In 2005, governors, legislators and judges and their staff in the three branches of our state governments are faced with unprecedented challenges—political, fiscal and management challenges stemming from both external and internal forces. External forces include global dynamics and terrorist threats, the proposed elimination of, or deep cuts in, some federal aid programs, continuous preemptions and mandates, and federal encroachment upon state regulatory powers. Internal forces are generated by increasing partisan competition in legislative chambers as well as between the three branches of state government, serious structural deficits in budget-making, and growing opportunities and pressures from direct citizen control—initiatives and referenda—in many states.

One broad question state policy-makers should be asking is: “How should we define changing roles of the state to face up with these trends?” Under these external and internal forces, decision-makers are expected to be more innovative, effective and efficient than ever before in managing agencies and delivering services because of high public expectations and growing demands. In order to redefine and prioritize states’ roles, policy-makers might want to have an update on what is taking place between the state and the federal government and within the three branches of state government across the nation. For those who are trying to anticipate what might happen in the remainder of this year and in 2006, major trends described in this issue of *The Book of the States* might be helpful guides. What follows in this introductory chapter are highlights of a few external and internal forces that are likely to shape the way state governments are making decisions.

**Federalism**

**New Politics**

The topic of federalism and intergovernmental relations will continue to be one of the major external forces affecting the states, especially in implementing some of the most expensive state-federal joint programs, such as homeland security, Medicaid and No Child Left Behind. State officials like to know what they can expect under the Bush administration to tackle these and other federal-state programs in the next few years. The answer might not be very promising.

During the past several years, state policy-makers have experienced continuous federal encroachment upon states’ rights when Republicans controlled both the executive and legislative branches of the national government. Clearly, this trend appeared to be contrary to the past patterns of the workings of American federalism under each of the two major political parties. In the past half a century, Republican presidents usually sided with conservatives who favored a smaller role for the federal government with stronger states, while Democratic presidents tended to favor a larger role for the national government, thus drawing criticisms from traditional advocates for state rights and Republicans.

Such a traditional description, however, does not seem to apply to the current Republican administration or Congress. In his article, “The New Politics of Federalism,” Paul E. Peterson of Harvard University describes the changing trend in American federalism from a historical perspective and says, “Jefferson is recognized as the spiritual father of the Democratic Party, while Hamilton is at times given comparable status among Republicans. But as political interests changed, so did the positions of the two political parties. Throughout most of the 20th century, it was the New Deal Democrats who celebrated an expansion of the national government in ways Hamilton might have blessed, while conservative Republicans defended states rights that Jefferson had extolled.” Peterson continues:

“Today, the parties are returning to their historic roots. In the Spring of 2005, the Republican leadership in Congress asked federal courts to assure jurisdiction in the Schiavo case, which raised issues long thought to be the preserve of state courts. Most Democrats opposed the move. Only weeks earlier, the Republican majority in Congress, at the behest of the president, had passed sweeping legislation that shifted class action suits that transcended state boundaries from state to federal courts, a nationalizing move that harkens back to the days of Hamilton and his close ally, Chief Justice John Marshall. Meanwhile, the vast majority of congressional Democrats fiercely defended states rights that Jefferson had extolled.” Peterson continues:

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The recent trend in American federalism characterized by Peterson is corroborated by other observ-
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ators of American federalism, including John Kincaid, former executive director of the U.S. Advisory Commission on Intergovernmental Relations. In his article, “State-Federal Relations: Defense, Demography, Debt, and Deconstruction as Destiny,” Kincaid lists examples of continuing “coercive federalism” during the Bush administration with “a shift of federal aid from places to persons, policy conditions and earmarks attached to federal aid, preemptions, federal encroachments on state taxation, federalization of state criminal law, defunct intergovernmental institutions, reduced federal-state cooperation within major intergovernmental programs, and federal court litigation.” His prediction is, “Although state activism will generate a kind of competitive state-federal federalism, coercive federalism will be the system’s dominant motif and will be exacerbated by the fiscal pressures generated by defense, demography, debt, and deconstruction.”

