Over the years, The Council of State Governments (CSG), in service to its state constituents, has found value in taking snapshots to record the states in their stages of evolution. Like the photographer taking the group picture, we carefully take a few steps back from our subjects and select the proper lighting and lens settings to show the individual character as well as the collection of "faces."

That is not an unusual activity for an organization charged with strengthening state government, improving state decision-making and preserving the role of the states in the federal system. In fact, this reference work, *The Book of the States*, produced biennially since 1935, is a prime example of one of those records. And this assessment of the "state of the states," originally produced as a message from the states to the 41st president of the United States, is another.1

However, that ordinary activity became extraordinary in 1988, because the "state of the states" that year was to form the backdrop for a series of intergovernmental and federal policy-making events set in motion on November 8 — the presidential election, the change in administration, the winding down of the decade of the 80s.

As such, in late 1988, we took those few steps back to snap our photo of the states. We shed the proper illumination on the subjects — highlighting the experiences of the states' leaders — and adjusted the lens to focus on the major issues, problems and opportunities facing the states and their policy-makers.

To understand the issues facing the states adequately, however, we had to begin with a look back over the recent past and the evolving role of state government.

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*The evolving state of the states during the 1980s*

While scholars spent the greater part of the decade assessing the nature and impact of the New Federalism prescribed by Ronald Reagan in 1981, the states were facing the immediate realities of shifting responsibilities and depleted federal funding sources.

The result was not what many had predicted. Instead of less being done by the states, the reverse became true. By emphasizing the tangible — education, housing, pollution control, jobs and economic development — state leaders were able to sell constituents on a governmental role that sometimes included tax increases. The states were propelled into a mode of self-sufficiency, experimentation and innovation.

Analysts on the state and national level found that these "laboratories of democracy" were demonstrating creativity, resilience and a pragmatic approach to governing. In their essay, "Innovators in State Government," (pp. 382-404 of this volume) Keon Chi and Dennis Grady offer a profile of the sorts of individuals who originated or adapted many of the ideas that moved the states to the forefront of innovation.

Soon, however, some of those same analysts discovered that luck may have been playing as much of a role in the states' survival during the years of lean federal support as their pride and natural resilience. Many states and localities found themselves with healthier revenues than they had originally

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anticipated, after the inflation of the 1970s
drove up real estate prices and the economic
growth of the mid-1980s bolstered tax coffers.
According to the National Association of
State Budget Officers, between 1982 and 1988
states increased their general fund spending
by 51 percent, to $236 billion. During the
same period, state aid to local governments
increased to $143 billion, up 62 percent from
the 1982 level of $88.1 billion.2

By the end of the 1980s, though, the fiscal
trend appeared to be heading in another
direction. While most states reported they
were in relatively good financial shape as they
closed the books on the 1988-89 fiscal year,
several had fallen victim to revenue miscalcu-
lations resulting from the federal Tax Reform
Act of 1986, the stock market crash of Oc-
tober 1987, sluggish local economies, unex-
pected expenses and other unforeseen factors.
Most weathered the combined effects of
these events, but with the growth of state ex-
penditures and the steadily dropping year-end
general fund balances, there was continuing
concern among state officials that similar
shortfalls were in the offing. In fact, a study
by the National Conference of State Legisla-
tures reported that in 1990 over half of the
states would be facing serious budget prob-
lems, as the slower growth rate for the nation-
al economy produced lower-than-expected
revenue collections.3

Now, analysts argue, the states face a dire
predicament. While they have been success-
ful in experimenting with innovative social
programs, they are finding it difficult to count
on the steady and predictable revenues neces-
sary to sustain them long-term. And the states
are bracing for the prospect of less federal
money with more federal constraints.

These developments have been coupled
with concerns about the implications of re-
cent U.S. Supreme Court decisions that raised
the issue of federal taxation of state and lo-
cal bonds, and even more fundamentally, the
protection of the states within the framework
of the U.S. Constitution.4

What the states had to say

The primary intent of the review of the
"state of the states;" however, was not to ex-
ploration the nature of the relationship between
the states and the federal government. It was,
instead, an attempt to identify, and provide
insight into, some of the biggest challenges
confronting the states as they headed into the
1990s and the issue areas about which state
officials were expressing the greatest concern.

To develop more than a "textbook" perspec-
tive on the "state of the states," CSG staff
tapped into several information sources: na-
tional surveys of the public and state officials;
governors' inaugural, budget and state of the
state addresses; reviews of priority issues un-
der study by state legislatures; and a variety
of studies and analyses on the states.

The overall message was mixed. It was one
of innovation, pride and satisfaction. But it
was coupled with the understanding that
more had to be done to tackle problem areas
in the states, and that the "more" had to be
weighed against the reality of limited fiscal
resources.

Particularly noteworthy was that the pub-
ic seemed to be relatively pleased with the
performance of their states and their state
leaders. In the fall of 1988 and 1989, for ex-
ample, national opinion surveys on the pub-
lic's perceptions of state government institu-
tions and policy issues revealed a general satis-
faction with the way governors and state leg-
islatures were doing their jobs.5

In 1988, about 72 percent of those surveyed
said their governors were doing a "good" or
an "excellent" job, and 64 percent thought the
same of their state legislatures. This is com-
pared to the 52 percent who approved of the
performance of the members of the U.S. Con-
gress. By 1989, the numbers had dropped
slightly for the governors and legislatures, but
remained more favorable than the rating giv-
en Congress.

Further, most of the respondents felt a lit-
tle better about their personal finances and
the economic conditions of their states than
they did about the condition of the national
economy. In 1988, about 61 percent of those
surveyed described their states' economies as
"good" or "excellent," while 45 percent felt the
same about national economy. One year later,
the public was slightly more pessimistic about future economic conditions, but continued to express more positive feelings about the states’ economies than that of the nation.

On the other hand, as the decade ended, the review of state efforts in various policy and program areas was mixed, perhaps more indicative of the public’s rising expectations and the changing and expanding role of the states.

