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*Why presidential elections matter to states*  
By Stephen C. Fehr, Stateline.org Staff Writer

A handful of critical states probably will decide the race between Barack Obama and John McCain on Nov. 4, but what the next president does over the next four years will steer policies in all 50 states.

A president is many things: a world leader, commander in chief, head of the federal government. For those running states, he also sets a tone on virtually every issue that touches them, from education to immigration to health care.

Obama and McCain will be nominated for president of the United States in back-to-back party conventions that begin Monday (Aug. 25). The [Democrats](#) are up first, meeting in Denver to choose [Obama](#). A week later, the [Republicans](#) will nominate [McCain](#) in Minneapolis-St. Paul. Both conventions are in states that could be key to winning the election on Nov. 4.

Hundreds of state officials, including governors, legislators and other officeholders, will attend the four-day conventions. Many of them are scheduled to speak, including at the Democratic convention Govs. Deval Patrick of Massachusetts, Kathleen Sebelius of Kansas, Ed Rendell of Pennsylvania and Chet Culver of Iowa.

Obama of Illinois and McCain of Arizona will cap their respective parties' events with prime-time speeches to sketch their vision of the nation's future.

Nowhere will the president's leadership matter more to states this year than on the economy.

At least [29 states](#) are coping with budget shortfalls by reducing services, cutting jobs, dipping into reserves and in some cases raising taxes. The states' distress was triggered by a downturn in the national

economy caused by high gasoline prices, falling home values and a stubborn mortgage crisis.

"The subprime mortgage crisis has had a ripple effect throughout our national and state economies," Michigan Gov. Jennifer Granholm [said](#) at a recent National Governors Association meeting. "Citizens are now feeling the pinch in everything from home sales to classroom sizes."

State leaders like Granholm are hoping the next president can turn around the economy. But it could take awhile. Analysts say defaulting home mortgages and falling home prices could continue for more than a year, and the financial crisis is spreading to auto loans and credit cards.

If that happens, the states may be asking the next president for a significant infusion of money, such as a boost in the federal share of Medicaid, the health-insurance program for low-income or disabled adults and children.

**"We're heading into a tense, difficult time with the economy,"** said **Richard P. Nathan, director of the [Rockefeller Institute of Government](#)** at the State University of New York. "This isn't just a cyclical downturn. This is a structural, long-term change in the economy."

Soaring health-care costs are a big factor driving the change. Federal spending on [Medicare](#) and [Medicaid](#) is growing faster than the economy and other government programs at a time when the population is aging. About 28 percent of state funds come from Washington, D.C., the bulk of which is money for Medicaid. States don't share the costs of Medicare, the federal health plan for seniors.

If the next president and Congress choose not to pick up a larger share of Medicaid costs, states may have to slash benefits. California and New York of-

officials already have proposed such cuts to help balance their budgets.

“States can’t afford to do that (cut benefits) right now, especially at a time when they have their own budget problems,” said Iris Lav, deputy director of the [Center on Budget and Policy Priorities](#), a nonpartisan research group in Washington, D.C.

Raymond C. Scheppach, the longtime executive director of the [National Governors Association](#), said he is worried that the sour economy, on top of the high cost of the wars in Iraq and Afghanistan, may so drain federal coffers that the next president and Congress may take a “you-do-it, we-don’t-care” attitude towards the states by making them pay for federal programs.

That’s what happened with the Bush administration’s order to overhaul state-issued driver’s licenses to improve their security as a way to prevent terrorism. The program would cost the states more than \$4 billion, leading several to rebel and refuse to comply. They are waiting to hear what a new president would do with it.

The same is true of President Bush’s signature education reform program, [No Child Left Behind](#). States have complained that the president did not provide enough money to cover its costs.

“A president *does* make a difference to the states,” said Jack Jennings, president of the [Center on Education Policy](#), citing the No Child law. “The states were caught by surprise at the extent of federal regulation and the lack of federal money. And they’ve been dealing with that ever since.”

States also are looking for presidential leadership on immigration reform and climate change. Because Bush and the Congress have failed to update the national immigration system, state and local governments have come up with their own policies, with several using their limited state powers to restrict jobs and taxpayer-funded assistance for illegal immigrants. States also have been out in front on climate change, an issue that is international in scope.

The mortgage crisis may be another area for Obama or McCain to take charge. “Its size and scope is so massive that it cries out for a federal solution,” said Susan Urahn, managing director of the [Pew Center on the States](#), a nonprofit public-policy group that recently issued a [report](#) on foreclosures that discussed state efforts to tackle the problem.

([Stateline.org](#) on July 1 became part of the Pew Center on the States.)

Some issues awaiting the next president affect every state, such as rebuilding the nation’s roads, bridges, transit systems and other public facilities as the federal trust fund that pays for those repairs is running out of money. Other issues are less universal, but are important in the states they touch. Farm states will be paying close attention to the president’s view on the new farm bill. Who the president appoints as head of the Federal Emergency Management Agency and how they respond to disasters is important to hurricane-prone states such as Florida and Louisiana.

Presidential appointments are crucial because states constantly interact with federal agencies, particularly in the Byzantine world of regulations. Bush pleased many state officials when he named a former governor – Christine Todd Whitman of New Jersey – as his first administrator of the Environmental Protection Agency, a government office laden with regulations.

“States care a great deal about what kind of people will get appointed to these positions,” said [Roger Porter](#), who served as a top policy aide to three presidents and now is a professor at the Kennedy School of Government at Harvard.

[Howard Dean](#), former Vermont governor and now chairman of the Democratic National Committee, said Vermont had tried for six years to get a federal waiver that would allow the state to offer health insurance to children from low-income families. President Bill Clinton granted the waiver in 1998.

“It always matters a lot to states who the president is because it can determine how much service gets delivered,” Dean said.

Then there’s the bully pulpit. A president can take the states in a different direction on a problem he chooses to emphasize.

“The president plays a big role in setting a tone for the state-federal relationship,” said Jamie [Raskin](#), a constitutional law professor at American University in Washington and a Maryland state senator.

Ronald Reagan, a former California governor, came to Washington in 1981 with a clear agenda that included the devolution of social policy to the states. Among other things, he wanted to [reform](#) the na-

tion's welfare system by making sure those who received federal money were truly entitled to it.

Brian [Balogh](#), then a budget official in the Massachusetts government, said before Reagan was elected, the federal government cared only about distributing welfare money to those who said they needed it. Under Reagan, he said, the emphasis

changed to removing people from the rolls who were ineligible. What Reagan started was finished by Clinton, whose reform [plan](#) helped move thousands of people off welfare and into the workforce.

"It really did trickle down to the state level," said Balogh, now with the Miller Center of Public Affairs at the University of Virginia.