Rebalancing Federal-State Relations

The balance in state-federal relations in the next few years is likely to favor the national government. How should state policy-makers face up with such an imbalance in the years to come? Carl W. Stenberg, former executive director of The Council of State Governments, proposes rebalancing federal-state relations by “working together more strategically and building effective horizontal and vertical networks.” He cites the state-led tobacco settlement as an example of vertical network and the Streamlined State Sales and Use Tax as an example of horizontal network.

As John Mountjoy and Melissa Bell describe in their article, “Interstate Compacts: Trends and Issues,” The Council of State Governments created the National Center for Interstate Compacts in 2004. This center serves as a national information clearinghouse on interstate compacts, provides training and technical assistance in helping states and manages the compact process. The center also promotes interstate compacts as a tool for cooperative state action, develops standards and provides an adaptive structure for states.

Interstate cooperation itself, however, might not be sufficient to slow down federal encroachment upon the states. In his article, “Interstate Relations Trends,” Joseph F. Zimmerman of the University at Albany suggests:

Compacts, agreements, and enactment of harmonious regulatory laws have been promoted as means to discourage Congress from exercising its powers of preemption removing regulatory authority completely or partially in specified fields from states. Nevertheless, we conclude disparate state regulatory statutes and regulations, increasing globalization of the domestic economy, international trade treaties, lobbying by interest groups, and technological developments will result in Congress enacting preemption statutes.

Congress

To better comprehend federal-state relations, state policy-makers need to pay attention to how the first session of the 109th Congress handles a variety of issues affecting the states. State attorneys general, as their state’s chief law enforcement officer, will be testifying before Congressional committees in 2005 as they have done during the last Congress. Major issues they testified about included consumer credit, on-line pharmaceuticals, I.D. theft, banking issues and predatory lending. The issues in consideration during the 109th Congress in 2005 could include: antitrust, Medicare Prescription Drug Improvement and Modernization Act of 2003, drug price competition, prescription drug importation, patient access to health care, antitrust exemption for insurance industry, antitrust enforcement, retail gas prices, bankruptcy, consumer protection, identity theft, “Do Not Call,” spam, household goods movers, Fair Credit Reporting Act, cell phone bill of rights, online pharmaceuticals, privacy, rent to own, debt counseling, debt consolidation and debt settlement, predatory lending, anti-pyramid scheme legislation, drug price disclosure, Internet file sharing, protecting older Americans from fraud, and flu vaccine price gouging.

In addition, the first session of the 109th Congress is likely to deal with crime, including cyber crime, end-of-life health care, environment, tobacco and violence against women. There seems to be ample room for further federal preemption of traditional state jurisdictions.

Three Branches

Constitutional Amendments

Although citizen discontent with state government is not likely to disappear any time soon, there might not be any significant changes in public attitudes towards comprehensive constitutional amendments that are designed to radically reform the structure and function of state government. As Janice May’s ar-
ticle describes, there were many constitutional amendments proposed in 2004 to change the structure or procedures of all three branches of state government, but these were aimed at minor changes as they have been in recent years.

Of the legislative amendments, attempts to change term limits by extending the number of years legislators could serve were defeated in two states. Virginia voters agreed to modification of reapportionment laws to avoid double or no representation of residents in certain districts. Among the executive branch ballot measures was a Colorado amendment to strengthen the governor’s power of appointment, which was rejected. Virginia voters also approved an amendment which increases the number of officers who can succeed to the governor in the event of a terrorist attack and permit the lower house to convene to elect an acting governor and, if necessary, to waive eligibility requirements. State judicial branches were changed very little by amendment in 2004 despite efforts to do so. Voters defeated a South Dakota amendment that would have extended merit selection of judges from the supreme court to the circuit courts. New Hampshire voters defeated an amendment to resolve a separation of powers dispute between the legislature and the judiciary over the authority to make rules on judicial administration and procedures. Voters in Arizona and magistrates in North Carolina passed ballot measures regarding the office of justice of the peace and magistrates, respectively.

During the 2004 elections, 34 states passed approximately two-thirds of the 162 state-level ballot propositions. The most popular issue was the gay marriage issue, with 11 states approving constitutional amendments in November defending traditional marriage between a man and woman. Other high profile issues include marijuana legislation, gambling, election reform, fiscal policies, environment, and health care related matters. In 2004, approximately $200 million was spent for propositions in California alone. Whether spending big money for such ballot measures helps determine the outcome of direct citizen control is not certain, however.

