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NATIONAL GOVERNORS' CONFERENCE

WINTER MEETING

Plenary Session

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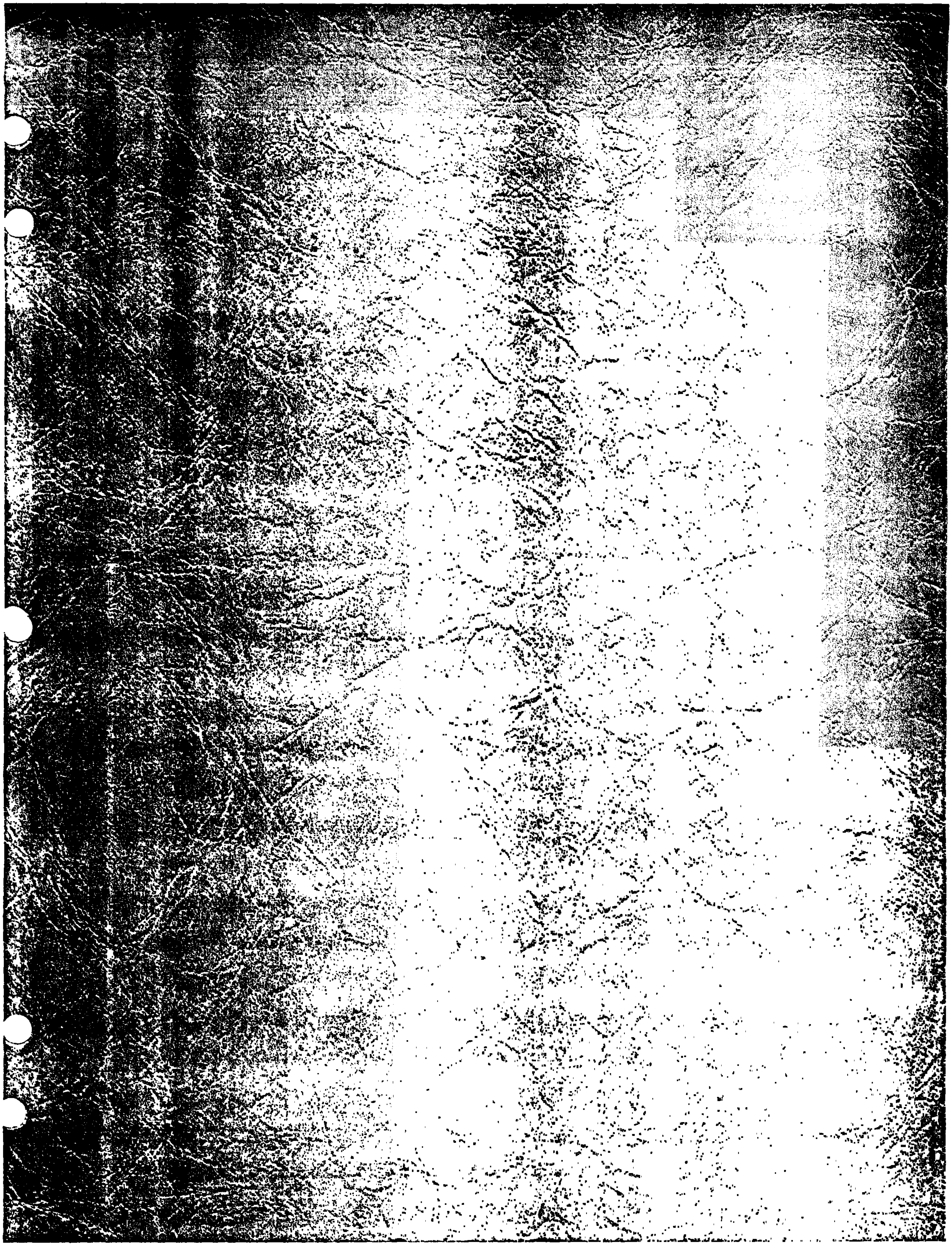

NATIONAL GOVERNORS' CONFERENCE

WINTER MEETING

(Plenary Session)

International Ballroom East
Washington Hilton Hotel
Washington, D. C.

Wednesday, February 23, 1971

The National Governors' Conference held a Plenary Session, commencing at approximately 4:05 o'clock p.m.

