

## What does this "Sputnik moment" mean for states and localities?

Posted At : January 26, 2011 3:13 PM | Posted By : Chris Dixon

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When it comes to divining the impact on state and local governments, most state of the union addresses require a lot of reading between the lines. Last night's [address](#) was no different. Given the split partisan control of Congress, it is hard to tell what, if anything, will come from this year's address. Yet, we can still make some educated guesses.

**"We'll invest in biomedical research, information technology, and especially clean energy technology--an investment that will strengthen our security, protect our planet, and create countless new jobs for our people."**

These investments, which Obama mentions exclusively in the past tense--will likely be in the form of competitive grants for which public universities, private universities, non-profits, and companies will be eligible to compete.

**"Maintaining our leadership in research and technology is crucial to America's success. But if we want to win the future--if we want innovation to produce jobs in America and not overseas--then we also have to win the race to educate our kids...And Race to the Top should be the approach we follow this year as we replace No Child Left Behind with a law that's more flexible and focused on what's best for our kids."**

Sounds like a pretty significant revamping of federal education policy, which will affect state and local governments. RttT was a competitive grant program, but if it replaces NCLB, then it will affect how all the federal formula assistance is doled out to states to pass through to local education agencies and school districts. If it includes "partnerships" between states and unions, as did the competitive grants, then it could also change the relationship states have now with unions. With most of the governorships and legislatures in GOP hands, more charter schools--maybe even vouchers--will be a definite precondition for any support of RttT. That could get interesting!

**"And this year, I ask Congress to go further, and make permanent our tuition tax credit--worth \$10,000 for four years of college. It's the right thing to do."**

Sounds impressive but \$10K for 4 years of college isn't much help. Public universities and community colleges have seen their state funding slashed, so they will use this to raise tuition, cancelling out any net benefit in terms of institutional spending. He talked also of revitalizing community colleges to help with job retraining but didn't mention any specifics.

**"Now, I strongly believe that we should take on, once and for all, the issue of illegal immigration. And I am prepared to work with Republicans and Democrats to protect our borders, enforce our laws and address the millions of undocumented workers who are now living in the shadows."**

Many of the newly-elected Republican gubernatorial candidates [talked about this issue](#). If something significant actually passes Congress (doubtful) related to illegal immigration, then there may be money for states, especially in the training programs that allow them to enforce immigration law. Obama is not the first President to want to deal with this issue "once and for all," and he will not be the last.

**"The third step in winning the future is rebuilding America. To attract new businesses to our shores, we need the fastest, most reliable ways to move people, goods, and information--from high-speed rail to high-speed Internet...We'll put more Americans to work repairing crumbling roads and bridges. We'll make sure this is fully paid for, attract private investment, and pick projects based [on] what's best for the economy, not politicians."**

Sounds like Stimulus II or maybe "Son of Stimulus." Could the administration articulate any program that would garner significant GOP support? My Magic 8 Ball says, "Ask again later." You can expect a lot of governors to test his mention of "private investment" with more requests to convert busy sections of interstates into toll roads. So, far House Republicans have not weighed in on how they'd like to see broadband funding move forward, if at all. At a minimum, I expect them to push against any further funding for municipal broadband projects.

**"This means further reducing health care costs, including programs like Medicare and Medicaid, which**

**are the single biggest contributor to our long-term deficit. The health insurance law we passed last year will slow these rising costs, which is part of the reason that nonpartisan economists have said that repealing the health care law would add a quarter of a trillion dollars to our deficit. Still, I'm willing to look at other ideas to bring down costs, including one that Republicans suggested last year--medical malpractice reform to rein in frivolous lawsuits."**

Are more cuts to Medicaid coming? If so, you can expect **more attention to MMIS** and **anti-waste, fraud, and abuse efforts**, but many governors are reaching the point where they will simply slash eligibility and tell the fed to worry about it. We'll be watching to see if reforms to health care reform boost the prospects for **state health information exchanges** and **state health insurance exchanges**.

**"We live and do business in the Information Age, but the last major reorganization of the government happened in the age of black-and-white TV. There are 12 different agencies that deal with exports. There are at least five different agencies that deal with housing policy. Then there's my favorite example: The Interior Department is in charge of salmon while they're in fresh water, but the Commerce Department handles them when they're in saltwater. I hear it gets even more complicated once they're smoked."**

Another page from the governors' playbooks--when you're in trouble, reorganize! At minimum, it can take several years just to get the reorg done. Nor do the savings accrue instantly. You have to work out the kinks. If you're seeing bankable ROI after five to seven years, you're doing well. The potential downstream impact on state and local IT systems that support federal programs could be a nightmare. Politicians never think of these implications until it's too late. As a state CIO once told me, "They think it's all people, furniture, and office space."

**"If a bill comes to my desk with earmarks inside, I will veto it. I will veto it."**

Earmarks are a key component of funding for **Justice and Public Safety initiatives**. But, despite the President's forcefulness, they are not going anywhere. Larry Sabato, director of the Center for Politics at the University of Virginia, said it best: "The earmark is dead. Long live letters from senior legislators to federal agencies endorsing key projects."

As always, we'll be following the latest developments in each of these concerns right here on this blog.