Legislatures

Partisan Politics

State political parties are not only getting stronger but also more competitive, especially in state legislatures. Observers of American politics tend to disagree with the role of political parties at the national or state level. Some have predicted a decline of party politics in general, while others have taken a contrary view. The current and future trends appear to be a resurgence of party politics at all levels of government. As political scientists Sarah Morehouse and Malcolm Jewell describe in their article, “The Future of Political Parties in the States,” many state political parties are becoming stronger, not weaker because they have adapted to the new technology and provide valuable services to state and national candidates. “Far from the predicted decline,” the authors argue, “state parties have become parties in service. They provide services such as polling, campaign seminars, advertising and fundraising. State parties maintained their autonomy as they became more professionalized and more durable.”

As the state legislative sessions began in early 2005, legislative seats in the 50 states were almost evenly occupied by Democrats and Republicans, and the difference between the two major parties was miniscule. For example, Republicans controlled 20 legislatures, Democrats held 19, and 10 were split with either party having both legislative chambers. Before the 2004 elections, the breakdown was 21 Republican legislatures, 17 Democratic and 11 split. Implications of the party parity in state legislatures are not clear, but there could be more deadlocks and delays during legislative sessions and budget-making processes.

Term Limits

The issue of legislative term limits does not appear to be a major concern to legislators in most states in 2005. Term limits measures, begun in 1990 in three states, had been popular when a total of 21 states adopted them by 2000. Since then, the measure was thrown out by courts in six states and repealed in two states, leaving 15 with term limits in 2005. Only 12 state legislatures presently operate under term limits, and the measure in the remaining three will kick in between 2006 and 2010.

In an effort to assess the effect of term limits, the National Conference of State Legislatures, The Council of State Governments and State Legislative Leaders Forum have conducted a Joint Term Limits Project in the past three years. Jennifer Drage Bowser of the National Conference of State Legislatures reports some preliminary findings of the study project in her article, “The Effect of Legislative Term Limits.” She says:

It is clear that term limits have brought many changes to the legislatures where they are in effect. Term limited legislatures report more
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general chaos, a decline in civility, reduced influence of legislative leaders and committees, and in some states, a shift in power relationships. However, the bottom line is that legislatures are resilient and highly adaptive institutions and continue to function efficiently under term limits. Many of the problems experienced by term limited legislatures are the same problems faced by all legislatures; term limits simply tend to amplify and accelerate them. As term limits continue to tighten their hold, and as veteran members continue to cycle out, the term limited legislatures will continue to evolve. As they do, they will provide valuable ideas that all legislatures, term limited or not, can adopt to improve their institutions.

The joint study project is planning to publish two or three products in 2005 or 2006.

Redistricting

Partisan politics has been evident in recent redistricting practices for state legislative elections. Most, if not all, state legislators are elected from single-member election districts, and redistricting in every 10 years has been a great deal of interest to observers of state politics. Ronald E. Weber of the University of Wisconsin-Milwaukee says, “Whereas the redistricting round of the 1990s can be described as the round of racial and ethnic predominance, the 2000 round showed a growing emergence of partisanship as the predominant pattern of conflict.” The author elaborates the trend as follows:

The state legislatures were able to take into account race or ethnicity in drawing lines as had been the emphasis in the previous decade; however, since political partisanship of voters correlates highly with the racial and ethnic makeup of populations, the use of race and ethnicity was subordinated to the use of partisan criteria with the 2000 decade proving to be a round of either partisan gerrymandering or bi-partisan protection of incumbent state legislators. Finally, the partisanship surrounding state legislative districting processes of the current round has spurred a renewed interest in citizen initiatives to create less partisan reapportionment boards and commissions in states without them at the present time.

Good Legislatures

To be a good legislature, lawmakers must be responsive to their constituents, must have a balance between deliberative and political aspects during the legislative process and need to have effective leadership. In the past four decades or so, a number of national and regional organizations of state legislators, as well as academic and research groups, have conducted studies aimed at strengthen state legislatures. Some studies have dealt with institutional modernization while others addressed professionalism in legislatures. Of those, the 1971 report by the Citizen’s Conference on State Legislatures has been one of the most frequently cited studies of legislative bodies in the 50 states. In the report, CCSL evaluated each state based on five criteria: functionality, accountability, informedness, independence and representativeness (FAIIR). Each state was then ranked by scores in structural and operational factors.