HONORABLE WARREN E. HEARNES, GOVERNOR OF MISSOURI, Chairman

PRESENT:

GOVERNOR	STATE
George C. Wallace	Alabama
Jack Williams	Arizona
Dale Bumpers	Arkansas
Ronald Reagan	California
John A. Love	Colorado
Thomas J. Meskill	Connecticut
Russell W. Peterson	Delaware
Reubin O'D. Askew	Florida
Jimmy Carter	Georgia

(continued)

Carlos G. Camacho	Guam
John A. Burns	Hawaii
Cecil D. Andrus	Idaho
Richard B. Ogilvie	Illinois
Edgar D. Whitcomb	Indiana
Robert D. Ray	Iowa
Robert Docking	Kansas
Louie B. Nunn	Kentucky
John J. McKeithen	Louisiana
Kenneth M. Curtis	Maine
Marvin Mandel	Maryland
Francis W. Sargent	Massachusetts
William G. Milliken	Michigan
Wendell R. Anderson	Minnesota
John Bell Williams	Mississippi
Forrest H. Anderson	Montana
J. James Exon	Nebraska
Mike O'Callaghan	Nevada
Walter Peterson	New Hampshire
William T. Cahill	New Jersey
Bruce King	New Mexico
Nelson A. Rockefeller	New York
Robert W. Scott	North Carolina

(continued)

William L. Guy	North Dakota
John J. Gilligan	Ohio
David Hall	Oklahoma
Tom McCall	Oregon
Milton J. Shapp	Pennsylvania
Luis A. Ferré	Puerto Rico
Frank Licht	Rhode Island
John C. West	South Carolina
Richard F. Kneip	South Dakota
Winfield Dunn	Tennessee
Preston Smith	Texas
Calvin L. Rampton	Utah
Deane C. Davis	Vermont
Linwood Holton	Virginia
Melvin H. Evans	Virgin Islands
Daniel J. Evans	Washington
Arch A. Moore, Jr.	West Virginia
Patrick J. Lucey	Wisconsin
Stanley K. Hathaway	Wyoming

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C O N T E N T S

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P R O C E E D I N G S

CHAIRMAN HEARNES: Ladies and gentlemen, The Vice President of the United States.

(Applause)

CHAIRMAN HEARNES: Mr. Vice President, my fellow Governors, it is my pleasure as Chairman of the National Governors' Conference to call the meeting to order and to welcome all of the governors and official parties, representatives of the news media, our special guests and those who are here to observe the proceedings.

Our meeting began this morning. Each of our sixteen committees met before noon and then had lunch and working sessions.

Now, that we have finished the commercial, we have just completed a very fine Executive Session with the President of the United States. And, as we get this session underway, I am reminded that I should report to you a decision made by the Executive Committee this morning.

Since this meeting was designed primarily to implement existing policy of the National Governors' Conference, since we are quite limited in our time for deliberations, the Executive Committee has directed that your Chairman not entertain any motions for a suspension of our Articles of Organization, for the purpose of considering resolutions or policy statements.

I trust that all of you will appreciate the need to observe this special request of the Executive Committee.

Since this is the first general session of this Winter Meeting, we have not had the opportunity to acknowledge familiar faces around this conference table.

I deem it an honor and privilege to introduce each of the new governors and ask that they stand and be recognized.

First, The Honorable Milton J. Shapp, Governor of Pennsylvania.

(Applause)

The Honorable J. Carter, from the State of Georgia.

(Applause)

The Honorable Thomas J. Meskill, Governor of Connecticut.

(Applause)

The Honorable John C. West, Governor of South Carolina.

(Applause)

The Honorable Winfield Dunn, Governor of Tennessee.

(Applause)

The Honorable John J. Gilligan, Governor of Ohio.

(Applause)

It seems that I have remembered this next man from someplace previously, The Honorable George C. Wallace, Governor of Alabama.

(Applause)

The Honorable Dale Bumpers, Governor of Arkansas.

(Applause)

The Honorable Reubin O'D. Askew, Governor of Florida.

(Applause)

The Honorable Patrick J. Lucey, Governor of Wisconsin.

(Applause)

The Honorable Wendell R. Anderson, Governor of Minnesota.

(Applause)

The Honorable Mike O'Callaghan, Governor of Nevada.

(Applause)

The Honorable James Exon, Governor of Nebraska.

(Applause)

The Honorable Richard F. Kneip, Governor of South Dakota.

The Honorable Cecil D. Andrus, Governor of Idaho.

(Applause)

The Honorable David Hall, Governor of Oklahoma.

(Applause)

The Honorable Bruce King, Governor of New Mexico.

(Applause)

Thank you, gentlemen, and a hearty welcome as Members of the National Governors' Conference. We encourage you to participate fully in its activities.

Just a few words about the National Governors' Conference.

Its members, obviously, are the governors of the fifty States, and the four additional members, the Governor of American Samoa, Guam, United States Virgin Islands and the Commonwealth of Puerto Rico.

The Conference is governed by a nine-member Executive Committee and the chairmanship alternates annually between the two main political parties.

The Conference has a very effective full-time staff. Secretary-Treasurer Brevard Crihfield is located in Lexington, Kentucky, where he functions in the additional capacity as Executive Director for the Council of State Governors. .

The National Governors' Conference, Washington operations are conducted by Charles Byrley, who has a number of special assistants who work full-time with Federal agencies and on Capitol Hill.

Each of you should know that we have a staff, an expert in almost every area of governmental concern; for example, in areas of specialization, which include health, education, welfare, tax and fiscal policy, environmental management, community development, housing, transportation, manpower, labor and criminal justice.

