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Reagan Again Pledges to Increase Power of States

By B. DRUMMOND AYRES Jr.

Special to The New York Times

WASHINGTON, May 12 — President Reagan declared today that he intended to push strongly for enactment of his "New Federalism" proposal, which would give states greater control over Federal expenditures. The concept is running into increasing resistance from Democrats, special-interest groups and dissident Republicans.

Meeting at the White House with 20 Governors, many of them fearful that the effort might be headed for serious modification or even defeat, the President said that the transfer of the spending power was one of the major goals of his Administration and that he considered Congressional approval "absolutely imperative."

The power transfer would be accomplished by replacing "categorical grants" with "block grants." Categorical

grants are given in the form of programs that address specific needs, such as day-care centers, and the Federal Government, more often than not, dictates how the money must be spent. Block grants address a broad spectrum of needs, and the states are usually allowed to decide how the money is spent.

Supporters of the block grant concept say that it improve efficiency and reduce Federal intrusion in state affairs. Opponents say that the states cannot be depended upon to spend the money where it is most needed.

Meeting Was Closed

Under the Reagan plan, 85 of the Federal Government's 500 or so categorical programs would be folded into block grants.* In addition, the \$15 billion originally proposed by the Carter Administration for the 85 programs would be cut to about \$11 billion, in keeping with Mr.

Reagan's overall budget-cutting effort.

The President's meeting with the state executives was closed to reporters. But details of what took place were later disclosed by participants.

The Governors told Mr. Reagan that they believed approval of the block grants would take a major White House lobbying effort, one equal in magnitude and intensity to the White House effort last week that overcame strong opposition in the House to major budget cuts.

For the moment, the greatest opposition to the Reagan plan is in the Senate Labor and Human Resources Committee, which is handling several of the block grant bills. There are nine Republicans and seven Democrats on the committee. The ranking minority member, Senator Edward M. Kennedy of Massachusetts, has been working to continue categorical funding in health programs.

* No administration official has as yet proposed inclusion of the arts and humanities in this group. However, Congressman Regula (R - OH) of the House Subcommittee on Interior has twice at recent hearings cited the arts and humanities as possible candidates for "block grants".