI	MN	NE	ND	OH	SD	WI
Revamp teacher preparation through new instructional approaches, course offerings and evidence-based practices		◆			◆				◆		◆
Require student teachers and/or employed teachers to pass tests in reading instruction or earn a credential in order to obtain/renew a teaching license	◆	◆	◆								◆
Invest in instructional coaching on evidence-based reading instruction and/or require professional development for teachers	◆	◆		◆	◆	◆		◆	◆		◆
Establish requirements on type of assessments and/or materials used to measure students' reading process/difficulties or mandate that schools undergo review process when selecting assessments/materials	◆	◆*		◆	◆	◆	◆**	◆	◆		◆
Establish use of specific instructional methods and/or frequency of intervention for struggling readers	◆			◆	◆	◆	◆		◆		◆

* Materials only ** Assessments only

BEFORE AND BEYOND SCHOOL AGE: Snapshot of literacy skills among young children and adults

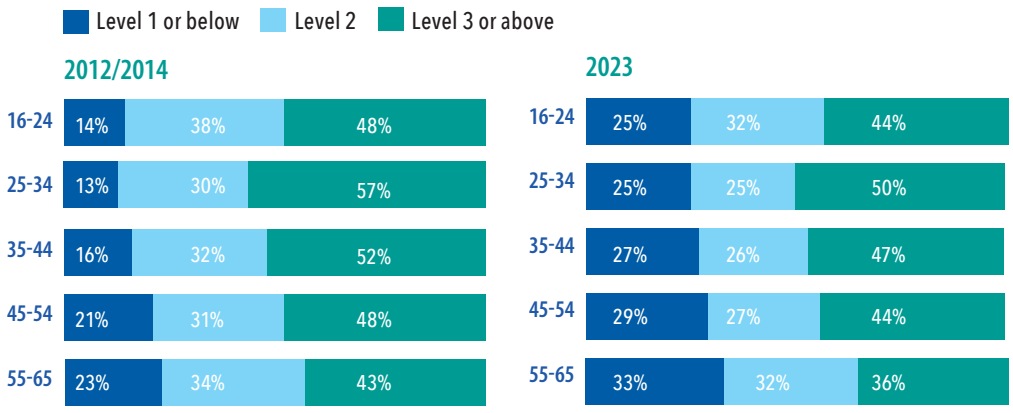
% OF 3- TO 5-YEAR-OLDS 'IN NEED OF SUPPORT' TO REACH AGE-APPROPRIATE EARLY LEARNING SKILLS* FOR SCHOOL READINESS



* Early learning skills are based on nine variables related to numeracy and language arts. "Needs support" indicates the child is below age-appropriate developmental expectations.

Source: 2023-2024 National Survey of Children's Health, The Child & Adolescent Health Measurement Initiative

% DISTRIBUTION OF U.S. ADULTS AGES 16 TO 65 *at selected levels of literacy proficiency on the Program for the International Assessment of Adult Competencies*



Level 1 or below: Adults at below Level 1 are able to process meaning at the sentence level. Adults at Level 1 are able to locate information on a text page, find a relevant link from a website, and identify relevant text among multiple options when the relevant information is explicitly cued.

Level 2: Adults are able to access and understand information in longer texts with some distracting information.

Level 3 or above: Adults at Level 3 are able to construct meaning across larger chunks of text or perform multi-step operations in order to identify and formulate responses.

Source: National Center for Education Statistics

EDUCATION & WORKFORCE

In some states, allowing community colleges to award bachelor's degrees seen as way to improve access, fill current and future workforce needs

by Derek Cantù *(dcantu@csg.org)*

For some of her constituents, Illinois Rep. Tracy Katz Muhl says, access to a four-year degree can seem out of reach because of the time it takes to get to and from the school itself.

"If you are a student, for instance, in the western part of my [legislative] district, it could take you 90 minutes in good traffic to commute to the nearest public university," she says.

"And if you are an older student, if you are working, if you have child care, elder care or other responsibilities, the feasibility of being a commuter student like that just isn't there."

Her idea: Help them by allowing community colleges to offer certain types of bachelor's degrees.

These schools are often geographically closer for many people, she notes. They also are accustomed to meeting the needs of non-traditional students and addressing the workforce needs of local communities.

Twenty-four U.S. states, including Indiana, Michigan, North Dakota and Ohio, already allow some or all public community colleges to award baccalaureate diplomas in targeted, high-demand fields, according to the Community College Baccalaureate Association.

Illinois and Iowa are among the states where bills were under consideration in 2026.

