

October 3, 2005

Global warming on the front burner



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Top Story

Scientists have been talking about global warming for decades. But Hurricanes Katrina and Rita have significantly raised the profile of the discussion and the insurance industry is starting to pay attention.

SNCJ Spotlight

Global warming heats up insurance industry

Two weeks ago, Hurricane Katrina was officially declared the most destructive storm ever to hit the United States, its toll in human lives already having reached several hundred and property damage expected to exceed \$100 billion. A week before that, however, came the equally disturbing news of a study warning that Katrina might just be the start of a new era in which global climate changes bring ever-increasing losses that threaten the fiscal health of the insurance industry and place greater strain on federal, state and local governments. While

some insurance industry officials dispute that dire prediction, a growing number of institutional investors and state regulators — who needed no further convincing after Hurricane Rita slammed into the Gulf Coast — are urging insurers to take action. Some are even calling for the adoption of a national catastrophe insurance plan.

The study, commissioned by Ceres, a national coalition of investment and environmental groups that helps companies address sustainability challenges like climate change, looked at insurance losses in the U.S. over the past three decades from catastrophic weather events — those resulting in over \$1 billion in damages (adjusted for inflation) — including not just hurricanes, but also other severe weather-related phenomena like floods, hailstorms, wildfires, droughts and heat waves. What the study found was that losses from such weather catastrophes have risen precipitously — from an average of a few billion dollars per year in the 1970s (in current dollars) to about \$15 billion a year over the past decade.

The main force driving that unfavorable trend, according to a report on the study's findings released Sept. 8, is rising "land and sea temperatures" due to the "build-up of gases like carbon dioxide, methane, nitrous oxide, and chlorofluorocarbons caused by fossil-fuel burning, industrial activity, certain agricultural practices, and deforestation," or global warming, for short. The report, entitled "Availability and Affordability of Insurance Under Climate Change — A Growing Challenge for the U.S.," goes on to say that "if trends persist, the impacts of climate change...will inevitably result in more insurance claims and increased costs."

The report was authored by a trio of experts: Dr. Evan Mills, a scientist with the U.S. Department of Energy's Lawrence Berkeley National Laboratory; Richard Roth Jr., the chief property and casualty actuary for CALIFORNIA's Department of Insurance for 20 years and the agency's assistant commissioner from 1984 to 1990, who now works for one of the world's leading actuarial consulting firms; and Eugene Lecomte, President Emeritus of the Institute for

The Week in Session

States in Regular Session: DC, MA, MI, PA, US, WI

States in Skeleton Session: OH

States in Special Session: MS "a", NM "a", PA "a"

States in Recess: CA, IL, NH, NJ

Special Sessions in Recess: CA "a", DE "a", OK "a"

States Adjourned in 2005: AK, AL, AR, AZ, CO, CT, DE, FL, GA, HI, IA, ID, IN, KS, KY, LA, MD, ME, MN, MO, MS, MT, NC, ND, NE, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WA, WV, WY

States in Special Session Adjourned in 2005: AK "a", AL "a", CT "a", GA "a", KS "a", ME "a", ME "b", MN "a", MO "a", MS "a", MS "b", MS "c", MS "d", NV "a", TX "a", TX "b", UT "a", VT "a", WI "a", WV "a", WV "b", WV "c", WV "d"

Letters indicate special/extraordinary sessions

Source: State Net, 9/30/05

Business and Home Safety in Boston, MASSACHUSETTS, and a 50-year veteran of the insurance industry.

Still, some question the researchers' assertion that the insurance industry is threatened by global warming. "The debate over global warming is misplaced," said David Snyder, a vice president of the American Insurance Association. "The science is somewhat contradictory over the...issue."

Indeed, one of the other prevailing views in the scientific community regarding Katrina and Rita is that they are merely part of a natural period of elevated hurricane activity. "What people have to realize is that we're in a part of an active long-term cycle in hurricane activity," says Stanley Goldenberg, a meteorologist at the National Oceanic and Atmospheric Administration. "What happens is that you have several decades of below normal activity, and then you have several decades of above normal activity...Since 1995, we've been in this higher cycle of activity."

Others have been a little less diplomatic about the subject. "The notion of manmade global warming is junk science," said Steve Milloy of Action Fund Management LLC, an investment consulting firm. In Milloy's view, when it comes to hurricanes, "Insurance companies aren't financially exposed because of any supposed global warming. They're exposed because they've spent decades writing policies for risky coastal development and not charging sufficiently high premiums."

