

3 Events That Shaped Modern Federalism

Over a generation, there's been a sea change in the way cities, states and the feds deal with each other.

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Federalism will never be a subject of intense interest to most Americans, even if many of them are willing to pay \$2,000 a ticket to watch a Broadway musical with a song on federal-state finances. Lin-Manuel Miranda worked that miracle in *Hamilton*; it's unlikely anybody will duplicate his feat in the foreseeable future, or perhaps ever.

But federalism -- the division of responsibility among national, state and local governments -- remains central to the entire project of American democracy. And over the last 30 years, the years in which *Governing* has been covering the story, our federal system has changed in crucial ways. In the last generation, we've evolved from a federalism that was largely about state and local governments asking for money from Washington to one focused on allocating power between the center and the provinces. Alexander Hamilton himself would have recognized many of the recent frictions. But some of the new tensions are ones that would have been hard to imagine in 1987, let alone 1787.

Consider three events in the past two decades that have brought a new form of federalism into being.

The first is the terrorist attacks of 2001. The 9/11 assault did more than cast a dark shadow over the country's sense of security. It established a new reality: Big national crises increasingly begin as local events, and the early stages of response depend on the capacity of local governments to act effectively. Homeland security suddenly became a major issue, depending on a new, complex security alliance across the levels of government.

In the aftermath of 9/11, New York City created its own counterterrorism bureau, which quickly became one of the world's very best, built on close operating relationships with the FBI. That, in turn, became the model for all the nation's largest cities and most state governments. In the Cold War, the federal government drove national security.

The age of terror turned that on its head, with local governments on the front lines. Their capacity to respond to terrorists and to natural disasters defines this new security alliance. If local governments stumble, as happened after Hurricane Katrina in 2005, the implications are huge -- and national. President George W. Bush never recovered from the widespread belief that the nation had failed the residents of New Orleans. That's one of the big lessons for the Trump administration in the wake of hurricanes Harvey and Irma.

Second was the 2009 American Recovery and Reinvestment Act, the federal stimulus that pumped more than \$830 billion into the economy. Many Americans have forgotten just how desperate the economic crisis of 2008 was -- and how close we came to an even broader global meltdown. Eager to shore up the economy, administration officials concluded that the only way to avoid an even deeper and longer disaster was with a massive transfusion of federal cash, especially for shovel-ready state and local projects.

But Obama administration officials also knew that spending so much cash so fast escalated the risk of massive fraud and waste. So they created a map-based system to track where the money went, with any American citizen free to type in any address and find out, down to the block level, which projects were working where.

The system solved a host of problems. It instantly helped citizens and reporters answer the question, "How does this program help me and my neighborhood?" Because state and local officials knew that anyone could track their work, they had a huge motivation to keep the projects running clean and on schedule. The stimulus -- and its map-based accountability system -- marked a true revolution in the federal government's use of data.

Third came the passage of the Affordable Care Act (ACA) in 2010. Critics have relentlessly derided the program as a "government takeover of health care." In fact, the ACA was really a massive expansion in state regulation of private health insurance markets. Although the states' problems varied, depending on whether they decided

to create their own exchanges or rely on the federal one, every state's health insurance commissioner had to devise new strategies to manage the private companies doing business within their borders.

That, not surprisingly, led to big variations among the states. Premium rates dropped 4 percent in Providence, R.I., from 2014 to 2018, while Nashville, Tenn., saw a 28 percent increase, according to the Kaiser Family Foundation. But that only underlines the real stories of the ACA: the struggle, state by state, to figure out how to make health insurance work; the way big increases in a few states helped drive the congressional campaign against the law; and the insistence of even Republican governors that Congress not solve its tough problems by dumping the hard issues on the states -- without providing money to pay for them.

These "big three" events mark a cluster of truly fundamental but largely unnoticed changes in federalism since *Governing's* founding. They're very likely to shape the next generation of the magazine's coverage. And who knows? Maybe they could inspire a tune in Broadway's next big musical about federalism.

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