While the majority surveyed gave relatively high marks to state efforts in areas such as environmental cleanup, senior citizens’ programs and programs to combat illiteracy, they expressed somewhat less approval of efforts in child day care services and child abuse prevention and treatment.

When asked to create hypothetical budgets for their states and chart programs for which they would increase or decrease funding, the respondents were even more revealing. Apart from calling for an increase in education funding, citizens polled did not focus on increases in “traditional” state service areas such as highways and transportation, corrections and prisons or state parks and tourism. Instead, they targeted funding increases for programs related to child day care, drug abuse prevention, illiteracy, senior citizen programs, infant health care, environmental protection and low-income housing.

As the 1980s closed, the public seemed to have developed a positive picture of the states and to be more willing to turn to state government to alleviate problems that the federal government was neglecting. But how did state leaders view the state of the states?

"... True to the ideal of federalism, the states in recent years have become genuine centers of creativity, innovation and experimentation in beginning to address the unmet needs of the American people. Assist that creativity by cooperation and shared efforts..."

— Respondent to 1988 CSG governing board survey

The perceptions of state officials — the major issues, the biggest challenges

To gain more insight into their views, in the fall of 1988 CSG surveyed a cross-section of senior state officials who are members of its governing board. No one could have predicted the amount of pride in achievement they would express. Although the above quoted response was from a New York state official, it could have come from any state. The survey captured a genuine cross-country, “let-us-show-you-what-we-can-do” spirit.

The officials who responded identified the following as top issues on their states’ agendas:

- **Education** — and the elements of reform, restructuring and funding — received the most votes as the priority area of concern across the states.
- **Economic development** — and the concern over long-term growth, employment, infrastructure and rural development.
- **Environment** — including the management of water resources, waste and the protection of natural resources.
- **Human services** — including child day care and welfare reform, and the shortage of affordable housing for low- and middle-income families.
- **Health care** — including AIDS and the costs and availability of quality health care for all segments of the population.
- **Crime and corrections** — from prison overcrowding and construction to drug-related violence and crimes.

While many of the officials expressed genuine satisfaction in seeing their states successfully design, construct and implement programs to address at least some of these concerns, they acknowledged the fiscal challenges that remained. They shared a common concern over state revenues — shortages, instability, new sources, restructuring and tax reform — the impact of the federal deficit, and the prospect of more federal mandates with less money and more strings.

In this essay, we review just some of the problems and challenges the states faced as they approached the end of the decade, as well as some of the actions they had already taken in seven areas: education, employment, environment/natural resources, human services, health care, crime and corrections and infrastructure. Through the essays and tables con-
tained in this book, however, the reader will develop an even better understanding of the states and the nature of state government.

The state of the states — education

An economy threatened by foreign competition and increasingly reliant on complex technologies requires a higher level of education than ever before, and the states have recognized that an educated population is linked to economic success. But they also have recognized that an uneducated population results in higher welfare and social service costs and increases the possibility of criminal behavior.

In 1983, the National Commission on Excellence in Education released *A Nation at Risk*, the catalyst for a nationwide education reform movement. As education reform became a national priority, states heeded the call by providing leadership and commitment. Reams of reports were written, education task forces were formed, and hundreds of programs were enacted across the states, all aimed at fixing up the schools. But the states did more than talk. They also made a financial commitment.

By the end of the decade, however, states began assessing the impact of their reforms. Gains had been made, but the outlook remained bleak, with as many as one million students dropping out of high school every year, and rates in some inner city schools approaching 50 percent. Just as alarming, though, was the evidence that as many as one-quarter of the graduating students were functionally illiterate and ill-equipped for the workforce.

*Students at risk*

In fact, many school systems had benefitted and continue to benefit from the reform movement. But there has been growing concern throughout the states that students at the greatest risk of failure — low-income inner city and minority children — may have been bypassed by the reform movement.

The rapidly-changing demographic composition of public schools is partly to blame. Within the school population, there has been a dramatic increase in the number of children from single-parent, low-income and minority homes. And critics have argued that the first wave of reforms may have placed disadvantaged children at an even greater risk of failure.

While the primary focus of the reform movement was on raising minimum standards of student performance, the states soon learned that measures like more stringent graduation requirements and increased testing could not help students already failing in school.

As a result, many states began to take preventive measures by focusing on early childhood education and pushing to expand efforts at the pre-school level. In Arkansas, the *Home Instruction Program for Preschool Youngsters* (HIPPY) was initiated to serve the dual purpose of involving parents in their children’s education and providing assistance to at-risk youth before they reach the first grade. Paraprofessionals work with the mothers of four- and five-year-olds in their homes and teach the moms how to use educational materials. Nearly three-quarters of the states have implemented programs targeted at disadvantaged youth, from infants to third-graders.

But the states continued to provide assistance to disadvantaged students to prevent them from dropping out of school. Everything from remedial programs in basic skills to alternative settings for students who have already dropped out were being developed across the states. In Texas, a program called *Y.O.U.* was opened to eighth- and ninth-grade students at risk of dropping out of school. Public colleges and universities offer intensive eight-week courses in basic skills which are supplemented by electives and summer jobs.

And the states, in the best position to orchestrate interagency cooperation for providing services to disadvantaged students, began coordinating the services of public and private agencies and forming partnerships with the business community to provide comprehensive assistance to these students.

*Management*

States also had to begin restructuring the
management and organization of their schools, shifting authority for day-to-day operations away from states and school districts to individual schools. Administrators and teachers increasingly were given the flexibility to make decisions on staffing, curricula, budget priorities and the structure of the school day. Shared-governance was being used to create a more professional environment for teachers and to improve morale.

The state of Washington, for example, initiated a six-year pilot project designed to “remove the shackles of bureaucracy” and promote professionalism. Schools for the 21st Century provides funds to schools that have programs designed to enhance the teaching and learning environment, and waives certain laws and regulations in the hope that creativity and innovation will improve overall student performance.