JOBS OF TODAY, TOMORROW

Researchers at the Georgetown University Center on Education project that by the year 2031, 42 percent of all U.S. jobs will require a bachelor's degree or higher (compared to 29 percent that will require only an associate's degree or some college).

For jobs in certain high-demand fields, such as health care professionals and educators, openings will increasingly require applicants to have a bachelor's degree.

Iowa Rep. Taylor Collins, author of this year's HF 2649, told Iowa Public Radio earlier this year that he's concerned a lack of baccalaureate-program access in parts of his state contribute not only to unmet workforce needs, but educational brain drain as well.

"Many of those folks that are in Council Bluffs, they're going to the Omaha [metropolitan area] to get their education," Collins said. "If you're living in Des Moines County, you're maybe going over to Monmouth College in Illinois or Western Illinois University."

Under HF 2649, which passed in the House but stalled in the Senate, community college baccalaureate (CCB) programs would be introduced in Iowa as a pilot program.

To not take away from or duplicate existing baccalaureate offerings, eligible community colleges would need to be located 50 miles from the main campus of a school already offering a similar degree.

Instruction could not be delivered entirely online, and each participating community college would be limited to a maximum of three baccalaureate programs. Enrollment numbers, workforce outcomes and employer engagement would need to be reported annually to Iowa legislators and education leaders.

In 2025, following legislator urging, the group Community Colleges for Iowa conducted a study of the potential use of CCB programs.

It identified "educational deserts" ("areas with limited access to higher-education institutions, particularly public four-year options") and singled out industry sectors with the greatest needs for applicants with bachelor's degrees. Those sectors included manufacturing, information technology, health sciences and human services.

The same report articulated logistical hurdles that CCB legislation and implementation would need to address — for example, finding qualified faculty, making changes to school accreditation processes, and setting appropriate tuition levels. Addressing these issues, plus securing proper start-up funding, would be crucial for the CCB model to succeed in Iowa.

Illinois Rep. Tracy Katz Muhl

Other states have faced similar challenges in starting and scaling CCB programs, notes Ivy Love, a senior policy analyst with New America's Center on Education & Labor. But lessons from longtime-adopter states such as Florida and Washington, she adds, show how to build and sustain these programs.

"[Those two states] have strong approval processes in place, they have opportunities for universities to give their perspective on a proposed program, and they have outcomes data that now we can look at and observe how they are working for students and graduates," Love says.

FILLING A GAP

Illinois lawmakers have debated the concept of CCBs for many years.

One proposal from nearly a decade ago (SB 888 of 2017) called for a pilot program to address workforce shortages in nursing. It did not pass.

Last year, CCB authorization was a priority initiative in Gov. JB Pritzker's State of the State address. The resulting legislation, HB 3717, sought to grant such programs if a community college could, among other conditions, demonstrate that local workforce needs in a particular field were unmet and could explain why its new bachelor's degree program would not be duplicative of existing offerings in the district.

One concern raised by opponents is that allowing community colleges to offer baccalaureate programming could result in significant enrollment drops at public four-year institutions, particularly those serving minority and low-income students.

The latest proposal is HB 5319.

Under this legislation, Illinois community colleges would be divided into nine geographic regions. For the first three years, colleges in each region would be limited in the number of CCB programs they could offer and in the areas of study.

Additionally, community colleges could not have degree programs already administered by a nearby public university (20-mile radius for the City Colleges of Chicago and 40-mile radius for other institutions). However, they could appeal to the state if a rigorous feasibility study showed such offerings would address unmet workforce needs and improve equitable access to higher learning.

HB 5319 also provides a mechanism for universities to share bachelor-course professors with colleges. CCB tuition and course credit fees would be limited to 150 percent of regular community college prices.

Katz Muhl, the bill's author, says one reason many universities shifted from opposing the CCB idea to having a neutral stance is that HB 5319's language makes the goal clear: open opportunities to those who don't have another viable option.

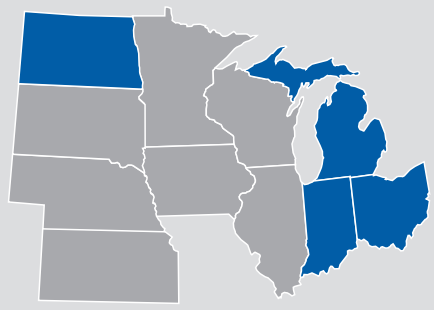
"This bill is, on the one hand, about capturing the students in the marketplace right now who tried to make that transition [from community college to university] and weren't able to accomplish the degree," she says.

"But it's also for students who have been on the sideline for such a long time, who just knew right from the start that commuting to the nearest public or even private institution just wasn't doable."

