State policymakers once again are facing challenges in financing core programs as they deal with federal funding cuts. The most pressing questions facing policymakers this legislative session most likely will center on revenues needed to fund the basic role of government.

The Council of State Governments has released its annual listing of the top 5 issues legislators will face this session in education, energy and the environment, fiscal, health, interstate compacts and transportation.

“While many states are beginning to see the light at the end of the tunnel, economic growth continues to be anemic and uneven, as state revenues are just getting back to pre-recession levels,” said Jennifer Burnett, program manager for fiscal and economic development policy. “Instability and intransigence at the federal level is trickling down to states, stifling economic growth and creating fiscal uncertainty, which could derail the delicate recovery.”

While Congress was able to reach a last-minute budget deal in December, the cuts that came through sequestration will still impact states.

“Federal spending cuts from sequestration will sting a little less thanks to the last-minute budget deal, but the effects of recent cuts, coupled with the watered-down sequestration cuts, will still leave states struggling to fill the gaps—particularly in education,” said Burnett.

Funding is just one area of state concern with regard to education, according to Pam Goins, CSG’s director of education policy. She said many states—even those that adopted the Common Core State Standards Initiative—are beginning to question the standards, state assessment systems and teacher evaluation models. Twenty of the 45 states that adopted common core may reopen discussion on them, she said.

“When legislatures open their doors in January, policymakers will be asked to focus their attention on transformational policies that will ensure all students are provided a rich educational environment that prepares them for their future whether that is in college, in a career or simply starting along their path in life,” Goins said.

In addition to education, health policy is usually a big topic for state legislators. This year is no different. Debra Miller, CSG’s director of health policy, said $1 in every $6 in the U.S. economy is spent on health care, and a significant portion of that is spending by states for Medicaid, public
employees and public retires.

“State governments must continue to look for smart policy levers to curb spending but at the same time improve health,” Miller said. She expects Arkansas, Connecticut, Maine, Massachusetts, Minnesota, Oregon, Tennessee and Vermont will be states to watch in 2014.

On top of that, the implementation of the Affordable Care Act, and the question of Medicaid expansion, will continue to be a topic of discussion at the state level. Half the states expanded Medicaid and will get full federal funding for the program for the first three years. Other states chose to proceed more slowly, Miller said, “acting on the old adage that there is no such thing as a free lunch.”

As for the health insurance marketplaces, Miller expects more issues to arise as people who signed up for coverage begin to use it.

“Phones in the offices of governors and legislators will ring. Communication and cooperation between the public and private sectors will be critical,” Miller said.

Sean Slone, CSG’s program manager for transportation policy, expects 2014 to be another critical year for transportation as the federal funding program known as MAP-21 expires in the fall and the Highway Trust Fund heads toward insolvency in 2015.

“Will the cycle of uncertainty about the future of the federal program we've been in for the past few years continue or will Congress be able to come up with a sustainable solution to help meet the nation’s growing transportation needs?” Slone said. “While states are concerned about what’s going to happen in Washington, they certainly haven’t been waiting around. A number of them produced significant transportation revenue packages in 2013 and early indicators show that trend could certainly continue in 2014.”

New energy and environmental regulations will have major implications for states in 2014. The Environmental Protection Agency is expected to issue a rule in June that will require state implementation plans for regulating greenhouse gas emissions from existing power plants under the Clean Air Act, according to Brydon Ross, director of energy and environmental policy at CSG.

“This will be a huge undertaking by state air agencies and several major factors are currently unknown in the forthcoming compliance guidance that will be issued by EPA,” he said.

As always, states will continue to work together to solve problems and interstate compacts are one mechanism they can use to do so.

"With more than 215 active interstate compacts, the instrument allows for states to cooperatively resolve complex policy challenges short of a federal solution,” said Crady deGolian, director of CSG’s National Center for Interstate Compacts.
Top Five Issues in 2014: Energy and Environmental Policy

Top Five Issues in 2014: Fiscal and Economic Policy

Top Five Issues in 2014: Health

Top Five Issues in 2014: Interstate Compacts

Top Five Issues in 2014: Transportation

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