In his article, “The ‘Good’ Legislature,” Alan Rosenthal of Rutgers University offers an alternative to traditional evaluation criteria used by CCSL and other similar studies. The author argues “appearance,” “structure” and “product” should not be used as standards by which to make judgments of legislatures. Instead, he argues, state legislatures should be assessed by “the performance of three principal functions: representing constituents and constituencies, lawmaking, and balancing the power of the executive.” To be a “good” legislature, Rosenthal argues, there must be three conditions: first, legislators must be responsive to their constituents; second, there must be a balance between the deliberative aspects of and political aspects of lawmaking; and, third, there must be effective legislative leadership in the legislature. Rosenthal says, “Among the many responsibilities of leadership are finding common ground, facilitating compromise, forging consensus, and enabling a legislative majority to find and work its will.” The author presents detailed information on the actual workings of legislatures in legislator-constituency relations, legislative processes and relationships between legislators and governors.

Governors

Elections, Powers, Staffing

In 2005, a majority of the states have governors elected for the first time either in 2002 or 2004. The 2004 gubernatorial elections and resignations continued the recent trend of changes in the governorships across the states. In addition to the 11 gubernatorial races, two governors resigned their positions
and left office before their terms were up. The results of the 2004 elections brought seven new governors into office, and they were split between the two parties, leaving the Republicans holding a 28 to 22 edge among the governors. Several governors are working in a “divided government” where the executive and legislative branches are controlled by opposing political parties. In general, governors’ powers have increased over the years, but not in all areas. For example, between 1960 and 2005, the overall institutional powers of the of the nation’s governors increased, according to Thad Beyle of the University of North Carolina at Chapel Hill. He found that the greatest increase among the individual gubernatorial powers was in their veto power as more governors gained an item veto. On the other hand, the gubernatorial budgetary power actually declined, and there has also been a drop in the gubernatorial party control in the state legislatures.

As gubernatorial responsibilities increased in the past decades, staff support also increased drastically. The growth of staffing at the state level has been very uneven, and staff functions vary from state to state. The staff size ranges from less than 10 (Nebraska and Wyoming) to more than 200 (Florida and Texas). Contributing factors to the staff growth include the increasing complexity of governmental responsibilities, administrative expediency as well as political patronage and public relations.

**Gubernatorial Succession**

Gubernatorial succession is likely to be a concern in some states, where succession provisions are not clearly provided, especially when dealing with emergency situations, such as a terrorist attacks. Several states have enacted new statutes since the 9/11 attacks. One example is found in Virginia where voters recently overwhelmingly supported a constitutional amendment adding an additional 14 potential successors to a line previously containing only three. Brian J. Gaines of the University of Illinois at Urbana-Champaign and Brian D. Roberts of Principia College, the authors of “Gubernatorial Incapacity and Succession Provisions” recommend: “As officials and scholars revisit the question of how to handle the unthinkable in many states, they would do well also to re-examine their rules for handling an isolated emergency.” The question of gubernatorial succession has been raised routinely. In 2003 and 2004, four gubernatorial successions occurred, three due to resignations and one due to death. A lieutenant governor in Nebraska became governor through succession when the previous governor was appointed a cabinet secretary in the federal government.

**Governors’ Policy Initiatives**

Would gubernatorial initiatives proposed in 2005 be adequate to solve current and emerging problems states are faced with? This is a question policy-makers should deal with when addressing long-term solutions. As in the past, governors have announced their policy initiatives in their annual state of the state addresses. Although empirical records show approximately half of such initiatives have not passed the legislatures in the past, it is useful for state policy-makers to take a careful look at them to be better informed of what’s going on in other states. Moreover, they can benefit from innovations implemented by other states when attempting to solve the same or similar problems in their own states.

Based on more than 40 state of the state addresses given in early 2005, Katherine Willoughby of Georgia State University summarizes her findings: “In 2005, most governors are promoting economic development through tax cuts and credits in order to be able to light up an ‘open for business’ sign in their state. Many governors are also calling for spending reductions and/or agency and program reorientations or reorganizations in order to reach budget balance.”