A 2017 University of Florida study found that the introduction of CCB programs in that state had a negligible impact on public university enrollment, but a significantly negative impact on for-profit, four-year school enrollment.

Derek Cantù is CSG Midwest staff liaison to the Midwestern Legislative Conference Education & Workforce Committee. Nebraska Sen. Jana Hughes and Minnesota Rep. Bernie Perryman serve as committee co-chairs. Kansas Rep. Mari-Lynn Poskin is the vice chair.

COMMUNITY COLLEGE BACCALAUREATE (CCB) DEGREE PROGRAMS IN MIDWEST



State law or other policy allows for CCB programs

# of colleges/programs as of 2023

- **Indiana** — One community college offers 15 CCB programs
- **Michigan** — Five community colleges offer six CCB programs
- **North Dakota** — One community college offers five CCB programs
- **Ohio —** 14 community colleges offer 25 CCB programs

Source: Community College Baccalaureate Association

LARGEST COMMUNITY COLLEGE BACCALAUREATE PROGRAMS IN U.S.

1. Nursing
2. Business administration
3. Early-childhood education
4. Organizational management/leadership
5. Elementary education
6. Dental hygiene
7. Cybersecurity
8. Information systems/technology
9. Respiratory care
10. Health care/services management

Source: Community College Baccalaureate Association (2023)

JOBS IN 2031: FORECASTED % REQUIRING COLLEGE DEGREES

State	Bachelor's	Associate's only
Illinois	25%	9%
Indiana	20%	11%
Iowa	23%	15%
Kansas	22%	11%
Michigan	22%	11%
Minnesota	27%	14%
Nebraska	26%	12%
North Dakota	22%	16%
Ohio	22%	10%
South Dakota	24%	14%
Wisconsin	23%	14%
United States	*26%*	*13%*

Source: Georgetown University Center on Education and Workforce

PROFILE

Ohio Senate Majority Floor Leader

THERESA GAVARONE

Keys to legislative success? 10-year lawmaker believes in bringing a mix of humility, listening and flexibility to the work

Theresa Gavarone knew lives were being lost and families torn apart by drug addiction and a lack of adequate mental health resources. She saw it time and again in the cases at her law practice in the northwest Ohio town of Bowling Green.

"A lot of things were happening all at once, just seeing so much and wondering what more I could do," recalls Gavarone, who was serving on the City Council at the time. "I thought, You know what? I can have a bigger impact in Columbus.

"And that's why I ran for that seat."

But once elected to the Ohio General Assembly, how could she make a bigger, and positive, impact? One of her early lessons as a legislator was acknowledging she didn't have all the answers.

"It's the people who deal with the issues, day in and day out, who can identify where there are gaps, what we need to address. So you listen to them to know where the barriers are. And you try to find ways of making their jobs easier."

To address the crisis of drug overdoses, law enforcement officers told Gavarone, they needed access to more data — where the incidents were occurring and why. The policy answer: requiring more local data collection and information sharing at the state level so police could analyze trends in overdoses and work to prevent them.

From local mental health professionals, she learned of obstacles that stood in the way of nonviolent offenders getting mental health care. Those conversations turned into SB 2, a 2021 law that has changed Ohio's requirements for competency evaluations in order to improve access to treatment.

Gavarone is 10 years into her work as a state legislator, having first been appointed to the House in August 2016 (subsequently elected three months later) and moving to the Senate in 2019. She became Senate majority floor leader in 2025.

During her decade of public service, Gavarone has sponsored numerous bills (many now law) that aim to improve mental health policy and addiction services, the two issues that helped lead her to seek office in the first place. But Gavarone also has sponsored successful legislation on elections security, water quality, religious freedom and more.

Across policy areas, she says, "it seems like the best legislation really comes from constituents, from having those conversations with people you represent."

In an interview with CSG Midwest, she spoke about what she has learned and observed about the keys to legislative success: listen to constituents for ideas; commit to being open to change during the legislative process; and offer a helping hand to your legislative colleagues when you can. Here are excerpts:

> **"You're not the expert on most things. It's the people who deal with them, day in and day out, who can identify where there are gaps, what we need to address."**

Q: Generally, what is your strategy for taking those ideas that you get from constituents and getting bills to move through the legislative process?

A: I usually approach legislation with a goal in mind: What am I trying to achieve? Then I'm usually open to a number of different ways of getting there. If you can be flexible while still achieving your goal, I have found that it really helps.