Accountability

In exchange for increased autonomy, however, school districts and individual schools were being asked to accept a greater degree of accountability. And old measures of success in schools — like student/teacher ratios, classroom size and the number of books in the library — were gradually replaced by measures like test scores, student attendance and graduation rates.

But while local school districts and individual schools began to assume greater autonomy, the states still maintained an active role in a variety of ways — by setting clear policy goals and standards for educational achievement, establishing performance criteria coupled with a viable assessment and evaluation program, making provisions for teacher certification and school accreditation, and offering technical assistance to help schools meet goals.

Perhaps most important were the states’ efforts to relate sanction and rewards to performance. In the 1988-89 school year, for example, Indiana, with its A+ Program, began implementing a performance-based accreditation system, with cash bonuses available to schools that improve test scores and attendance rates.

Parental involvement and choice

According to many educators, one of the most critical factors in determining a child’s success in school is parental involvement. However, the changing nature of the American family, including the increase in single-parent and two-career families, prevents many parents from participating. Many states have taken some first steps toward facilitating parental involvement and promoting participation.

In Kentucky, the Parenthood and Child Education Program allows parents, who do not have a high school diploma or its equivalent, to get instruction in basic academic skills, while their preschoolers work with child care specialists on developmental skills. And Michigan’s Hispanic Students Dropout Prevention Project provides weekly parent training sessions to help parents understand the system and to involve them in the schooling process. As a result, parents also are continuing their education. In South Carolina, School Improvement Councils, consisting of parents, students, teachers and community representatives, work to improve schools.

Minnesota introduced a plan to give parents a choice about where they will send their children to school. And with surveys indicating that parents who have participated in the Choose-a-School Plan are more satisfied with their children’s education, several other states also began considering open enrollment legislation.

As the 1980s came to a close, the states looked back over the education reform movement for signs of success and they found some. But they also recognized that their financial commitment would have to be matched by new and creative efforts to meet their biggest challenge, educating and training a workforce for the changing economy.

The state of the states — employment

Despite the economic recovery of recent years, many national opinion surveys still indicate that employment remains the number one issue with most Americans. The reality of idle factories, dislocated workers and dis-
tressed communities are frequent reminders to most Americans of the economic changes taking place across the United States. With the ever-burgeoning federal deficit and the anticipation of another recession by many government officials, Americans understand that prospects for high unemployment, at least in certain areas, remain.

By the end of the 1980s, states were in the vanguard in developing comprehensive economic development strategies to compete in the world economy, strategies that ranged from offering tax and financial incentives to attract and maintain industries to developing research centers to attract high tech industries.

Increasingly, however, the heart of the employment problem for states was not merely business attraction and job expansion. Rather, it was to develop a workforce capable of meeting the changing economic reality.

Most new jobs are in the service, information-oriented industries. Technological developments in automation, information and microprocessors require a workforce academically capable of mastering information technology. Further, the movement of women into the workforce has changed the nature and structure of social and family life. And the recent influx of Asian and Latin American immigrants is affecting the economy and the states' provision of services.

Many states recognized these problems early on and began developing innovative ways to combat them. For example, California adopted an Employment Training Panel to train and retrain dislocated workers and potential dislocated workers. With programming funded by unemployment insurance taxes and a one percent tax levied on designated employers, the panel contracts with employers and schools to conduct training. A program evaluation reported that trainee wages increased 55 percent after training, and unemployment decreased by 63 percent over a one-year period before and after the training.

As early as 1984, Delaware passed the Blue Collar Jobs Act to focus on dislocated workers and youth through school-to-work transition programs. The programs are funded through a one percent tax on the first $8500 of wages per employee, which is paid by the employer. A quarter of the money goes to the state economic development office for industrial recruitment and expansion and the remainder goes to the state's labor department and Private Industry Council to administer the program.

Several states have experimented with entrepreneurial and self-help programs as an employment strategy. Illinois, through its Department of Commerce and Community Affairs, has developed a number of programs to assist small businesses with start-up capital, technical assistance, employee training and government contract procurement. The state also has teamed up with its communities to provide a range of training to potential entrepreneurs. Other states that have experimented with self-help programs include Hawaii, Iowa, Michigan, Minnesota, Mississippi, New Jersey and New York.

The employment outlook

States have been taking the initiative to adjust to technological and demographic changes in the workforce, but employment trends suggest they will have to become even more flexible and adaptable. While the population in Third World countries is increasing, the population in the United States and other industrialized countries is diminishing. Workforces in these underdeveloped countries will be providing an abundance of cheap labor for large, labor-intensive firms, increasing the likelihood of these industries moving out of the U.S.

However, as analysts also have pointed out, the majority of jobs are created by small, existing companies, a factor that is forcing states to rethink their job creation strategies to promote the development of these small businesses. Many states have created business incubator programs as a method of spurring job creation and entrepreneurship. As of May 1987, the number of business incubators was 220; the number at the turn of the 1990s was expected to reach 500.

Pennsylvania's Small Business Incubator Program, for example, has been encouraging new business creation and existing business
expansion in its communities since 1984. The state provides low-cost rental space, services and technical assistance to new businesses, and once the business becomes operational, it provides technical and financial assistance for business growth.

A neighboring state, Ohio, can lay claim to its *Thomas Edison Program*, which links a venture capital division, six business incubators and eight advanced technology institutes with all of the state's research universities and most of its major industry. The program is designed to allow the state's established firms to gain access to the latest manufacturing, computer and biological technologies, while providing inventors and entrepreneurs with capital and technical assistance.

Another employment trend, however, indicates that minorities, including new immigrants from Asia and Latin America — many of whom have very little education — will make up a large portion of the future workforce. Many young blacks and Hispanics already have drifted into what is being referred to as the "underclass," long-term unemployed individuals who are becoming a sizable population in many urban centers. Many states have found that these individuals not only need to be reeducated to face the realities of the marketplace, but also to find work immediately so they can become productive members of the economy.

