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THE REAGAN CHANGE IN FEDERAL-STATE RELATIONS

The silver lining in the cloud of federal budgets that President Reagan faces is the way they are compelling him to move ahead faster with his promise to cut the size of the federal government and turn power and funds back to the states. Here are some of the changes in federal-state relations which are developing out of the budget battles.

Revenue-sharing, which has been giving $4.6 billion in block aid to localities, may be discontinued after 1983. In order to assist state governments in meeting the pressures that will be put on them to make up their revenue losses, the Reagan Administration is now considering ways to return "revenue sources" from federal authority to the states.

This means that untaxed properties now managed or controlled by the federal government would be given to the individual states in which those properties are located. The states could then lease or sell the property and levy taxes on the activity (such as energy production).

These federal "revenue sources" include untaxed public lands now managed or owned by the federal government, federally-subsidized projects that compete with the private sector, and untaxed railroad, airport, port, Conrail, and highway properties. Nobody has any good estimates of the scope or tax-potential of these properties.

The states would like to lease some of the federally-owned lands for energy and mineral exploration. This might produce a level of taxes to the states that would dwarf the $4.6 billion now received under revenue sharing.

Another plan now under consideration by the Reagan Administration is the "voucherizing" of several costly federal-state programs. Under this plan, recipients of entitlement programs would no longer receive actual money, but instead would receive a certificate redeemable for a specified amount of services.

This would allow recipients to shop around for services and thereby force competition among the service-suppliers. The theory is that service institutions (such as hospitals and schools) would offer less expensive services in order to attract the vouchers,

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thereby reducing the overall cost of the program.

Voucher programs are being considered for two federal-state programs: Medicare and Title I of the Elementary and Secondary Education Act. The voucher plans would be phased in over 3 to 5 years and result in a net saving of 15 percent in funds.

Another way the Reagan Administration is seeking to save funds is to ask Congress to give the President impoundment power. This would allow him to withhold funds for programs already authorized by Congress. This would be like the "item veto" power exercised all the time by many state Governors; they simply strike out items in the budget they think are too costly, without having to veto the entire appropriation bill.

The item veto has worked well at the state level, and it should result in many economies at the federal level. Of course, there would be safeguards on this power; either House of Congress could override the President's impoundment of any item.

Cutting the outlay of funds in the federal entitlement programs is one of the most difficult tasks faced by the Administration. The heart of the entitlement programs is termed the "social safety net" programs. These include the Supplemental Income for the Elderly, Social Security for the Elderly, Head Start, Summer Youth Employment, Subsidized School Nutrition for Low-Income and Needy Individuals, and certain Veterans Benefits.

The safety net programs rose from 25% of the federal budget in 1962 to 37% in 1981, and under the Reagan policies are expected to rise to 41% by 1984. The Office of Management and Budget officials have agreed on some criteria to slow down the rate of further increases, including the elimination of unintended benefits and the reduction of subsidies to middle- and upper-income recipients.

One way to save money on entitlement programs without altering their basic content would be to change the basis on which cost-of-living adjustments are made. Another way would be to limit the frequency for which a cost-of-living adjustment can be activated.

If the federal budget deficit requires even more cuts in the safety net programs than are presently anticipated, the states may be pressured to fill in the gap. One way or the other, the states will have a bigger governmental role than at any time in recent history.

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