So when there's a bill that I introduce, if there are people who oppose it, they're usually the first people I want to talk to. What are you seeing that I'm not? Is there another way we can get to that goal, achieve the purpose of the bill? How do we minimize the effects you're seeing? At the end of the day, we may not agree, but I certainly want to make sure I know what's out there to make sure we're doing what we can to get the best piece of legislation.

It's easier to get things done that way, and then you get a final bill that is solid. In Ohio, our bills are going to impact more than 11-and-a-half million people. You want to make sure you get the language right."

Q: As a legislative leader, and with now a decade of experience in the General Assembly, what advice do you give to newer legislators?

A: Listening I think is one of the most important things — to the people you represent, to the people impacted by a piece of legislation, to your colleagues. That comes from being humble enough to recognize that you are not the expert and should be listening to those who work in that space.

Then focus on good communication. When you have a bill in committee, you've got to make sure that all the members fully understand the bill and why you believe it's important. That's also when it helps to be open and flexible.

Q: How do you approach building or strengthening relations with your colleagues in the legislature?

A: I think it's important that we recognize that everyone in the General Assembly represents a different part of a very diverse state. … We're all there to work for and represent our people back home. And so keeping that in mind when you're working with colleagues, whether they're working their bills through or you're working your own bill through. Someone may have concerns because of the people they represent.

So how can we work through that and recognize that we're there representing our constituents?

You also can try to help [colleagues] get their legislation done. Sometimes there's a House bill, and someone's working on it and we're running short on time because the General Assembly [session] goes by quickly. I'll sometimes offer to sponsor a companion bill in the Senate, so at least it's had hearings in both chambers.

Q: Let's go back to your work on mental health policy and addiction services. One of the most recently enacted measures was a first-in-nation law creating a new state-certified position of mental health assistant (SB 95, signed in 2025). What is the goal of this measure?

A: We have an extreme shortage of mental health professionals and psychiatrists in Ohio, and I think that's common across the country. This is a new mental health professional that serves under the supervision of a doctor.

This professional doesn't diagnose. But after someone goes and sees the doctor and gets stabilized on medication, the doctor can turn this patient over to a certified mental health assistant who can see the patient more frequently, freeing up the doctor to see new patients and get people stabilized.

If something is going on with a patient, the certified mental health assistant can alert the doctor right away. The assistant also can help refill prescriptions so no one has a lapse in their medication, which we hear about all the time, and can help with medical-assisted treatments [for substance abuse].

Interview by Tim Anderson *(tanderson@csg.org)*

OHIO SENATOR
THERESA GAVARONE

- → Elected Senate majority floor leader in 2025 and has served in Ohio General Assembly for 10 years (House from 2016 to 2019, Senate since 2019)
- → Has a law degree from the University of Toledo College of Law and has practiced law in Bowling Green
- → She and her husband, Jim, live in Bowling Green and have three children
- → Together, while still in college at Bowling Green University, the couple opened a local family restaurant, Mr. Spot's (named after Jim's cat at the time); the family-run business is now in its 40th year of operation
- → She is a 2017 graduate of the CSG Midwest Bowhay Institute for Legislative Leadership Development (BILLD) and an at-large member of the CSG Justice Center Advisory Board

PROFILE

Saskatchewan Speaker

TODD GOUDY

How he approaches the unique role of impartial presiding officer, and why he cherishes it

Todd Goudy has gone from working the farm fields of Saskatchewan as a young man with his father and brothers to serving as the presiding officer of his home province's Legislative Assembly.

Between then and now, his faith and a belief in service to others have taken him around the world.

Goudy lived in Alberta for a time before spending several years in post-communist Albania, relocating there to help rebuild the country's democratic, economic and Christian faith communities.

He eventually returned to Saskatchewan, raising six children with his wife, Tannis. Goudy owned and operated a furniture manufacturing business and spent 10 years on the local school board while also serving as a minister in the Baptist church.

The next step in his journey: running in 2018 for a seat in the Legislative Assembly of Saskatchewan, in large part because he thought it was the best way to influence the future of education policy in his hometown of Melfort.

But his work and advocacy on any issue, education or otherwise, changed dramatically in late 2024 when he became speaker of the Legislative Assembly of Saskatchewan.

It is a position in Canada's parliamentary system unlike leadership posts in most state legislatures.

Saskatchewan's speaker does not take part in legislative debates, does not ask or answer questions on the floor, and only votes to break a tie. Instead, the speaker is expected to maintain impartiality while presiding over session, controlling debate, and ensuring rules are followed.

"I was quite upset at first when I was asked by my colleagues to consider becoming the speaker," Goudy says. "My thought was that as speaker, you can't be focused on something. You don't get to be a part of debate. You don't get to pitch visions. You don't get to pursue some of the goals you came to Regina for.