These gubernatorial initiatives may be highlighted in two broad areas: revenue enhancement and spending reduction. To increase revenues, for example, they have proposed both traditional and innovative methods such as: initiating tax amnesty programs; accelerating tax payments; joining a multi-state lottery consortium; diverting tobacco settlement proceeds to general fund; and suspending implementation of voter initiative to divert general funds elsewhere.

In order to reduce expenditures, governors have proposed methods such as: early retirement programs; terminating and/or amending state contracts; eliminating funding to non-essential appropriations; suspending transfers from the general fund; delaying scheduled payments to K–12 schools and payments to counties for property tax relief; requiring or increasing employee contributions to health care costs; and monthly agency spending targets.

Other policy areas governors also talked about in the state of the state addresses include: containment of prescription drugs; reducing the opportunities to develop and deal methamphetamines; changing funding relationships with local governments; advancing protection of natural resources, the environment, development of renewable en-
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energy resources, and water conservation; strengthening government ethics law; initiating elections reform; negotiating related to tribal gaming; advancing homeland security and public safety and legislating tort reform. Whether governors would be able to persuade legislatures to buy in these proposals this year is not easy to predict.

Courts

Judicial Elections and Dispute Resolutions

Judicial elections in 2005 may be characterized as heavy spending and active involvement by interest groups and trial lawyers if the recent judicial elections are indications. Preliminary figures for 2004 show candidates in 20 states spent more than $39 million on the supreme court contests in 44 states. When final tallies are out, this figure could approach the $45 million mark for 46 seats, the same amount spent in 2000. Political parties and other interest groups spent as much as $10 million, mainly in six states.

In his review of state courts in 2004, David Rottman of the National Center for State Courts uses the phrase “vanishing trial” to characterize the recent trend, caused by insufficient funding and the backlog of cases. He says: “Courts need to anticipate changing demand for their service. Some signs that fundamental changes are taking place in the demand for court services were much discussed during 2004. Attention focused on the implications of what became known as ‘the vanishing trial’ phenomenon, a sustained decline in the number of trials, both trials by jury and trials by judge, in the state courts.” He continues:

The state courts in 2004 continued to supply their basic service to the public: quietly deciding the nearly 100 million disputes that the public, businesses, and governments bought to them for resolution. During 2004, however, alarms sounded in many states where improving state finances did not translate into adequate funding for the courts, interrupting the services the courts provide. The courts in most states have been left to accommodate the steady rise in their workload without securing a commensurate growth in resources. The losers are the members of the public with disputes for which they cannot obtain resolution. Court reform continued along mainly familiar tracks, including the longstanding movement toward court systems that are more centralized, streamlined, and funded at the state rather than the local level. Still more imaginative ways were found to respond to the needs of the growing number of citizens that prefer to represent themselves in court.

Election Reform

By January 1, 2006, all states are scheduled to set up a voting system that meets requirements under the Help American Vote Act of 2002. Such requirements include notification to a voter if he/she overvotes, or selects more than one candidate for the same race, and gives him or her the opportunity to correct the ballot; production of a permanent paper record with a manual audit capacity; provision of levels of access, privacy and independence to disabled voters that are equal to those available to other voters; and provision of alternative language accessibility.

The 2004 elections are regarded as a “dramatic improvement” over the 2002 elections, as characterized by R. Doug Lewis of The Election Center, and states have been recognized with new initiatives to reform their election laws and practices. More than 11 million new voters participated due largely to increases in voter registration and active campaigns, and the increase in voters ranged 8 percent in Alaska to 27 percent in Florida. According to the National Association of Secretaries of State, many states are planning to focus on statewide voter registration databases, voting equipment, voter education and poll worker training, and the budgets the states included in their plans were largely based on the money allocated under HAVA in 2002.

