

Are We Ready for a Devolution?

By James A. Barnes

Among the various reasons why voters turned on the Democrats in the 1994 mid-term elections, one message came through loud and clear: the electorate had little faith in the federal government. According to the Voter News Service national exit poll, a paltry 16% of those surveyed approved of the job Congress was doing, and only a slightly higher share, 25%, said that they could “trust government in Washington to do what is right” always, or most of the time.

Shortly after the election, President Clinton’s own pollster, Stanley B. Greenberg, pronounced that the Administration’s expansive health care reform proposal tainted Democrats as the party of big government. And that perception, Greenberg said, contributed significantly to the Republican takeover of both the Senate and the House of Representatives for the first time since 1952.

The Devolution Debate Begins

In the wake of 1994’s returns, both Clinton and the newly appointed GOP majorities on Capitol Hill are maneuvering to define a new relationship between the federal government and the rest of the country—the devolution debate—which both sides hope will pay political dividends in 1996.

Although White House officials insist that President Clinton has never considered Washington a panacea for the nation’s problems, his recent rhetoric is a marked change in emphasis from the defense that Democrats mounted during last fall’s campaigns on behalf of pillars of the New Deal and Great Society such as Social Security, Medicare and Medicaid. Of course, Democrats are still warning that the GOP will dismantle these programs, but at least those claims have been tempered somewhat by the President’s “New Democrat”

rhetoric which acknowledges the limits of federal programs and calls on the citizenry to assume more responsibility for their own lives.

“We do need very big changes in the way government works,” Clinton told a March 7 meeting of the National Association of Counties in Washington. “I see this debate about the role of government as terribly important,” Clinton said, trying to recast the perception of his Administration and party that had been shaped by the health care debate. “Underneath it all will be, what is the

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responsibility of the government in Washington; what is your responsibility at the grassroots level; how can it best be met.”

The Performance Partnership

Thanks largely to the “reinventing government” efforts of Vice President Albert Gore Jr., Clinton can point to steps his Administration has taken to streamline government by merging existing federal grants to states and localities into so-called “performance partnerships.”

The Clinton consolidation proposals squeeze 271 existing programs into 27 new performance partnerships. The

Administration’s 1996 budget combines 108 grant programs run under the Department of Health and Human Service’s Public Health Service into 16 new partnerships. Sixty programs administered by the Department of Housing and Urban Development (HUD) to provide housing to the poor would be shrunk into just three partnerships. Funds that had previously gone to public housing projects would now be given directly to tenants to rent their own apartments. Other programs ranging from homelessness to drug abuse would also be combined into partnerships.

State officials would have broad discretion as to how the funds in these partnerships would be spent, but they would still have to meet performance standards set by Washington. For many of the new partnership grants, states that meet or exceed these standards would receive additional federal dollars for the programs. States that didn’t could see their funding levels reduced.

The concept of these results-driven standards is a “theme you will see running throughout the Clinton administration’s reinventing government initiatives,” said Gore senior policy advisor Elaine Kamark at a recent White House briefing. “It involves, basically, the following agreement: You agree to produce clean air, higher vaccination rates—whatever the public purpose is—and we, the government, will get out of your way and relieve you of significant regulatory burdens,” she said. “And this is a pretty big revolution in government.”

While this change in direction for a Democratic president may be significant, the budgetary impact of the Clinton proposal is still relatively small. Overall, the performance partnerships would affect about \$50 billion worth of current federal grant programs, but the savings from this consolidation would be \$327

million over the next five years according to the Office of Management and Budget (OMB). As a percentage of total outlays, grants to state and local governments would remain at about 15% of all federal spending through the year 2000. That's up from an 11% mark set in 1985 and 1990, an increase that has largely been driven by rising costs for health and income security programs.

And the Administration does not appear eager to move much farther on the consolidation front in order to cut the deficit, as many Republicans are urging. OMB officials have pointed out that the principle aim of Clinton's partnership proposals is to improve flexibility, accountability and efficiency in the administration of the grants, not to save money. HUD Secretary Henry G. Cisneros, for instance, has called his new budget "a line in the dirt" for the department.

Indeed, the interest group attachment that the Democrats' more liberal voting blocs have to federal programs which aim to protect the poor, the elderly, and the environment, to name just a few, makes it difficult for the President to embrace greater cuts.

GOP Presidential Hopefuls Weigh In

Clinton's cautious stance is hardly deterring Republicans on Capitol Hill from seeking to transfer more federal responsibilities to states, and now that the campaign for their party's 1996 presidential nomination has kicked into gear, the GOP White House contenders are also weighing in on devolution.

Since 1993, former Tennessee Governor Lamar Alexander, who also served as Secretary of Education for President George Bush, has been touting proposals to send parts of the federal establishment, including welfare programs, "back home." Alexander, who favors closing down his old agency, has been stressing his status as a non-Washington candidate, and therefore, the one most likely to carry out a devolutionary strategy.

Not to be outdone, Senate Majority Leader Robert Dole has emerged as the chief cabinet *breaker* of the GOP field. In a March 10 speech to the National Newspaper Association, Dole called for returning as much federal authority as possible to the states including the elimination of four cabinet departments, Commerce, Education, Energy, and HUD. "When they were created, they were supposed to be the answer to our challenges in education, poverty and economic opportunity," Dole said. "Instead, more than a trillion dollars later, they have caused more problems than they have solved."