Finally, with women entering the workforce at an ever-increasing rate, the nature of economic opportunities available and the types of goods and services state governments will be expected to provide are going to change drastically. States have become involved in family issues, such as parental leave and child day care, to ensure that they will be in step with the changing economic marketplace.

**The state of the states — human services**

By the late 1980s, a series of family-related issues — child day care, child support, child and spouse abuse, disintegrating families and adoption needs — moved into the national spotlight. Several governors even designated 1988 the "year of the family." But whether it was the result of a growing social consciousness or a practical sense of the economic realities of the changing workforce, that first issue — child care services — succeeded in grabbing the attention of the American public and officials across the states.

*The public investment in child day care*

The growing number and influence of working mothers heightened social awareness about the availability, affordability and quality of child day care. However, it also gave rise to the powerful family-focused political constituency that pushed the issue of child care support high onto the national and state legislative agendas by 1988.

The facts speak for themselves. Since the 1950s, the number of working women with preschool children has more than quadrupled. Now, approximately 66 percent of mothers aged 18 to 44 work, including an estimated 50 percent of those with children less than one year old. As a result, child care has become much more than a "family issue." It has been transformed into an economic and workforce issue. In his essay, "Labor Legislation: 1988-89," (pp. 446-453 of this volume), Richard Nelson counts child care among the non-traditional labor areas that have received considerable attention in recent years.

For families needing more than one income to maintain a middle-class standard of living, the struggle is to find affordable, quality child day care that will not drain off the benefits of that second paycheck. For low-income families, the availability of affordable child care is often the critical first step toward self-sufficiency. For employers, the new reality is that they will be forced to compete more intensely for a smaller number of new and qualified workers coming into the labor force in the next decade. And demographers have warned that two-thirds of that shrinking number of new job-market entrants will be women, most of them of child-bearing age.

That hard reality has forced policy debates to focus on where family responsibilities end and governmental responsibilities begin. By 1988, the push was on for child care policy at the national level — one that would articulate...
an overall public commitment to the welfare of children and assist in the states’ efforts to respond to the child care service crisis.

At the end of the decade, however, in response to a lack of federal legislation addressing child care issues, 48 states already had enacted nearly 350 laws to try to meet the needs of two-earner and single-parent families. As employers, many states led the way in child care assistance and benefits, providing state employees with more accessible, affordable and quality child care. Connecticut, Washington and Wisconsin put new or additional funds into child care centers for public employees.

Following an example set by Illinois, the states of New Jersey, Oregon and Washington incorporated an income reduction plan for child care expenses as a benefit for state employees. States like California and Wisconsin began requiring that new and remodeled state buildings include child care space.

A number of states also enacted measures to create school-age child care programs, and to support pilot child care projects, start up subsidies for child care facilities, and various incentives for corporate support of day care.

Parental leave

As states began constructing programs to deal with the child care issue, they also had to grapple with a related dilemma — mandating fair leave policies for one or both parents of today’s two career families, without interfering with businesses’ rights to set company leave policies and ensure efficiency. In the late 1980s, parental leave for the birth, adoption or serious illness of a child continued to be a subject of active interest.

Despite some variance in the duration of leave allowed, states like Connecticut, Minnesota, Oregon, Rhode Island and Tennessee, began requiring employers to grant unpaid leave for a specified period of time and to guarantee returning employees reinstatement to their old job or to a similar one.

Perhaps the most sweeping “leave” legislation, however, was enacted by Wisconsin in 1988. Unlike other previously-adopted provisions, that state’s legislation was unique in requiring mandatory time off for both men and women in cases of births, adoptions and family illnesses involving children, spouses or parents.

Welfare reform

That same year, Wisconsin also embarked on a continuing redesign of its welfare system — one with tough, mandatory standards for child support payments and automatic wage withholding, along with work and training programs for welfare recipients and extended medical- and day-care benefits to ease the transition from welfare to work.

Other states, like Arkansas, where “job clubs” offer job hunting skills, and Maryland, where recipients get basic training in literacy and other skills, and California, Massachusetts and Maine, emerged at the forefront of reform efforts. In Georgia, a new state policy encouraging AFDC adult recipients to go to work — one that revised the formula used in calculating the grant amount — took effect at the beginning of 1988. Iowa implemented a comprehensive program — PROMISE, Promoting Independence and Self-Sufficiency Through Employment — offering training, job searches, transitional child care and medical benefits, and a cash bonus for certain long-term welfare clients who hold full-time jobs.

The success of those reforms will be measured in years to come. But as the 1980s closed, states had to face and begin resolving another “people” problem.

Homelessness in the states

Homelessness has been recognized as an increasing problem in almost every state, one exacerbated by adverse economic conditions, long-term underemployment and unemployment, critical shortages of low-income and affordable housing, a reduction in federal expenditures for social service programs and the deinstitutionalization and non-institutionalization of the mentally ill. The result is that America’s homeless population is increasing annually by an estimated 20 percent, with the fastest growing segment of that population
being homeless families with children.

While homeless advocates have pressed for national housing legislation, conservative critics have warned that resurrecting failed “Great Society” programs of the 1960s and 1970s will only worsen the problem. The responsibility for addressing the homeless problem now is resting squarely with state and local governments. In his essay, “Homelessness in the States,” (pp. 511-519 of this volume) Lee Walker discusses the states’ response to the problem.

By the end of the 1980s, many states had already begun taking legislative action to address the homelessness problem. They started working with non-profit community-based groups, local governments, businesses and the private sector to increase support for emergency shelters, provide support services such as child care and job training, and set up task forces or councils to coordinate assistance to the homeless.

The states also had begun providing health care and other treatment to homeless individuals with special needs; encouraging new financing mechanisms to allow qualified buyers to purchase homes; setting up demonstration programs to encourage the construction, rehabilitation or adaptation of buildings into long-term housing for the homeless; and performing comprehensive studies of homelessness in their state.

