

THE STATE OF THE STATES

—remarks of former Governor Charles S. Robb, Virginia, 1985
President of The Council of State Governments, at the CSG Annual
Governing Board Meeting, Stateline, Nevada, December 5, 1985.

A revolution is occurring in America. The battle is not with the British—but over the budget—and I believe the consequences will change the course of government in this country.

The federal government—once the source of financial support and the impetus for social change—is in retreat. Just as the Great Depression brought the federal government into the center of American life, the deficit has diminished federal influence in improving our way of life.

There is, however, one important difference between the government's response to the Depression and its reaction to the deficit. In the 1930s, the federal government made a major effort to resolve the nation's financial crisis; in the 1980s, the federal government helped create it.

But the news isn't all bad.

America's \$200 billion deficits have forced us to ask fundamental questions about how much government will do and which level of government will do it. Although the federal budget is still in the birthing process more than two months into the fiscal year, we can make some long-term observations.

First—The shift in responsibilities from Washington to the states will continue regardless of which party is in power.

I don't know if the decision to let deficits soar in the early 1980s was part of an under-cover plan to reorder the nation's government. But plan or no plan, the arithmetic now leaves the administration and the Congress with no choice but to unload substantial responsibilities. For the rest of the decade, decisions will be more fiscal than political—and the tide won't easily be turned, even with a general tax increase.

Second—States should prepare for the possibility that federal funding—with the exception of income support programs—may be completely shut off.

Federal funds to states have been drastically reduced. Apart from income support programs, state grants have been reduced by 40 percent since 1981. And more cuts are com-

ing. On the endangered list, I would place community development programs, transportation and transit aid, environmental and housing programs. It is not farfetched to project that by the end of the century, if not before, the federal government will be responsible for the national defense, the national debt, social security and income maintenance programs—and little else.

If such steps were taken today, it would mean an annual loss of more than \$35 billion to state and local governments. . .

Third—While there will be fewer federal dollars, don't expect a decrease in federal regulation.

In light of their diminished domestic duties, some might expect that the Congress will return to its 18th century habit of meeting for several months and retiring to plant the crops. Well, perhaps.

I think that state and local governments are more likely to find that the federal government will attempt to do with mandates what it can no longer do with money. And when the carrots are all gone, the sticks usually become clubs.

What can the states expect besides less money and more regulation? We can bank on the fact that the nation's needs will continue to grow. By 1990, states will have more than \$64 billion in additional annual needs for schools, highways, prisons, waste water treatment, hazardous waste, and health care.

I don't believe we will be able to meet these needs with the current division of labor. If the deficit dilemma has done one thing, it has helped point out problems in the federal-state system that have persisted for decades:

- Our federal system of government is inefficient, ineffective, poorly designed, and expensive.

- It lacks accountability and encourages allegiances to programs, rather than solving problems for people.

- It perpetuates regulations that often are costly, out-dated, and counter-productive.

The bottom line is that we have three levels of government, and two of them still work

fairly well. The other is deep in debt and isn't working very well at all. This isn't any secret, and doesn't come as any real surprise.

The danger, however, is that once the federal government finishes throwing programs over the side for the states and locals to rescue, we'll all go down together.

The story doesn't have to end that way, though. We can turn the current chaos to our advantage. We can begin a principled assessment of who will do what. I would join those urging the president to convene a domestic summit—a summit that not only determines how we will deal with the deficit, but how we address America's domestic agenda.

Such a summit would include meetings not

only with the administration and members of Congress, but also with state and local leaders who can sit down and look at the fundamental issue of which level of government can best deliver particular services to the American people. . .

However the duties are divided, one thing is certain: the states are no longer the Third World of the federal system or a way station that wastes federal money en route to localities.

We can do more. Certainly the federal government is going to do less. This can either be an exercise in damage control or an opportunity to set a new course for the country. I hope it will be the latter.