

GOVERNING

THE STATES AND LOCALITIES

In Trump's America, GOP States Proceed Cautiously Optimistic

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Mike Pence has been a good friend to Asa Hutchinson. The two Republicans both served in the U.S. House, so when Hutchinson was elected governor of Arkansas in 2014, he turned to Pence, then midway through his term as Indiana governor, to be a sounding board and guide. Now Pence is stepping into the vice president's office, and Hutchinson is hoping to use his old ally as a bridge connecting states to the new administration.

It's a desire that's widely shared. Given the upheaval that's coming to Washington, states are going to need a strong advocate there. The actions of Donald Trump and a GOP Congress, while anticipated with something like glee by Republicans around the country, will have enormous consequences for states. Governors like Hutchinson are hoping that their colleagues in Washington, as they work to undo years of Democratic legislation and executive actions, don't load more burdens onto states than the states can handle.

Republicans have a rare, indeed a historic, opportunity. With control in Washington and big majorities in state legislatures and governorships, the GOP dominates every major aspect of American government except for big-city mayoralities. *The Real Clear Politics* index of electoral performance, which looks at control of the White House, Congress, governors and state legislatures, shows that the GOP is stronger than it's been at any time since 1928.

Republican policymakers in the states say they are delighted about the change that's coming to Washington, as well they might be. The political branches of the federal government will be under full GOP control for the first time in a decade, and a conservative majority will soon be restored on the Supreme Court. Rather than having an adversarial relationship with Washington, GOP state officials expect to join a partnership working toward the shared goals of limiting government and promoting free markets. "There's just an excitement about the changing dynamics in the relationship with the federal government," Hutchinson says. "You think about the breadth of agenda items under President Trump, it's almost overwhelming."

Republican state officials won't be filing lawsuits all the time against the federal government, as happened under President Obama. They can be newly confident that the feds won't second-guess them on education, policing, gay rights or voting restrictions, or try to force-feed stricter environmental regulations, or push for a looser approach to immigration and refugee policy. "I'm most excited about congressional Republicans and President Trump devolving power to states," says Robin Vos, the GOP speaker of the Wisconsin Assembly. "Name the topic -- education policy, environmental regulations, a lot of things where Washington, D.C., has in my mind let bureaucrats overreach -- and now the 10th Amendment will have new life breathed into it."

But there's significant risk for states as well. The truth is that GOP state policymakers, as joyful as they sound about the new political arrangement, are approaching the new year in a cautious and even uncertain mood. While celebrating the party's electoral triumphs, they have no choice but to keep a close eye on the early burst of legislation coming out of a new regime as revolutionary as Trump's. They understand that the changes being contemplated in Washington, especially on taxes and domestic spending, could cause real fallout for them.

That's why Republican governors and legislators are hoping Pence and other former state officials in the administration and Congress won't forget their friends back home. "I really do believe the vice president will play an important role," says Scott Pattison, executive director of the National Governors Association (NGA). "He understands states. Governors will communicate -- sometimes it may not be public -- but they will communicate [to him] that certain proposals will create budget shortfalls in the states."

Even conservative governors such as Hutchinson know that there is considerable exposure for them in the sweep of events Trump will soon oversee in Washington. The most obvious area is the Affordable Care Act (ACA). After years of talking about repealing the law, Republicans in Washington now can actually do it. Popular parts of the law may be maintained, but no one can say with any certainty what a final "repeal and replace" package will look like. Nineteen states rejected the Medicaid expansion that was part of the ACA, but most -- including Arkansas -- accepted it in some form. Whatever their ideological opposition to the law, many Republican governors and state lawmakers at the time recognized that, simply from a cash-flow perspective, it was too much free money from Washington to pass up. Now that money may be going away.

The basic Medicaid program may be upended as well. Paul Ryan, the speaker of the U.S. House, has in previous years crafted budgets that would have converted Medicaid into a block grant program. Such a change would give states a lot more flexibility -- and Republicans including Hutchinson believe they can craft policies that will deliver better services at reduced cost. But they'd have to bring costs down a great deal. Previous estimates of Ryan's plan foresaw the federal government slashing its contribution to Medicaid by as much as a third. A reduction of that magnitude would force states to choose whether to devote a lot more of their own dollars to the program, or to collectively see millions of residents go without care. "There's a good likelihood that there can be a transfer to the states, more than there would have been under divided government," says Bill Pound, executive director of the National Conference of State Legislatures. "Congress will say you can keep those provisions, but you've got to pay for them."