Finance

State Budgets

Overall, state budgets in 2005 look much better than they did in the past four years. “States are recovering from the recent fiscal crisis,” says Donald L. Boyd of the Rockefeller Institute. Based on appropriations for fiscal 2005, Nick Samuels of the National Association of State Budget Officers reports state general fund spending will increase by 4.5 percent; only three states budgeted for less spending. Three states had spending growth of 10 percent or more in fiscal 2004 and appropriated budgets in eight states in fiscal 2005 do as well. As for revenues, 24 states increased taxes and fees for fiscal 2005, mostly from cigarette and other tobacco taxes. On the spend-
ing side, 15 states were forced to make cuts in their fiscal 2004 budgets, compared with 38 states in 2002 and 40 states in 2003 that had budget cuts.

Some experts on state finance, including William Fox and LeAnn Luna of the University of Tennessee, blame eroding tax bases for the recent state fiscal crises while others say these crises were in part “self-inflicted” by the states because they have failed to address structural deficits. In their article, “State Tax Collections: Eroding Tax Bases,” the authors say, “Legislators, with a view towards long-term fiscal stability, need to better understand the fundamental attributes of their revenue sources, why some of their tax bases continue to erode, and some options for stemming the erosion.”

Federal Aid Cuts

In 2005 and 2006, state policy-makers should anticipate significant cuts in federal aid. With on-budget deficits of more than $400 billion projected each year through the next five years, states should expect decreasing federal aid. Federal grants to state and local governments were $423 billion in fiscal year 2004, accounting for one quarter of the federal budget for domestic programs. Grants account for approximately 30 percent of all state government revenue. Mandatory federal grants, which amount to approximately one-third of federal grants, include Medicaid, Temporary Assistance to Needy Families, and child nutrition programs; and discretionary programs include Title I education grants for the disabled, special education grants, and various public housing and community development grants. According to Nick Samuels, if President Bush’s budget proposal passes Congress in 2005, discretionary grants would be cut by 9.2 percent in real per-capita terms, and grants for mandatory programs other than Medicaid would be cut by 5.8 percent. Combined, these cuts would be equivalent to about a 2.4 percent reduction in state government tax revenue.

Of all the federal aids to the states, Medicaid cuts are likely to have a greater impact on the states. Don Boyd estimates the impact of proposed Medicaid cuts as follows:

The President has proposed $45 billion in net federal Medicaid savings over the next 10 years, reflecting $60 billion of cuts and $15 billion in new initiatives. Most of the federal savings would result in higher costs to states, but some would result in state savings, for a net cost to states of $34 billion over 10 years. The largest changes that would provide savings to states include reductions in payments Medicaid will make to pharmacies and provisions that would make it harder for people seeking to enter nursing homes to shield assets from Medicaid. The largest changes that would shift costs from the federal government to states include limits on intergovernmental transfers, limits on administrative expenditures, and restrictions on case management expenditures. The President’s budget also proposed to increase outreach to and coverage of children, increasing federal and state expenditures. All told, Medicaid changes appear likely to increase state Medicaid expenditures by about 2–3 percent over 10 years.

Federal Tax Reform

Besides the proposed federal aid cuts, state policymakers also might have to worry about the effect of the proposed federal tax reform. In January 2005, President Bush established the President’s Advisory Panel on Federal Tax Reform to simplify tax laws, address equity issues and promote economic growth and job creation. There is a possibility that the federal government will enact a major overhaul of the federal tax system, adopting a retail sales tax, a consumption tax, or a value-added tax. Boyd says: “Whatever the merits of these changes for the federal tax system and the nation’s economy, all of these choices could create major—and largely undiscussed—problems for state and local government finances.” He offers his scenarios as follows:

“Depending on very important details, these proposals could (a) eliminate the deductibility of state and local income and property taxes, raising the effective cost of state and local services and having dramatically different impacts across states, (b) tread into the traditional state-local terrain of sales taxes, making it difficult for state and local governments to raise revenue from these taxes, (c) make it impractically expensive for states to have their own income taxes if federal tax changes are in place of the existing federal income tax, and/or (d) raise the costs to states of maintaining and improving infrastructure, if municipal bond interest is no longer tax-exempt.”

Other experts on state finance, including W. Bartley Hildreth, formerly of Wichita State University, also agree with Boyd’s analysis by saying, “state and local budgets face significant impacts from fundamental federal income tax reform, including new
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budget costs and the effective loss of revenue choices. It is hard to pin down the precise nature of these implications at this time. At the least, any discussion of federal tax reform legislation deserves the careful scrutiny by state and local officials because there are significant fiscal federalism implications.”