Bird's eye view



More states adding high school exit exam

Requiring high school seniors to pass a test to earn a diploma — regardless of how well they did in their classes — is a growing trend in state education reform. According to a recent report from the Center on Education Policy, a Washington D.C.-based education advocacy group, 19 states currently have such an exam, and withhold diplomas from kids who do not pass. That is down from the 20 states with such standards in 2004, because MARYLAND is transitioning to a new type of test and will not return to its no-pass, no-diploma standards until 2009. But the figure will continue to grow, as 26 states — representing 72 percent of the student population — will have mandatory exit exams by 2012. The accompanying map shows both the 19 states that already have exit exams and the seven that will phase them in over the next five years.





rect a laundry list of pork projects.” While the Louisiana delegates have referred to their bill as a beginning point for discussions, they appear to be ready to defend it. “We’re going to fight for every dollar,” said U.S. Sen. Mary Landrieu (D-Louisiana). (WASHINGTON POST)

HIGH COURT WILL WEIGH TAX INCENTIVES: The U.S. Supreme Court announced last week that it will decide whether to uphold a lower court decision declaring that a manufacturing tax credit used to lure a DaimlerChrysler jeep assembly plant to OHIO violated the U.S. Constitution’s commerce clause. The 6th U.S. Circuit Court of Appeals ruled in September, 2004 that by offering a break to DaimlerChrysler, while giving no breaks to companies that invested in other states, Ohio government officials had interfered with interstate commerce. The high court’s decision to take up the case has major implications not only for Ohio — where companies have claimed the manufacturing tax credit 16,000 times since 1995 — and the three other states that fall under the 6th Circuit’s jurisdiction, MICHIGAN, TENNESSEE and KENTUCKY, but also for the 36 others across the nation that commonly use such incentives to attract business. Some see that decision as an indication that the 6th Circuit’s ruling will be overturned. (TOLEDO BLADE, LINCOLN JOURNAL STAR)

BUDGETS IN BRIEF: ILLINOIS Gov. Rod Blagojevich (D) has freed up \$195 million in funding for so-called “pork” projects that he froze after taking office in January, 2003. Administration officials said the sudden decision to release the money was motivated by the need to honor contracts the state had made and had nothing to do with Blagojevich’s decision to seek re-election next year (DAILY HERALD [ARLINGTON], CHICAGO TRIBUNE). • Legislative leaders from MISSISSIPPI’s coastal region reached a tentative agreement last week to seek a change in state law that would allow casinos to be built on land within 800 feet of where gambling barges are currently permitted. Observers say that consensus is crucial for the coastal representatives to have any chance of persuading legislators from the rest of the state — currently assembled for a special session on Katrina relief — to approve the change (SUN HERALD [BILOXI]). • Supporters of a proposed constitutional amendment to limit state

Quote of the week:

“This bill boggles the mind. Brazen doesn’t begin to describe it. The Louisiana delegation is using Katrina as an excuse to resurrect a laundry list of pork projects.”

— **Steve Ellis of Taxpayers for Common Sense, referring to the \$250 billion Hurricane Katrina reconstruction plan proposed by LOUISIANA’s congressional delegation two weeks ago.** (WASHINGTON POST)



be more extreme than the average Democrat or Republican, and when they get to the statehouse, they don't seem to talk to one another," says Ohio State University political science professor Herb Asher. The redistricting reform movement isn't a particularly new development; groups like Common Cause have been leading it since the 1970s. But some political scientists say the movement has been given new impetus by recent developments in TEXAS and GEORGIA. There, in major court battles, Republican lawmakers won the right to redraw their states' district maps a second time in the same 10-year period, ending a century-old tradition. And those rulings helped the GOP retain control of the U.S. House of Representatives. (LOS ANGELES TIMES)

**In case you missed it:
REAL ID**

The September 5 issue of the State Net Capitol Journal took a close look at some of the significant problems states will face in meeting new federal driver's license standards, also known as the REAL ID Act. The Bush administration has suggested implementing the Act will cost states \$100 million over five years; states say that not only will it rob them of the right to set their own standards, it will also cost closer to \$13 billion.

In case you missed it, the full story can be viewed on our Web site at www.statenet.com.
(See archives under the Resources tab)

HIGH COURT TO TAKE ON CAMPAIGN FINANCE: The U.S. Supreme Court agreed last week to hear a pair of challenges to federal and state campaign finance laws. The first case, which originated in WISCONSIN, disputes provisions of the 2002 federal campaign finance law, known as the McCain-Feingold act, imposing restrictions on political advertising close to an election. The anti-abortion group that filed the case claims those provisions should not apply to the series of ads it aired last year in support of President Bush's judicial nominees because they were not the sort of "sham" issue ads — attacks on specific candidates designed as issue ads — that the law was intended to regulate. The second case, actually a consolidation of three cases, challenges a 1997 VERMONT law limiting the amount of money candidates for statewide office can spend — the only such law in the nation. Vermont's Republican party contends that law violates their constitutional right to free speech. The two cases will offer the high court its first chance to revisit the major constitutional issues of campaign law since ruling to uphold McCain-Feingold in 2003. That was a 5-4 decision. And one of the dissenters was the late Chief Justice William Rehnquist. The views of his replacement, federal Appeals Judge John Roberts, on the subject are unknown. Meanwhile, retiring Justice Sandra Day O'Connor, voted to uphold the law. And, as of press time, President Bush had not yet nominated her replacement. (WASHINGTON POST, MILWAUKEE JOURNAL-SENTINAL)