However, without additional funds and flexibility from federal programs, additional sources of state and local revenue, and more across-the-board communication and interaction, homelessness is likely to remain a serious fiscal, economic and social liability for the states well into the 1990s.

The state of the states — health care

A spectrum of complicated, sometimes confusing, and more often than not, frustrating health concerns faced the states in the late 1980s: AIDS, long term care for the elderly and disabled, delivery of health care services to the indigent, the impending shortage of nursing services, the growing numbers of uninsured and underinsured and the rising costs of medical care.

Americans were expected to spend more than $450 billion on health care in 1988 alone, about 12 percent of the gross national product. Several factors had combined to influence the increase in health care costs across the states, making the search for adequate solutions even more problematic: the aging population; medical malpractice; the increase in the occurrence of mental health problems, including drug and alcohol abuse; the spiraling cost of medical technology and services; the overbuilding of hospitals; the excess consumption of health services; and changes in utilization patterns. The list continues to grow.

Despite significant initiatives to deal with the range of health-related issues, state officials recognize that much remains to be done. They have become caught in the struggle to provide their citizens with access to adequate and affordable health care services — a struggle complicated by the spread of a disease that, just a few years ago, no one wanted to talk about.

AIDS

As the growing number of cases reflected, Acquired Immunodeficiency Syndrome, better known as AIDS, became the nation’s most serious public health concern in the late 1980s. And it is one that is not expected to go away quickly or easily. The U.S. Public Health Service predicts that 80 percent of the AIDS cases diagnosed in the early 1990s would be outside of the current high incidence areas.

Combating its spread, dealing with the costs of health care and treatment, and protecting individual and societal rights are broad concerns associated with the disease. In response, the states have considered hundreds of bills addressing both the social and personal aspects of AIDS and its causative agents. As a result of sharing information across the states, policy-makers have proposed and adopted more comprehensive and innovative ways of dealing with this complex health and social problem.

Through legislation and regulations, the states have addressed antibody testing, blood and blood products, confidentiality, education, employment, housing, informed con-
sent, insurance, marriage, prison populations and the reporting of confirmed cases.

States like Indiana, Georgia, Washington and Wisconsin enacted omnibus AIDS legislation combining many of the above aspects, and most states have dealt with the separate aspects of the problem. But in all states, confirmed cases of AIDS constitute a reportable condition, either by statute or administrative regulation.

By the end of the 1980s, more than half the states had developed measures to instruct and educate the public in the hope of prevention. At least 12 states had enacted legislation mandating AIDS instruction in their public schools. Another 14 had adopted policies through their state boards of education or a combination of board and legislative approval. In Indiana, a statewide public AIDS education and prevention program operated by the state board of health ensures the widespread distribution of timely and useful information, in conjunction with other AIDS-related services and activities.

But the states' programs have not come cheaply. California, which developed some of the most sweeping statutes protecting the confidentiality and civil rights of suspected or actual carriers of the virus, was expected to spend over $63 million on AIDS alone. Even in one of the smaller states, Rhode Island, the governor called for $2.5 million in additional funding for expanded programs in education, treatment and service delivery. But AIDS was just one variable in the health care cost equation states were facing at the end of the 1980s.

Cost containment

States have had to initiate and implement a variety of methods to contain health care costs. Massachusetts, for example, attempted to control hospital costs by setting a revenue ceiling for each hospital. Nevada, on the other hand, required hospitals to itemize and make publicly available charges for services, equipment, supplies and medicines in terms that a patient can understand, and to prepare a summary of charges for services common to patients who are admitted to their facilities.

Other states were trying to put the reins on health care costs through a variety of methods, including:
- Prospective reimbursement, a method establishing the prices hospitals may charge before services are provided, and providing incentives the retrospective fee-for-service system lacks.
- Certificate of need, a method used by many states to control hospital capacity.
- Utilization control, which limits physicians' options by giving financial rewards or by imposing penalties.
- Encouraging competitiveness, by publicizing information on health care providers.
- Self-funding employee health insurance plans, under which employees choosing more costly coverage pay the extra costs.
- Alternative health care, including health maintenance organizations, primary care case management, outpatient care, hospices, homemaker services and adult day care services.

But the success or failure of the states' efforts thus far is not easily measured, as the numbers of consumers of more, longer-term, and consequently, more expensive care continue to increase.

Long-Term Care

America's growing and aging population is requiring more nursing home stays, home health care services and a range of other support activities. In recent years, the elderly population has grown, but the share of total health care dollars spent on the elderly has grown disproportionately. By the end of the 1980s, nearly a third of the annual health care expenditures was going toward treatment of the elderly, who represent about 12 percent of the total population.

But the matter of long-term care extends beyond the age factor. Of those Americans requiring some form of long-term care, about two-thirds are over the age of 65. By the year 2000, however, about 40 percent of those requiring such care are expected to be disabled children and younger adults.

Although they play a joint role in funding and administering federal programs, the states have taken the lead in the search for so-
utions to the long-term care crisis. Over the past few years, almost 80 percent of the states have instituted state-only, long-term care programs to serve the elderly — programs ranging from adult day care and pharmaceutical assistance to adult foster care, congregate housing and homemaker services.

In 1988 alone, states enacted more than 50 laws dealing with programs and services for the elderly, many addressing the needs of long-term care recipients. Several enacted legislation designed to improve the management of their long-term care service delivery systems, while others established new programs or initiated demonstration projects to test alternative services.

A handful of states began exploring ways to use private insurance to attack a spinoff problem of long-term care — the “spend down” problem that occurs when Medicaid eligibility requires a long-term care patient and his or her spouse to exhaust most of their own resources before they can receive public assistance. For millions across the states, however, any sort of health insurance would be a welcome relief.

**Health care for the uninsured and underinsured**

According to the U.S. Bureau of the Census, at least 37 million Americans have no health insurance. While the chances of being uninsured are greater for the unemployed, the working poor, minorities and children, more than half of the uninsured are full-time workers. To respond to the health care needs of the uninsured and underinsured, states had to begin searching for more comprehensive solutions through mandates, universal coverage or extension of existing programs.

