In 29 states, a chance to test GOP way of governing in hard times

From Msnbc.com's Tom Curry
President Barack Obama and the Democratic-controlled Senate can foil the new Republican majority in the House, but for the next two years new GOP governors will have a chance to test a Republican way of governing in hard times.

Are there better ways to spur job creation, build infrastructure, manage health care, and balance budgets than Obama and the Democrats have shown? If so, Republican governors who will now be in charge in 29 states have a chance to put their ideology into practice and address budget problems in their state.

The rookie GOP governors get to confer with some of their battle-tested colleagues – such as Indiana's Mitch Daniels and Minnesota's Tim Pawlenty -- in San Diego Wednesday for a meeting of the Republican Governors Association.

The top executives in each state – especially those who have the benefit of state legislatures under their party's control – have the power to enact some money-saving reforms.

Governors can reform public employee pension systems, sell state-run liquor stores, and sell or lease state assets such as toll roads that could funnel money back into the state's coffers. They can smooth the way for companies to locate factories in their state by using tax incentives and promises that a competent workforce will be trained at state expense. And they can save money by reducing imprisonment of nonviolent criminals and releasing aging inmates.

But these new governors won't be able to wield the power to address every problem that voters want solved.

For example: they can't prevent illegal immigrants from moving into their state and driving up the cost of state services. The pending litigation over two Arizona laws – one to require employer verification of citizenship and another broadening police power to arrest suspected illegal immigrants -- will test whether a state can take action on its own to deter illegal immigration.

On health care, too, a governor's options are limited.

Governors have only a limited ability to make changes in the joint federal-state Medicaid health insurance program for lower income people.

Republican legislators in Texas and Arizona and the state Medicaid director in Alabama have floated the idea in the past year of their states opting out of Medicaid and running their own health insurance programs for the indigent. But the poorer a state is, the more it stands to lose in federal matching money if it exits Medicaid.

The health care law that Congress passed in March does have a waiver provision that allows states to experiment within the bounds of the new law, for example, in how they create risk pools and hand out subsidies to individuals to buy coverage.

But the law requires that a state's program be as comprehensive in its benefits and cover as many people as the federal plan would. So the new GOP governors will be boxed in by the existing law.

James Capretta, a former top budget official in the Bush administration for health care policy, argues that "states should have total control over the design and function of state exchanges." They won't under the law Congress passed in March.

Capretta also believes that states should be able to tweak eligibility requirements for Medicaid and move recipients between private and public health coverage – something that the federal law also would not allow.

Beyond health care, the governors' success ultimately depends as much on the health of the American economy as on their own competence.

But, aside from what voters say at the ballot box, the standard for what makes a successful governor can be tough to pin down. Assessments often reflect the ideology of the group making the judgment.

For example, the annual "Fiscal Policy Report Card on America's Governors" published by the free-market Cato Institute, gives high ratings to governors who keep state spending lean and who resist tax increases or cut taxes.

Four frugal, tax-averse governors got "A" ratings from Cato: Pawlenty, Democrat Joe Manchin of West Virginia (just sworn in as the new senator from that state) and Republicans Mark Sanford of South Carolina and Bobby Jindal of Louisiana.

On the other hand, Cato dismisses North Carolina's Democratic governor Beverly Perdue with a "D" and assails her for signing tax increases into law and for offering narrow tax "incentives" to spark job growth rather than broad-based tax cuts.

But corporate executives seem to disagree with Cato's assessment. In Site Selection magazine's annual "Business Climate rankings," published this month, North Carolina finished first among the 50 states. The magazine credited Perdue for creating the state's business-friendly climate.

Sometimes there is a moment of bipartisan accord on what makes a good governor: Democratic governor-elect John Hickenlooper of Colorado said in a debate during the campaign, “I think one of the most successful governors lately has been Mitch Daniels in Indiana.”

The Indiana governor, who is viewed as a potential 2012 Republican presidential candidate, has had some success in helping bring new business to his state and used cash reserves last year to close a budget shortfall.

Daniels, who is term limited and leaves office in 2013, also wants to do something that would seem politically risky if he were running for re-election: cut unemployment benefits. The state will increase unemployment insurance premiums paid by employers next year.

“We can't continue with some of the lowest premiums and the highest benefits in America," Daniels said, in remarks reported by the Indianapolis Star.

Daniels is pointing to one version of the tradeoff that all governors – and Congress and the president too – are going to be facing: how to balance benefits promised with the ability to pay for them.

Msnbc.com's Carrie Dann contributed.