"So I really struggled with [the decision] for a couple of nights."

Goudy now looks at this leadership role as one of the great honors of his lifetime.

He explained why in a recent interview with CSG Midwest, while also reflecting on his views of public service and leadership. Here are excerpts.

Saskatchewan Speaker Todd Goudy played an integral role in hosting the 2025 Midwestern Legislative Conference Annual Meeting in Saskatoon. He is pictured here introducing a dialectic-style session on the future of energy policy.

> **"We have 61 members. I see my job as helping them succeed in their jobs. That is a far greater role than being one person pursuing his own visions, his own dreams, his own ambitions."**

Q: At first, you weren't sure you wanted the role of speaker. What changed your mind, and how have you come to embrace this leadership position?

A: When I thought more about it, what better way to serve in government than to be the armor bearer for all the other members? By armor bearer, I'm thinking back to the person in an army of biblical days who bore the armor for the soldiers. I'm sure there was not fame in being the armor bearer, but it was essential.

We have 61 members in Saskatchewan. I see my job as helping them succeed in their jobs. That is a far greater role than being one person pursuing his own visions, his own dreams, his own ambitions.

I have the chance to help 60 others fulfill their roles and pursue their ambitions to the best of their ability and the best of their capacity. And the better they serve, the more they succeed in their job, the better it is for our province.

Q: You oversee the debate in the Assembly among different members and competing parties, making sure rules are followed and individuals can participate. Why do you value that role, in particular?

A: What's the best way to come to good policy? What's the best way to represent different people and groups, different factions, different opinions, and to come together as a nation?

This all started being built thousands of years ago and we've inherited it — the rules, the dialectic discussions [in democratic legislatures].

I think sometimes we forget the value of dialectic discussion. It's about putting our heads together, critically thinking, and humbly accepting good arguments that might show that our arguments were not as valid as we thought they were, or maybe needed some refinement.

And so my role is to help others have those dialectic discussions and giving everyone a chance to be heard.

Q: How did your time in post-communist Albania impact your perspective on living in and being an active part of a representative democracy?

A: When you see what years of communism have done to people, that affects you for the rest of your life. There was a lack of ambition, a lack of vision in everything, because [the people] were being told what to think and what to do. It was just devastating to see.

So when I came back to Canada, I got involved in education because I saw the need for good education — the value that it has for individuals and for their society.

Q: How do you view the role of political leadership and legislative service?

A: Throughout my life, I have found beauty in mentorship. Mentorship is one generation pouring its life into the next generation — the wisdom of the old working with the strength of the young. I see the same need in politics. I believe the most important component in leadership is serving others and helping them succeed.

For me, being chosen to serve the ones who raised you, there is a real humbling factor to that. These are the people who taught and cared for you. Now they've sent you to represent them and it's your chance to serve them back.

Q: Last year, you and your colleagues in the Legislative Assembly of Saskatchewan hosted hundreds of state legislators for The Council of State Governments' Midwestern Legislative Conference Annual Meeting. What were some of your takeaways from that binational event?

A: You look at the rest of the world, and I am so very thankful to have the relationships with the Americans that we do. We maybe have bumps in the relationship, but meeting at those types of events just reminds us that we have the same goals and ambitions.

There are so many issues, like trade corridors, energy, labor force development and food and water security, etc. So many opportunities to work together and learn from each other.

Interview by Tim Anderson *(tanderson@csg.org)*

SASKATCHEWAN SPEAKER TODD GOUDY

- Elected speaker of the Legislative Assembly of Saskatchewan in November 2024; has been a member of the Legislative Assembly since 2018
- Lives in the northeast Saskatchewan town of Melfort with his wife, Tannis; they have six children
- Raised on a farm outside of Melfort
- Served many years as a pastor at a Baptist church in Melfort, was a chaplain for the Royal Canadian Mounted Police, and served 10 years on his local school board
- Spent many years building Christian faith communities and churches, from Albania to northern Manitoba
- Owned and operated a furniture manufacturing company

GREAT LAKES CAUCUS WILL HOLD ANNUAL MEETING IN MICHIGAN'S UPPER PENINSULA

This fall, on the shores of Lake Superior, legislators will convene for a two-day meeting that explores the future of Great Lakes policy and protection.

Open to all legislators representing the eight Great Lakes states and two provinces, the Great Lakes-St. Lawrence Legislative Caucus meeting will be held Sept. 28-29 in the northern Michigan city of Marquette. Among the topics to be discussed: policies to address emerging contaminants, conservation practices, and the regulation of data centers and other large water users. Participants also will get a firsthand look at efforts in the Great Lakes to control invasive sea lamprey.