Dole has not always been a devolution disciple: He voted in the 1970s for the creation of the Energy Department, and more recently, he was a strong sup-

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porter of the Americans with Disabilities Act, which the National Association of Counties estimates will cost county governments alone some \$2.8 billion to implement over the next three years. Nevertheless, the frontrunner for the Republican presidential nomination has become fond of quoting the 10th Amendment to the Constitution which grants to state governments and individuals all powers that are not expressly ceded to the federal government.

Texas Senator Phil Gramm is a proponent of cutting back the federal government with an emphasis on shifting power not only back to the states, but to local communities and individuals as well. For instance, he proposes to take the Education Department's \$32 billion 1995 budget and use half of these funds to pay for a \$500 per child family tax credit and send the remaining half to states and local school boards to spend on education.

"I want to let families become education families," Gramm told reporters on the March 12 broadcast of "Meet the Press." "We have now had six or seven education presidents, about half of whom have been Republican," he said. "I think we have proven that the federal government cannot run education."

Many conservatives echo Gramm's sentiments. They believe that if devolution stops in the state capitals, the exercise will be a failure because that would simply transfer the management of government programs from civil servants in Washington to equally unresponsive and entrenched bureaucrats in Albany, Hartford and Sacramento.

In Washington, the new Republican congressional majorities are not waiting for the outcome of the presidential campaign to begin the process of devolution. The first blow has already been struck with Congress' approval of the Unfunded Mandates Reform Act. The legislation requires federal agencies to consult extensively with state and local governments on new regulations and not proceed with a mandate if its projected costs are likely to exceed an amount approved by Congress. The reform measure would also require separate congressional approval for mandates that costs more than \$50 million a year.

Mandate reform has been a key goal of the nation's governors. In 1991, the Advisory Commission on Intergovernmental Relations estimated that from 1983 to 1990, the costs of new federal mandates on state and local governments were in the range of \$8.9-12.7 billion. By the end of the decade, meeting the Clean Air Act Amendments of 1990 will push the annual cost of state compliance with all environmental legislation to roughly \$44 billion a year.

As a governor who often chafed under federal regulatory burdens, President Clinton supported the mandate reform legislation. But according to a study by the National Conference of State Legislatures, during his first two

How Much Government?

years in office, Clinton also signed 20 bills passed by Congress which placed additional mandates on state and local governments.

The Republican tide that swept through Congress in 1994 also surged into the statehouses, electing 30 GOP governors, a mark not seen in more than a generation. This group has established an unusually close working relationship with the Republican congressional leadership and emerged as a strong proponent of devolution. Their clout on the issue was demonstrated earlier this year, when the House GOP modified its welfare reform bill to let states have more flexibility in administering the social programs with block grants and relatively few guidelines from Washington. One exception was food stamps, whose status as a federal program was preserved by House Republicans. However, they do propose to give states more discretion over the program, allowing them to deduct food stamp payments from welfare recipients who did not apply for a job, or provide cash benefits in lieu of food stamps for people who get jobs in the private sector.

Maintaining State Accountability

Although Republicans as a general rule are more skeptical of government run by Washington, now that they are actually running things in Congress some have been reluctant to cede their new found authority to the states. And that ambivalence can span the ideological spectrum. Moderate Republicans who have worked with Democrats in the past want to preserve at least some state accountability to Washington. "I'm not for just block-granting money back and saying, 'Here, do your thing,'" Pennsylvania Representative William F. Goodling, chairman of the House Economic and Educational Opportunities Committee, told the *National Journal* recently.

Likewise, conservatives look to attach some strings to the money that flows to the states as a way of passing on

their ideological agenda. For instance, the crime bill approved by the House in February included a provision that makes funding for local law enforcement programs contingent on states keeping inmates in prison for at least 85% of their sentence.

Block grants, perhaps the prime vehicle for devolution, are not without their own problems. Richard P. Nathan, the director of the Nelson A. Rockefeller Institute of Government at the State University of New York, warns that changing entitlement programs like welfare into block grant programs with annually appropriated funds could cause funding shortfalls for states if the economy goes into a tailspin and unemployment rises suddenly. "This is a bad deal for governors who should look before they leap," Nathan warned at a recent conference on devolution conducted by the Brookings Institution.

Turning open-ended entitlement programs into state-run programs financed by block grants could also set off a more intense competition in Congress for federal funds. Just as House Members and Senators now fight doggedly for their own state's share of the highway trust fund, block grants to states which would require separate appropriations could trigger new rivalries over federal spending at a time when balancing the budget is already a seemingly impossible task.

Still, the trend towards block grants and devolution is likely to gain speed in Washington. There is an increasing consensus in the nation's capitol that on issues like welfare, there is no single federal solution that will work. To cut the deficit, members of Congress see block grants as a way to rein in the rising costs of entitlement programs. President Clinton is looking to burnish his credentials as a New Democrat. White House wannabe Robert Dole is eager to curry favor with Republican governors who can be valuable political allies in his quest for the GOP presidential nomination.

But perhaps just as significantly, inside Washington there is a recognition that the public no longer looks to, or politically will support, the federal government as the solver of all problems.

At the Brookings conference, OMB Director Alice M. Rivlin, a charter member of the Washington establishment, took issue with the venerable think tank's critique of devolution which focused on the administrative pitfalls that would follow devolving power to the states.

Rivlin acknowledged that there would be such problems and they had to be addressed. But she added that the report "sort of missed the point that something profound is being debated out there." Rivlin noted that in some instances Washington is not the logical place to deal with public policy issues. "We're too big and diverse to be a community. We have to mobilize in smaller units or nothing happens. Beyond the beltway there is a sense that we've lost control. I think we have to recognize the concerns are real."



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