Trump and the Republican Congress also appear certain to address the federal tax code. Again, Republicans are all for reductions and simplicity. But GOP state officials are going to be watching the federal tax debate with extreme interest, because it's almost certain to affect their own revenues. Abolishing the federal estate tax, increasing the earned-income tax credit and lowering corporate tax rates would all have direct impacts on states' own tax systems, which are generally coupled with the taxes that Washington imposes. States will come under enormous pressure to cut their own tax rates if new federal law reduces or eliminates the deductibility of state income and sales taxes. Ending deductibility may not happen, but it immediately became part of the discussion in Washington following the election. "A key target for Republicans since Reagan has been the state and local tax deductions," says Chris Edwards, director of tax policy studies at the libertarian-leaning Cato Institute.

Looking at the broader federal budget picture, there's a real possibility of fewer dollars being sent out to states across a whole range of program areas. Congress and the administration will want to cut taxes but bolster defense. Trump intends to pursue a big increase in infrastructure spending, while avoiding any reduction in Social Security or the military. That will focus most of the budget-cutting attention on the discretionary domestic spending that sends money flowing through states -- a long laundry list entailing everything from payments for special needs education and nutrition assistance for women and children to funds for public health and homelessness and on through to loans for higher education and water treatment. "The Ryan budget, in addition to having those drastic cuts in Medicaid, also had large cuts to nondefense discretionary programs," says Michael Leachman, director of state fiscal research at the Center on Budget and Policy Priorities. "We're already on track, under current law, to have them shrink to their smallest share of the economy on record, with data going back to the early 1960s."

Within states, Republicans will enjoy more of a free hand than they've had in living memory. In November, the GOP enjoyed a net gain of two governorships, bringing them to 33 -- the most the party has had since 1922. At the legislative level, there was actually less change than in the typical election year. But given the enormous gains registered by Republicans in 2014, the fact that they basically broke even with Democrats this time -- and picked up some key chambers -- means that the GOP now controls both legislative chambers in 32 states. Just counting the states where they hold both the governor's office and the legislature, Republicans have full control of half the states -- 25 -- compared with just five for the Democrats. You can drive from Florida cross-country to Idaho without passing through a state where Democrats have any real power left.

Even where Democrats won in November, their success was only partial. They regained control of the Nevada Legislature and took back the New Mexico House, where they'd suffered losses in 2014, but will have to contend with Republican governors in both those states. Democrat Roy Cooper managed to unseat Republican Gov. Pat McCrory in North Carolina, but the GOP held onto its supermajorities in both chambers there. Republican legislators in North Carolina showed no compunction about running roughshod over McCrory, a governor of their own party. They certainly won't play nice with a Democrat. In West Virginia, Democrat Jim Justice won the open race for governor, even as the state gave a 42-percentage-point margin to Trump. In West Virginia, however, a simple majority is enough for the GOP legislature to override any gubernatorial vetoes.

There are additional states where Republicans, long blocked by a Democratic governor or legislative chamber, will no longer face those obstacles. The GOP takeover of the Kentucky House -- the last Southern chamber that was still in Democratic hands -- will lead to changes in tort law and pensions and take Kentucky off the now-short list of states that don't allow charter schools. The Bluegrass State also appears certain to pass right-to-work legislation that will weaken unions by making membership and dues payments voluntary. Missouri will do the same thing. The election of Republican Eric Greitens to the governor's office means Missouri GOP legislators no longer have to worry about overriding a veto like the one that blocked a right-to-work bill last year. "Every single statewide candidate that won ran on the platform of supporting right-to-work," laments Pat White, president of the St. Louis Labor Council.