At the meeting, too, members will hold Executive Committee and officer elections as well as vote on policy recommendations. A limited number of travel scholarships are available. To learn more, visit *gllc.csgmidwest.org* or contact Great Lakes program director Jess Lienhardt at *jlienhardt@csg.org*.

The Midwestern Office of The Council of State Governments provides staff support to the binational, nonpartisan caucus. Its work is guided by an Executive Committee of state and provincial legislators; the current officers are Illinois Sen. Laura Fine, chair; and Indiana Rep. David Abbott, vice chair.

LEGISLATIVE EXCELLENCE, CIVILITY FOCUS OF UNDER THE DOME IN MINNESOTA

Through its ongoing Under the Dome program, CSG Midwest brought an interactive session to the Minnesota Capitol in April on "Creating a Culture of Excellence and Civility."

Designed for staff of the Minnesota Legislature, the event featured J. Scott Raecker, executive director of The Robert D. and Billie Ray Center at Drake University and co-executive director of the school's Olson Institute for Public Democracy. He is a former state legislator as well as a longtime faculty member of The Council of State Governments' Bowhay Institute for Legislative Leadership Development (BILLD).

Through its Under the Dome program, and as part of its support for the nonpartisan Midwestern Legislative Conference, CSG Midwest partners with legislators and legislative staff in individual states to offer customized learning opportunities. Programming can be centered on a particular policy area or on subjects related to professional development or leadership training — for legislators, legislative staff or both.

Please contact CSG Midwest director Laura Tomaka if you would like to bring Under the Dome programming to your state: *ltomaka@csg.org* or 630.925.1922.

LEARNING OPPORTUNITIES FOR YOU

Throughout the calendar year, CSG Midwest provides virtual learning opportunities designed for legislators, legislative staff and other state officials.

Please visit *csgmidwest.org* for a listing of upcoming webinars, along with recordings and other resources from past events.

The Midwestern Legislative Conference Health & Human Services and Education & Workforce Committees conducted a three-part series earlier this year on youth mental health. Topics covered included state investments in upstream services to prevent youth suicide, the impacts of social media and potential state responses, and state coordination of youth mental health services and delivery systems.

Other MLC committees will be hosting webinars this summer and fall.

'GREAT MIDWESTERN GET-TOGETHER': MINNESOTA TO HOST TOP EVENT FOR REGION'S LEGISLATORS

Join colleagues this summer for the MLC Annual Meeting, featuring four days of interactive policy sessions, engaging speakers and special evening activities

The only event designed by and for Midwest legislators is coming to Minnesota's capital city of Saint Paul.

You can register for The Council of State Governments' Midwestern Legislative Conference Annual Meeting at *csgmidwest.org/MLC26*.

The four-day meeting begins Aug. 30.

In a welcoming, nonpartisan setting, participants will have the opportunity to build interstate and cross-border relationships, exchange ideas and innovations with legislative colleagues, and hear from leading policy experts.

The event is open to all legislators and legislative staff. A discount on registration is available through June 30. The registration deadline is July 24.

CHANCE TO LEARN AND COLLABORATE

The MLC Annual Meeting features policy sessions on a wide range of issues, plus engaging speakers and professional development workshops designed for legislators and legislative staff.

The business agenda is built around ideas and input from state and provincial legislators from the Midwest. It will include interactive sessions on agriculture, state economies and budgets, criminal justice, cross-border trade and relations, and energy and the environment.

This year, education and healthcare will be the focus of multiple sessions. Education pioneer Sal Khan, founder and CEO of the Khan Academy, will deliver the meeting's keynote address. His remarks will be followed by a session centered on the MLC Chair's Initiative of Minnesota Sen. Mary Kunesh — "Literacy in Action."

Legislators also will learn about transformations in healthcare delivery, policies and outcomes due to the rise in artificial intelligence. Separate sessions will explore strategies to contain health costs, strengthen rural healthcare, and protect the privacy of health consumers.

The meeting also will include learning site tours in and around the Twin Cities.

SPECIAL EVENTS FOR ATTENDEES, GUESTS

The Minnesota State Fair is known as the "great Minnesota get-together." MLC meeting attendees and their guests of all ages will have the chance to experience this Minnesota tradition — a special event is being planned at the fair. The Minnesota History Museum and Nicollet Island on the Mississippi River will host other evening events.

Special daytime activities will be offered for the youth and adult guests of attendees. Details are available at *csgmidwest.org/mlc26*.