POLITICS IN BRIEF: Last Wednesday, a TEXAS grand jury charged U.S. Rep. Tom DeLay (R-Texas) with criminal conspiracy, forcing the House majority leader to temporarily give up his post. Republican congressional officials said Rep. David Dreier (R-CALIFORNIA) and GOP whip Rep. Roy Blunt (R-MISSOURI) would likely take over DeLay's duties (CNN.COM). • Supporters of COLORADO's November budget-reform ballot measures — Referendums C and D, suspending TABOR and authorizing funding for transportation projects, respectively — have raised \$2 million, eight times more money than opponents have taken in (DENVER POST). • VIRGINIA Democratic Party Chairman C. Richard Cranwell accused the Republican National Committee last week of attempting to suppress Democratic voter turnout in this fall's election. Cranwell claimed the RNC was calling Democratic voters and informing them they were not properly registered to vote. An RNC spokesman said that calls had, in fact, been made to "discerning Democrats," but he contended the calls were intended only to spur participation in the political process (VIRGINIAN-PILOT [NORFOLK]). • A spokesman for CONNECTICUT Gov. M. Jodi Rell (R) said last Tuesday that she is "seriously considering" calling a special session to address campaign finance reform. According to the spokesman, Rell is currently reviewing a framework for limiting the influence of special interests on political campaigns which was prepared by a legislative working group she formed (ASSOCIATED PRESS, WATERBURY REPUBLICAN-AMERICAN). • MINNESOTA Gov. Tim Pawlenty (R) took the unusual step last week of sending a "menu" of potential special session issues to legislative leaders to help him decide whether to convene a session this fall. The governor said if no menu items got the support of all four leaders, he wouldn't call lawmakers back to St. Paul before the start of the regular session on March 1. The unorthodox approach didn't go over too well with the DFLers; Senate Majority Leader Dean Johnson said it made Pawlenty seem more like a waiter than a leader (MINNEAPOLIS STAR-TRIBUNE). A white TENNESSEE lawmaker upbraided the state's Black Legislative Caucus for being less accommodating than the Ku Klux Klan, after the group rebuffed his request to allow him to become a member. "My understanding is that the KKK doesn't even ban members by race," said freshman Rep. Stacey Campfield (R). The chairman of the Caucus, Rep. Johnny Shaw (D), said Campfield is a "strange guy" who just wants to make trouble (ASSOCIATED PRESS, ABC NEWS).

Upcoming Elections (09/29/2005 - 10/20/2005)

10/04/2005

California Special Primary
US House (Cox 48)

10/04/2005

South Carolina Special Election
House 024

10/11/2005

Mississippi runoff if needed
House 086

— Compiled by KOREY CLARK

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Governors

State Net Capitol Journal Editor Rich Ehisen is on vacation. This column will return the week of October 24, 2005.

Hot issues

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Once around the statehouse lightly

THE HIGH COST OF JUSTICE: Everyone knows that justice doesn't come cheap, but in PENNSYLVANIA the price is a tad higher thanks to expense accounts maintained by the seven members of the state Supreme Court. According to The Associated Press, Keystone taxpayers forked over \$164,000 last year to buy food, travel and lodging for their exalted jurists. Included among those expenses was an \$85 bottle of wine and a \$1,766 picture frame. One judge charged the state for 34 car washes. Justice Max Baer — no relation to either the heavyweight champ or Jethro Clamptt — warned that he can't let a dinner partner foot the bill in the off chance that the companion might some day have a case before the court. And, the car wash?

FIRST, BUT FOR WHAT? The name of the group is OHIO First, and it was formed by conservatives and Republicans to oppose a Democratic effort to rewrite the state's election laws. But as the *Toledo Blade* reports, the group ran into a snag when trying to gin up an Internet site. Seems a foe — Reform Ohio Now, which sponsored the reform package — owns the rights to ohiofirst.org. And it's cluttered the site with a photo of Republican Gov. Bob Taft and the Sammy Davis Jr. tune, "Don't do the crime if you can't do the time." Ohio First will have to find a different URL, which its spokesman agrees will be a drag. Meanwhile, Reform Ohio Now also points out what it considers an ironically unfortunate decision — Ohio First incorporated in Delaware, an error in judgment that a spokesman says has now been corrected.

the electronic age, he admits, but at least no one can eavesdrop or sue his office for the e-mail trail. Of course, Beehive State archivists are a little concerned with the governor's throwback habits. Apparently, Huntsman doesn't have the best handwriting, and officials fret about keeping an accurate record of his administration.

— *By A.G. BLOCK*

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