Many states established task forces and enacted legislation to improve access to care for the medically indigent population. They set up insurance and hospital revenue pools, and began pursuing other initiatives to encourage the development of more affordable health benefit plans for uninsured populations. Several states, for example, considered or had already implemented programs to assist at least some segments of the uninsured/underinsured population, and in some cases, entice employers to provide health insurance for their employees.

By the late 1980s, about half of the states had expanded Medicaid eligibility to include more pregnant women and children. At least 15 had created health insurance pools for high-risk individuals who cannot obtain insurance in the private market. Some states began to provide subsidies and other tax incentives to encourage small businesses to provide health insurance. Others increased taxes and established set-asides and trusts to cover specific groups of the underinsured.

By 1988, however, only two states, Massachusetts and Hawaii, had mandated or guaranteed insurance coverage. Hawaii’s program, requiring employers to provide workers with health insurance, has been in effect since the mid-1970s. In 1988, however, the Massachusetts legislature approved a universal health care bill designed to provide basic health insurance for every resident of the state by 1992. By 1989, however, severe budget and financing problems were threatening the Health Care Security Act. For many other states as well, resources simply are not adequate to address the needs of the uninsured population, particularly in poor and economically depressed areas with the most severe health care and service delivery problems.

**Shortage of Nursing Services**

Discussions of health care service delivery problems typically turn to the shortage of doctors in rural areas or the closing of community hospitals. At the end of the 1980s, however, many states were forced to face and resolve one of the overlooked aspects of service delivery, the impending shortage of nurses.

Like so many other health issues, several factors were at work, making resolution more difficult: internal problems within the nursing profession, early burnout and high turnover rates for practicing nurses and declining enrollment in nursing schools across the states.

Maryland took on one of the most comprehensive responses when its Task Force to Study the Crisis in Nursing released a report early in 1988. The task force advised the state...
to take immediate steps to avert a potential crisis in health care delivery, and created subcommittees to develop recommendations regarding the state's regulatory environment, nursing education and financing. Other states, including Hawaii, Nebraska, New Jersey, New Mexico, Pennsylvania, South Dakota, Tennessee, Virginia, Washington and Wisconsin, also established study commissions or authorized studies on the magnitude of the problem and its impact on health care.

Several states explored the use of financial incentives to interest individuals in nursing as a profession. Delaware established an incentive program for full-time students in programs leading to licensure as a registered or practical nurse. For each year of continuous employment as a nurse following graduation, one year of the loan's principal and interest amount is forgiven. Indiana expanded its educational assistance program to include students in certificate and associate degree programs. Washington state established a scholarship program for students who agree to spend up to five years practicing in a designated nurse shortage area of the state.

As the range of health problems has expanded, the states' role in developing programs for their treatment and prevention has escalated. The expectations of the American public have done likewise. In the 1988 CSG/UK national opinion survey referred to earlier in this essay, respondents made a strong statement as to where they would slot the money if given the opportunity to construct their state's budget. While 81 percent of the respondents said they would slot increases for improvements in education programs, a little over 72 percent of them said they would increase spending on drug abuse prevention programs.

But substance abuse — apart from its health-related effects — has an unfortunate criminal dimension that states were being forced to deal with as the decade ended.

The state of the states' — crime and corrections

Surveys in recent years have shown that while drug use among high school students and the general population has dropped somewhat, the use of illegal drugs remains one of the biggest problems facing the nation.

It is an issue — one like many others facing the states — that has both personal and social implications. It is the drug link to criminal activity, however, that has created severe enforcement problems for the states, forced them to acknowledge their limited resources, and come up with new approaches to beat the illicit drug industry. With the 1988 reauthorization of the federal grant-in-aid programs provided by the anti-drug abuse act, the states, overall, were expected to receive more funding for drug education, treatment and rehabilitation. But federal grants to the states for drug law enforcement were to be substantially reduced.

In recent years, states like Arizona, Illinois, Kansas, Maine, Minnesota, Nevada and Utah, have enacted legislation requiring dealers of illegal drugs to purchase tax stamps or otherwise pay taxes on their possessions — just one effort to provide a legal weapon against drug dealers.

Other states enacted legislation or considered bills allowing local police and state law enforcement officers to eavesdrop on suspected drug dealers. Still others, like Wisconsin, enacted legislation allowing second degree murder charges to be filed against individuals who supply illegal drugs that result in another person's death.

During 1988, plans also were underway to take the individual states' efforts one step further by establishing regional approaches to combating drug- and crime-related problems. A subcommittee established by the Mid-Atlantic Governors' Drug and Alcohol Abuse Conference was busy drafting a compact calling for, among other things, a declaration of illicit drug use and trafficking as the top law enforcement priority to help ensure sufficient funds, the development of consistent bail and sentencing guidelines to eliminate havens for drug offenders and the creation of model drug education programs.

New Jersey took another tack in fighting drug trafficking, one that quickly captured the attention of other states and localities. In
1987, the state enacted legislation creating drug-free zones around public and private schools across the state, and imposing a minimum of three years in prison for offenders caught in the zones. Since its implementation in June 1987, over 4,000 alleged dealers or users have been arrested on or near school grounds, according to the state attorney general’s office.

But while the states and their citizens were ready to take harsh action against the illicit drug industry, by imposing larger fines and prison sentences, they also had to face the reality that those convicted might not have anyplace to be incarcerated.

Prison overcrowding

By the end of the 1980s, the inmate population across the states had rapidly increased, and a majority of the states’ correctional facilities had already exceeded their capacity. In more than 30 states, correctional facilities were under court order to alleviate overcrowding. And the costs associated with incarceration forced many states to look at alternatives for their inmate populations.