Iowa is already a right-to-work state, but the erasure of the Democratic majority in the state Senate will uncork all kinds of conservative legislation that had been bottled up in previous

sessions. On the labor front, there's the possibility that Iowa will follow neighboring Wisconsin in ending collective bargaining rights for public employees. A more conservative turn on taxes and social issues is also probable. "Eighty percent of all that came out of the Iowa House went over to the Senate to die," says Jenifer Bowen, executive director of Iowa Right to Life, an anti-abortion group. "It's a new day. There's a lot of pent-up work that has now been freed."

In states where the GOP has held majorities for some years, there's less of a to-do list. States including Arizona, North Carolina, Tennessee and Wisconsin have already enacted much of the conservative agenda on restricting abortion, labor unions and voting rights, as well as promoting school choice. Republicans are always in favor of cutting taxes, but most states will be fairly circumspect on that front this year, given that revenue collections are slowing. "States are in a very cautious mood, especially as they prepare for their next budgets," says the NGA's Pattison. "You might see some targeted tax cuts, but it's getting late in the recovery."

Even as Trump makes the immediate future unpredictable for states, he will empower many Republicans at the state level. It's not just the fact that they won't have to worry about fighting with the Justice Department or the Environmental Protection Agency. The very fact of his election changes the GOP's sense of what voters want and how aggressive the party can be in going after those goals. Dan Patrick, the lieutenant governor of Texas, said after the election that Trump's victory gives conservatives the green light to "move forward with boldness and confidence."

Patrick, who oversees the state Senate, was sometimes at odds during the last session with Joe Straus, the more moderate speaker of the Texas House. Their differences encapsulate the tension that exists in a number of states between more traditional Republicans and the rising generation of ardently conservative GOP legislators who chafe when told there are limits to how far and how fast they can push through changes.

Straus, along with most of his allies, survived primary challenges from the Republican right last year. Two days after the election, Straus renewed his call for civility and bipartisanship in the upcoming legislative session, telling an audience of Hispanic business leaders that "emotional, divisive issues" get a lot of attention but the legislative focus should remain on bread-and-butter issues such as education and public safety. "It would be nice to think that Speaker Straus and his team got the message from the election, but it appears that Speaker Straus is committed to continuing his governing style," says Michael Quinn Sullivan of Empower Texans, a militant conservative group and frequent Straus critic.

In Texas, as in some other states, the GOP establishment has in the recent past watered down or blocked some of the more divisive and controversial conservative initiatives. The party leadership would say that its hands were tied, that the Obama administration would block a bill's implementation, or that it might fail in the courts. Such arguments have lost their resonance. "The establishment has historically said that divisive rhetoric would cause Republicans to lose elections," says Mark Jones, a political scientist at Rice University. "Yet it's hard to imagine more divisive rhetoric than Trump used, and he won."

This could lead to some headaches not only for more moderate legislative leaders but also for governors, who tend to be more pragmatic in their approach than many GOP legislators. Last year, Republican governors in Georgia, Idaho, South Dakota and Tennessee all vetoed contentious legislation restricting gay rights or allowing the Bible to be used as part of public

school instruction. “It’s going to be harder for governors,” says Christopher Larimer, a political scientist at the University of Northern Iowa. “Before, you could let the legislature fight those things out and not have to weigh in. Now, if the extreme ends of the party want to pursue change, it’s going to end up on the governor’s desk.”

Whenever there is one-party control, there’s always the possibility of overreach. Politicians can mistake the mood of voters who were unhappy with the status quo as a mandate to make sweeping changes that end up being unpopular. Power in Washington tends to swing back and forth for just that reason. It’s not hard, even at this early stage, to imagine Democrats regaining a lot of lost ground in 2018. That sort of midterm correction has happened repeatedly over the past 60 years after elections that initially seemed likely to reshape the political map for many years to come.

But in light of their unexpectedly sweeping victories in 2016, Republicans aren’t spending much time worrying about overplaying their hand. They know they enjoy nearly unchecked power to set and implement policy for the nation and for most states. Any failings will be their own -- but triumphs will be all theirs as well. “This is not the time to be timid,” says Vos, the Wisconsin speaker. “When we run on principles like shrinking the size of government, empowering individuals and reducing the tax burden, all of those things have to happen. There’s nowhere else for Republicans to hide, other than to show that what we believe in works.”