When: Aug. 30-Sept. 2 (week before Labor Day)

Where: Downtown Saint Paul

How to register and learn more: Visit the meeting web page: *csgmidwest.org/MLC26*

Why register: Unique learning and networking opportunity for state and provincial legislators from the Midwest; also open to legislative staff and other government officials

When to register: Now, to get an early-bird discount (runs through June 30)

Meeting hosts: Members of the Minnesota Legislature, led by Sen. Mary Kunesh, 2026 chair of the Midwestern Legislative Conference

FEATURED MEETING SPEAKERS

Sal Khan, education pioneer and founder/CEO of Khan Academy, will deliver a keynote address on how to harness the power of technology to improve student achievement and state education systems

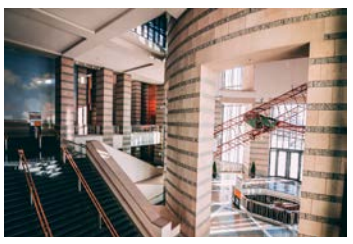
Anna Palmer, widely respected journalist, best-selling author and co-founder/CEO of Punchbowl News, will share her unique insights on the American political scene

Robert Wachter, physician and best-selling author, will explore key takeaways for policy leaders from his new book, "A Giant Leap: How AI Is Transforming Healthcare and What That Means for Our Future"

Michael Hattem, leading American Revolution historian, will mark the Declaration of Independence's 250th anniversary by examining the nation's enduring attachment to the founding and its leaders

2026 MLC Annual Meeting: Evening events and venues

Special Event at the Minnesota State Fair



Family Night at the Minnesota History Center

State Dinner at Nicollet Island on the Mississippi River

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

BILLD ALUMNI NOTES: A LOOK AT GRADUATES LEADING ON OVERSIGHT

Across the Midwest, the responsibility of legislative oversight is being carried out by graduates of The Council of State Governments' Bowhay Institute for Legislative Leadership Development. Fifteen alumni in six states serve on legislative oversight committees, including five in leadership positions.

Sen. Myron Dorn

"In a broad sense, the committee gives us the ability to look at how our state government is functioning. ... We are making sure there is nothing that we will look back on and think, How did we not catch that?" says Sen. **Myron Dorn**, BILLD Class of 2019, who is chair of the nine-member Nebraska Legislative Oversight Committee.

The state's corrections and child welfare systems, plus legislative auditing, fall under the committee's jurisdiction. New laws in Nebraska (LB 298, enacted in 2025; and LB 1155, sponsored by Dorn and signed into law this year) seek to protect and strengthen oversight functions.

Currently serving his last year in the term-limited Unicameral Legislature, Dorn says his leadership role has taught him the importance of involving all members of a legislative body on oversight, whether or not they are serving on the committee itself.

"Making sure that as many people are informed and knowledgeable about what's going on as possible," he says about lessons learned. "If future bills need to be brought forward, we have some criteria and information to build on. For past bills, are we making sure that those processes are being done correctly?"

These are the four other BILLD graduates holding leadership positions on legislative oversight.

• Ohio Sen. **Susan Manchester**, BILLD Class of 2022, chair of the Senate Government Oversight and Reform Committee

• Iowa Rep. **Ann Meyer**, BILLD Class of 2019, co-chair of the House Health Policy Oversight Committee

• Kansas Rep. **Jarrod Ousley**, BILLD Class of 2018, ranking member of the House Child Welfare Oversight Committee

• Minnesota Rep. **Kristin Robbins**, BILLD Class of 2022, co-chair of the House Fraud Prevention and State Agency Oversight Policy Committee

Sen. Susan Manchester

Rep. Ann Meyer

Rep. Jarrod Ousley

Rep. Kristin Robbins

MOURNING THE LOSS OF REP. LIZ CONMY, BILLD CLASS OF 2024

CSG Midwest mourns the sudden passing of North Dakota Rep. Liz Conmy in April and offers condolences to her family, legislative colleagues and friends, including her classmates in the 2024 BILLD program. Known throughout North Dakota for the care, integrity and compassion she brought to public service and leadership, Rep. Conmy had served in the legislature since 2022.

5 PRINCIPLES OF EFFECTIVE LEGISLATIVE OVERSIGHT

Oversight and fact-finding are not separate from legislating — they are essential to the legislative process. When done well, they become indispensable steps before and after laws are made.

Fact-based findings should form the basis of laws our legislatures pass: oversight before legislation.

Then, legislatures should inquire as to whether public agencies or private actors are complying with the legislation and whether its intended purpose is being fulfilled: oversight after legislation.