To deal with the overcrowding problem, the states have had to take on a variety of measures, including new construction, renovation of existing facilities, use of local jails, pretrial diversion, probation, intensive supervision, house arrest, work release and early release. A few states even have used private firms to build, manage and operate state correctional facilities. In their essay, “Corrections in the 90s,” (pp. 483-492 of this volume), Timothy Matthews and Kimberly Roberts discuss the variety of policies states have considered or adopted to alleviate the problem.

In 1988, however, building additional prisons remained at the top of the corrections’ agenda in several states. Over the preceding five years, California had opened 11 new correctional facilities and added about 17,000 beds to its state correctional system. In lieu of considering other alternatives to incarceration, however, the governor proposed a substantial new bond issue to build more prisons. Similarly, Connecticut planned to add some 2,500 new prison beds to the state's corrections system.

At least 37 states had enacted determinate sentencing and/or mandatory sentencing laws to remove discretionary powers from parole boards and judges. Several states, including Connecticut, Minnesota, and Wisconsin, were using sentencing guidelines with encouraging results. But in 1988, at least one state, Florida, decided to scrap its five-year-old sentencing guidelines and return to a system of case-by-case sentencing with releases determined by a parole and probation commission.

But many states found that in order to make any long-term headway into the prison overcrowding problem, they would have to move away from more traditional measures and turn their attention toward the root causes of criminal behavior. Several states, including Illinois, Maryland, Ohio and Virginia, adopted programs designed to decrease inmate illiteracy, increase skills, and perhaps, decrease recidivism.

The state of the states — environment

Over the years, the states have had to tackle a variety of threats to their environment, from abandoned hazardous waste dumps to toxic air emissions. And, for the most part, the public thought their states were doing a reasonable job in cleaning up the environment, at least in the way of improving air and water quality. About 63 percent of the respondents in the 1988 CSG/UK national opinion survey said their states were doing a “good” or “excellent” job in the area. In their essay, “Four State Environmental Protection Initiatives for the 1990s,” (pp. 501-507 of this volume) R. Steven Brown and John Johnson offer examples of states’ leadership in environmental management.

In the late 1980s, however, while long-standing environmental protection issues remained, another set of problems moved onto the priority list and captured the attention of the states and their citizens — infectious waste washing up onto beaches, trucks hauling waste that no jurisdiction wanted to claim, drought conditions and gloomy predictions of water shortages in the long-term.
Water resources

In what has come to be known as the “drought of 1988,” no region was left unaffected. Over 80 percent of the states suffered from abnormal weather conditions and below-normal precipitation levels. Water supplies for irrigated crops were too low, and forest fires raged in several north central and western states, making 1988 the fourth consecutive year of severe forest fire damage.

It was not the first drought period the states had experienced during the 1980s, but it was the drought that heightened awareness and concern for water planning and water resource management. Many states facing the prospect of depleted supplies began turning their attention toward actively developing water resource management plans, programs and legislation.

Some states, like California, Florida, Texas and Arizona, had long been dealing with water resource problems and planning. Other states, including Ohio, Kansas, Oregon and Montana, had to begin formulating long-term water plans.

Unable to control the amount of yearly rainfall, the states have to figure out new and better ways of managing their water resources over the long-run. But they have found themselves in a better position to control other threats to their existing water supplies, their land and their residents — threats in the form of wastes, not only those that can be classified as hazardous, but also infectious and solid.

Infectious waste

With the growing concern over AIDS, and its transmission via blood, blood products or other bodily fluids, infectious waste generated by hospitals and medical laboratories picked up more attention from the media and government authorities in the late 1980s. In the absence of federal statutory guidance, the states had to take the lead in creating or revamping regulatory programs in the area.

According to a CSG survey conducted early in 1988, 11 states already had new or amended infectious wastes statutes or had promulgated regulations since the U.S. Environmental Protection Agency published its 1986 Guidance. In addition to those states, 25 had initiated processes changing their requirements for infectious waste handling, transportation and disposal. States began to zero in on the problem by removing “infectious wastes” from their existing hazardous waste programs and — because of the nature of the problem — creating either a special wastes category or including these wastes under their non-hazardous waste regulations.

Infectious waste — washing up onto coastlines or spilling onto the ground from split bags — succeeded in grabbing the states’ attention largely because of its extraordinary and immediate link to the AIDS crisis. But a more ordinary form of waste — solid waste — began to threaten the states simply by its sheer volume.

Solid waste

Landfills all over America are reaching their capacity, and it is estimated that by 1995 about half of them will be closed. Although many of the existing ones are leaking and contaminating groundwater, their long-term alternatives — recycling and waste-to-energy plants — still have not been widely accepted across the states. In some areas of the country, the immediate solution in the late 1980s involved shipping trash to far-off locales.

That “solution,” however, appeared to be just as unpopular. In the 1988 CSG/UK national opinion survey, a little over 82 percent of the respondents said their states should prohibit the “importing” of out-of-state wastes. But to protect their own resources, some states like Kentucky had to require existing solid waste landfills, which accept waste from outside the state, to demonstrate that their design protects groundwater.

By the end of the decade, states faced a variety of obstacles in siting new landfills, despite their improved efficiency and design. As a result, they had to begin taking different approaches. For example, Oregon legislation allows the state to preempt local opposition to a landfill site, and Wisconsin negotiates with localities to site new landfills.
STATE OF THE STATES

However, a few states, including New Jersey, Connecticut, Oregon and Rhode Island, enacted mandatory recycling laws to deal with the disposal problem. In Rhode Island, residents of communities that rely on the state for waste disposal have to separate newspapers and aluminum, glass and metal from their garbage for curbside pickup. New Jersey's Source Separation and Recycling Act — designed with the goal of reducing the amount of waste in the state by 25 percent — requires every state resident to separate materials like newspapers and glass from their household trash.

Waste-to-energy, another alternative that picked up some support from state and local officials, also raised concerns over environmental and health hazards associated with the incinerators' smoke emissions and ash residue. And with limited resources and too many existing facilities that needed “fixing up,” some states found that alternative too expensive to warrant serious consideration.