Retirement Systems

In addition to aforementioned structural deficits and federal aid cuts, state retirement systems also have emerged as one of the major financial issues for state policy-makers to address. State policy-makers need to monitor the performance of state and local government retirement funds so as to avoid the financial pitfalls. The recent recession and current demographic trends, including aging boomers, have had a serious impact on state systems. According to Sujit CanagaRetna, with the Southern Legislative Conference, there are several factors that have contributed to the financial pitfall in the retirement systems. These include “the precarious financial position of private sector pensions and the federal Pension Benefit Guaranty Corporation; the looming shortfalls expected in the Social Security and Medicare programs in coming decades; and the low personal savings rates of most Americans, coupled with the high rates of consumer and household debt.”

Over the past decade, according to Frank T. Baumgardner of the U.S. Census Bureau, the number of state administered public employee retirement systems has grown by 28 from the 190 in fiscal year 1993. Currently, there are 218 state retirement systems in the United States with a total 21.2 million active and inactive members. These systems usually extended state retirement benefits to new classes of employees, such as local law enforcement personnel, legislators, judges and local government employees. Local governments employ more than two-thirds of the active employees covered by state systems. In 2003, local government employees account for seven out of 10 active members. The state retirement systems command a total of $1.8 trillion in retirement assets, making them major players in the financial markets.

Management

Increasing revenues and decreasing expenditures, as recommended by governors and legislators, may not be possible unless agency directors and administrators improve the way they manage resources and improve information technology. For example, state treasurers, auditors and comptrollers would have to provide increased services with a renewed sense of accountability, innovation in technology and strategic partnership initiatives.

State personnel executives would have to have innovative workforce development plans; otherwise they are likely to face a workforce shortage in state governments. Some human resource management organizations call it a crisis. A joint study by the National Association of State Personnel Executives and The Council of State Governments in 2002 estimated that state governments could lose at least 30 percent of their employees in the next few years due to the growing rate of employee retirement, the composition of current workforce with less-trained workers and worsened state budget problems.

State chief information officers would have to increase service delivery and efficiency, both internally and externally, and they will focus on reorganization and consolidation strategies, interoperability and improve the public safety communications infrastructure at the local, state and national levels. In 2005, Congress is expected to rewrite the 1996 telecommunications act, which has been rendered increasingly meaningless by developments in communications technology in recent years.

Foresight and Innovations

The year 2005 may be known, for most states, as a year of fiscal and economic recovery, restructuring and cost-efficiency and multi-state collaboration to solve social and environmental problems. The year may also be seen as a period of coercive regulatory federalism with continuous preemption of state authorities and national standards and intervention. The most serious concern state policy-makers have, however, seems to be the proposed federal aid cuts and pending federal tax reform. Federal deficit-reduction efforts and additional tax cuts will inevitably affect state coffers negatively and put state policy-makers in difficult situations to find alternatives to decreasing intergovernmental transfers.

The external and internal forces summarized above are based on more than 30 articles in Chapter One through Chapter Seven of the 2005 edition of The Book of the States. This edition also contains articles on more than 20 other areas in state government, including administration, public policy and programs. Topics of these articles range from libraries, licensure, motor vehicles, parks to homeland security, public safety, education, health care, energy, economic development, science and technology, transportation, parole and probation, welfare and interna-
tional trade. Each of these articles highlight some of the most recent trends and issues state policy-makers and researchers on state government should be concerned about.

To face up with aforementioned forces and these trends, state policy-makers should keep at least two things in mind: foresight and innovations. They must first realize we are living in a rapidly changing era; what was adequate yesterday might not be sufficient tomorrow. Now more than ever, state leaders and managers need to track the major forces that have the potential to change state priorities and operations. Second, there are compelling reasons for state officials to be more innovative. They may need new and different ways of managing agencies and deliver services when they determine traditional and ongoing policies and programs are not working as well as they should. State decision-makers are expected to help each other across state borders by sharing their innovations. Moreover, the public expects to do more with less, especially during times of fiscal austerity like 2005 and 2006.

About the Author
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