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REAGAN'S NEW FEDERALISM

The most far-reaching proposal made by the Reagan Administration is his New Federalism initiative set forth in his State of the Union speech. It is a genuine attempt to bring order out of chaos through a major reshaping of the fiscal relationship between the federal government and the 50 states.

What is its purpose? Governor Bruce Babbitt of Arizona probably said it best: "Congress ought to be worrying about arms control and defense instead of potholes in the street. We might just have both an increased chance of survival and better streets."

The rationale behind the program is that some services are handled better at the national level, and some services better at the state and local level. That sounds like a self-evident truth; but that truth has been obscured by those who subscribe to the "Washington knows best" and "Big Brother should be your keeper" ideology of the liberals.

The Reagan New Federalism is designed to bring order and balance into government -- truly a noble objective. The program will separate responsibilities between federal and state governments, especially in the domestic welfare area. Over eight years, the existing, unworkable federal/state grant-in-aid system will be phased out.

The current federal grant system is almost impossible to administer. A typical grant program imposes 300 to 500 separate requirements on state and local governments. For example, federal child nutrition programs now involve 273 pages of federal regulations and 62 million "burden hours" of paperwork a year, the equivalent of 30,000 persons working for a full year filling out forms. Does anyone really think the feds know more about child nutrition than the state and local sector?

Under the Reagan plan, the federal government would still be responsible for plenty of services, including the preeminent and costliest: Social Security retirement, disablity, and medicare. The federal government would also continue to provide transfer aid to the needy elderly, SSI, medicaid, housing, senior service programs, health insurance, medical assistance, and tax incentives for private insurance.

Also remaining with the federal government would be various projects of national

priority, including compensatory education, headstart, higher education support, handicapped education, interstate highways, and regulatory protections with interstate impact.

Under Reagan's New Federalism, the state and local sectors would take over food stamps; aid to families of dependent children (AFDC); local transportation, bridges, streets, state and local highways, and mass transit; community development and local capital investment, sewer treatment plans, neighborhood renewal, and downtown revitalization; general education other than handicapped and compensatory; social, health and nutrition service, day care, rehabilitation, community health centers, drug/alcohol treatment, nutrition and health services to low-income families, social work and protective services; and cash assistance to non-elderly needy.

The first step of the Reagan initiative would be the SWAP. Starting in 1984, the federal government would assume full responsibility for financing Medicaid, while the states would take over the two main welfare programs: food stamps and aid to families with dependent children. This $20 billion SWAP would consolidate major medical programs at the federal level, and income assistance for the non-elderly needy at the state level.

State savings from SWAP would grow because of the increasing cost of services to the most rapidly growing segment of our population, the elderly. The percentage of Americans over age 65 will increase by 25 percent between 1970 and 1990.

The transfer of other federal programs to the states would be financed by a $28 billion trust fund whose income would come from federal excise taxes and a portion of the oil windfall profits tax. Turnback of these other programs would be optional with the states through 1987.

The Reagan New Federalism involves no net financial gain or loss for the states. They would have a known and increasing future source of funds that would be considerably more reliable than the uncertainty of federal budget cuts.

If the stunning Reagan victory in November 1980 meant anything, it was a mandate for cutting the size, cost, and complexity of government. Reagan's New Federalism program should be given a chance for life without having to suffer the lint-picking of those who seek political gain out of marginal changes.