The state of the states — infrastructure

The nation's infrastructure is eroding — a simple statement of a not-so-simple problem that has forced the states to reassess, reprioritize and begin rebuilding America's capital facilities.

One Federal Highway Administration annual bridge report to the U.S. Congress identified 575,607 bridges of which 243,646 or 42 percent were either structurally deficient or functionally obsolete. In 1988, a report by the National Council on Public Improvement warned that most of the nation's mass transit and hazardous waste treatment facilities were dangerously near collapse.

But the concern goes beyond the public's safety and health. Most scholars and practitioners agree that the economic future of the nation is linked to the quality of its capital facilities. The U.S. Department of Commerce has estimated that industrial infrastructure needs will increase by 30 percent in the 1990s. And more and more businesses have begun asking states to make substantial improvements in their infrastructure before they will locate in particular areas. Many economic development analysts suggest that future business recruitment in the states will hinge, at least in part, on their strategies to improve the infrastructure.

But the escalating concern about the impact of the nation's infrastructure crisis on public welfare and economic development has not been matched by government investment in the nation's infrastructure needs. According to Federal Highway Administration projections, $51.4 billion is needed to replace or restore deficient bridges. However, in 1986, for example, only $2.8 billion was spent on bridge repair and federal bridge funding. While state officials pleaded for more funds to repair or replace deficient bridges, bridge funding was reduced by $150 million as a result of the Gramm-Rudman-Hollings Act. State wastewater facilities and sewage disposal programs had similar cuts under the Clean Water Act. With declining federal funding as the decade ended, states had to shoulder more of the responsibility for infrastructure development.

Meeting the challenge

States have tried to meet this challenge in a variety of ways. In many such as Alabama, Colorado, Illinois, Tennessee and Vermont, the governors placed infrastructure development near the top of their agendas.

A number of states addressed the problem by developing comprehensive mechanisms to finance infrastructure development. For example, after experiencing federal reductions in public works moneys in the early 1980s, Washington state took steps toward rebuilding its infrastructure. In 1981, voters approved bond authorities that raised $150 million for the construction of wastewater treatment plants. In 1983, the state legislature raised the state motor fuel tax by two cents per gallon and earmarked the revenue for roads, bridges and highways. At the same time, state officials undertook a study to assess the needs of, and the resources available for public works.

That study led to the establishment in 1985 of the Public Works Trust Fund, which was designed to assist local municipal financing of public works projects. In both 1986 and
1987, a total of $34.6 million in loans made possible $80 million worth of public works construction. In 1988, $36 million in loans was expected to create over $74 million dollars in public works projects.

The Virginia Resource Authority issued $100 million in bonds in 1986 to create a three-year pooled loan program to finance municipally-owned and -operated water and sewage projects. By the late 1980s, 15 projects totaling $60 million had been funded, and applications for the remaining $40 million exceed $90 million.

Illinois made substantial investments in infrastructure under its “Build Illinois” program. Initiated in 1985, this five-year program was aimed at providing new or supplementary funds to improve the state’s infrastructure, in the hope of attracting new business or expanding existing business. More than $57 million of the $2.8 billion allocated to the program went into infrastructure improvements, specifically water and sewer programs. Moreover, $372 million was allocated to rebuild the highway system to promote business formation and development. A five-year, $3.6 billion highway construction plan went into effect July 1, 1988.

Many of the eastern states began making substantial improvements in water and sewage facilities. Pennsylvania, for example, approved a $2.5 billion, 25-year grant and loan program to modernize and expand water and sewer facilities. In April 1988, voters approved a $300 million bond issue to supplement the program.

In July 1988, Vermont began a four-year, $52 million project to clean up Lake Champlain. This state-local project was designed to separate sanitary and storm sewers, and upgrade three treatment plants to prevent untreated sewage from going into the lake.

States have been taking the initiative to close the gap between their public infrastructure needs and their ability to pay for those needs. A variety of factors — the changing nature of fiscal federalism; the impact of the new federal tax laws on bond issuance; “pork barrel” politics involved in congressional authorization and distribution of public works projects; and the structural and cyclical changes in the economy — has forced states to strategically plan and prioritize infrastructure developments.

By the end of the 1980s, state policy-makers began to more fully recognize that a high-tech, information-oriented economy calls for different types of infrastructure needs than the manufacturing industry. Similarly, they found that they would need to tailor infrastructure bond financing toward those communities most in need of attracting businesses. The states were becoming responsible not only for setting the fiscal and administrative limits, but also the direction of the effort.

A final look at the state of the states — the challenges and the hopes

In this essay, we reviewed some of the issues and problems facing the states as the 1980s were coming to a close.

But what did state officials think their greatest challenges would be over the next few years? The CSG survey of state leaders identified several, including:

- Building a stronger economic base;
- Financing major reforms;
- Maintaining the quality of life;
- Assuring an adequate supply of clean water;
- Redeveloping rural areas;
- Satisfying a pent-up demand for services;
- Preparing for the 21st century with restricted resources to meet the citizens’ needs in education, economic development, health care and environmental protection.

Despite their concerns, however, those state policy-makers expressed pride and optimism in their ability to find creative solutions to often-perplexing problems — as long as they have sufficient resources and latitude to deal with those challenges.

Notes


5. National public opinion surveys sponsored by The Council of State Governments and the University of Kentucky's Martin School of Public Administration. In 1988, telephone interviews of 1,000 adults randomly selected from across the U.S. were conducted between Oct. 26 and Nov. 20. In 1989, 1,037 adults were interviewed between Sept. 29 and Oct. 25. Margins of error are + 3 percentage points. Throughout this essay, the polls will be referred to as the CSG/UK national survey.

6. This body is composed of the governor and two legislators from each state, as well as other state officials from the legislative, executive and judicial branches who serve on the Council's Executive Committee. The survey was designed to gather information about the ways their states remedied problems, what they thought their states' greatest challenges would be over the next few years and what they wanted to say to the newly-elected president about the "state of the states."