Embracing fact-based inquiry throughout the legislative process can build effective, accountable representation that delivers results to your constituents. We have summarized five key principles of oversight (with state examples) based on our years of experience conducting legislative oversight and research examining how the most effective state legislators use their extensive power to gather facts to craft bills and solve problems that matter to the people they represent.

Guest Authors: Jim Townsend and Ben Eikey

Jim Townsend

Ben Eikey

Jim Townsend and Ben Eikey serve on The Council of State Governments' Bowhay Institute for Legislative Leadership Development (BILLD) faculty. They will lead a workshop on legislative oversight this year at BILLD, the premier leadership training program for newer Midwest legislators.

Jim is a former congressional staff member and former member of the Michigan House. He serves as director of the Carl Levin Center for Oversight and Democracy. Ben is the center's manager of state training and development. He is a former Michigan House legislative director and fellow in the office of U.S. Rep. John Moolenaar. (Moolenaar is a 2004 BILLD graduate.)

1 TREAT OVERSIGHT AS A CONTINUOUS PROCESS, NOT A SINGLE HEARING

Move from one-off hearings to a cycle of oversight: fact-finding, reporting, hearing, follow-up. Treat oversight and lawmaking as complementary parts of legislative service where fact-finding precedes/shapes legislation as well as the oversight of policy implementation. Ongoing monitoring increases your impact and prevents small problems from growing into catastrophes and scandals.

Example: Utah's bicameral Legislative Audit Subcommittee reviews all audit requests for the legislative auditor, chooses what requests to prioritize, holds hearings on all audit reports, and can refer reports with recommendations to another legislative committee to monitor implementation. The auditor does the fact-finding, publishes a report, presents and answers questions at a hearing, and works with other committees on follow-up.

2 PRIORITIZE INFORMATION GATHERING OVER CONFRONTATION

Design oversight to generate facts, causal explanations and implementation details, not partisan conflict. Fact-based hearings produce more effective outcomes than "gotcha" exchanges.

Example: South Carolina's House Government Efficiency and Legislative Oversight Committee studies all state agencies at least once every seven years and posts the reports online. The committee's work helps ensure laws and programs are being carried out in accordance with legislative intent, and can determine whether programs should continue in their current form.

3 INSTITUTIONALIZE THE USE OF EVIDENCE, ESPECIALLY STATE-LED AUDITS

Effective oversight is anchored in formal evidence — audits, performance data and reports, all of which require hearings on them. Using these evidence-based oversight tools strengthens accountability and reduces reliance on anecdotes.

Example: Connecticut's bicameral Government Oversight Committee holds hearings on the independent audits provided by the Auditors of Public Accounts, a legislative agency embedded in state agencies. The committee crafts bills based on the findings.

4 BUILD UP LEGISLATIVE OVERSIGHT CAPACITY, THEN ACTIVELY USE IT

Invest in staff, expertise and analytical support, but focus equally on the actual use of these resources. Capacity alone does not produce effective oversight without the necessary political will and application.

Example: North Dakota's Legislative Council increased staff to expand nonpartisan research and program evaluation. Combine that with conscientious lawmakers wanting to know if passed laws are working as intended, and you have the foundation for the legislative branch to grow and use its oversight tools.

5 FOSTER BIPARTISAN COLLABORATION AND COORDINATED OVERSIGHT

Engage legislators across parties. Bipartisan oversight improves credibility, reduces performative conflict, and enhances information flow from the agency and in the legislature. Develop inquiry plans, coordinate questioning across all members, pool resources before hearings begin, and share preliminary findings with both parties as inquiry proceeds.

Example: The Maine Legislature's Government Oversight Committee has equal partisanship and chamber representation. Staff in the Office of Program Evaluation and Government Accountability builds independent, objective reports as scheduled by the committee. Recent topics have covered Medicaid fraud, affordable housing and veteran homes. Hearings showcase findings, elevate the bipartisan use of facts to gauge performance, and make government accountable to the Legislature and people of Maine.

Legislators who participate in the BILLD program span the ideological spectrum and come from every type of community. That is also true about lawmakers who excel at oversight. Our research and experience show that elected officials from large and small states; urban, suburban and rural districts; and constituencies of every political hue can use their fact-finding powers to deliver for constituents — by enacting laws that make sense and ensuring these laws are implemented as the legislature intended.

To learn more, visit the Levin Center for Legislative Oversight and Democracy at *levin-center.org* or reach out to us: Ben Eikey at *beikey@wayne.edu* and Jim Townsend at *jimtownsend@wayne.edu*.

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80TH ANNUAL MEETING

MIDWESTERN LEGISLATIVE CONFERENCE

Saint Paul MINNESOTA

AUG 30–SEP 2, 2026

More details on Page 10

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