It is our objective to fully acquaint you with our staff services over the next few weeks. You are already receiving some invaluable publications; such as the Weekly Governors' Bulletin, and special communications of new issues as they come up.

In brief, the resources of the National Governors' Conference belong to you.

Your Executive Committee joins me in urging each of you to take full advantage of our staff capability and services. We have made some significant progress over the past few years. And, with the continuing support of all governors, I believe that the National Governors' Conference will continue to influence the policy directions of a revitalized federation.

Now, before we turn to today's program, which, as

I understand, will deal largely with revenue sharing and another topic of reorganization.

I want to repeat what I said earlier: Let me encourage you again, those who are here for the first time, and those who have been here many times over, to engage fully in our discussions. Your maximum participation will add to the effectiveness of this forum.

One of the greatest things, I think, about a political career are the friends that you make. As Governor of a State, you meet people that you would never have met before.

Once you leave the State, you get to meet other governors; men that you like, you admire and you respect.

Some of them, of course, as in all political elections, are defeated. Others go to another office, or are elected to that office. The man that I am about to introduce to you at this time is a man that I served with as governor, a man that I have had the greatest respect for, will be in charge of the rest of the introductions and the rest of the meeting. I think he is one of the finest Americans in these United States, the Vice President of the United States, Ted Agnew.

(Applause)

REMARKS BY THE VICE PRESIDENT OF THE UNITED STATES

THE VICE PRESIDENT: Thank you very much, Governor Hearnes. I can tell you that it is a great pleasure for me to have this opportunity to talk with and participate in a discussion that involves so many of my former colleagues during the period I was Governor of Maryland and also to see such a vibrant, alive, interested and energetic group of new governors as you have introduced here this morning.

Let me first say that irrespective of rumors that have been circulating this morning, both in sessions with the Congress and in informal chats among the governors, I did not come here this afternoon to boast of my athletic prowess, recently demonstrated on the golf course.

(Laughter)

As a matter of fact, though, I do want to defend myself against some considerable abuse that has been taking place in snide remarks of some of my former golf partners of this Congress and governors; because I want to point out that ABC has offered me a spot on the National Sports Show, "Demolition Derby".

(Laughter)

All of you who watched the State of the Union address this year know that the President called for a new American revolution. That doesn't bother me too much, but I sure wish he'd stop introducing me as Vice President Adams.

(Laughter)

But, seriously, my purpose today is not to talk about revenue sharing or Executive reorganization, but to introduce two distinguished John's who are fully capable of doing just that -- John Connally, a former colleague many of us here had the pleasure of serving with, and, of course, John Ehrlichman, who was head of the Domestic Council.

I just want to say one or two things prefatory to the presentations by Secretary Connally and Mr. Ehrlichman.

We have talked for years in this Conference, and out of it, about some way to redistribute revenue resources, some way to overcome the imbalance that clearly exists between the Federal Government, on the one hand, and State and local governments on the other.

Both parties, to my recollection, endorsed this concept of revenue sharing in the 1968 Convention.

Above all, the Advisory Commission on Inter-Governmental Relations, the various State and local conferences of governors, mayors, and county officials have been working for years on some way to obtain a reasonable distribution of revenue resources.

The Advisory Commission has put out a very definitive work, which I highly commend to all of the new governors here, explaining in some detail what the various handicaps and benefits are of the various plans that have been discussed from time to time.

Needless to say that the plan that has been developed by the Administration is not a plan that the Administration conceived. It is a plan that was conceived in numerous work sessions over the past decade in strictly a bi-partisan way. All the Administration did was to take the voluminous and very academic and worthy works and to consolidate, eliminate and generally collate them to the point we came up with what we thought was the best possible program.

There is no doubt that there is a terrible crunch on the State and local government today. There is no doubt that the crunch continues to become more and more acute. And there is no doubt that the people of the United States who have to pay a great share of the State and local taxes, principally property sales and miscellaneous use and some income taxes, would like to see some kind of revitalization of the revenue resources, allocated process. Seventy-seven percent of them said that was true in a recent gallop poll.

Now, yes, there are alternatives that have been proposed by opponents of the Administration's revenue sharing plan.

I just want to point out one thing, and I don't want to sound negative -- there are other ways of doing this. There are tax credits. There are additions to existing Federal programs that will relieve the States of some share of their burden. But they don't go to the principal idea of reform. And they really amount to more of the same. In fact, they lack one key word -- flexibility for the chief executive of the State or local government.

I hope that you will look at these suggestions in a totally impartial and bipartisan light, because they are not the product of Republican thinking alone. They are the products of governmental thinking.

Don't forget, when you consider the alternatives, that are not fully flushed out, but are presented simply as sometimes a way to move us away from the active consideration of the specifics that have been spelled out in the President's general revenue sharing program.

Don't forget, for example, some of the people who offer these alternatives are the same people who not too many years ago -- two or three years ago -- were suggesting that the tax-exempt status of State and local bonds be removed, hardly the way to help State and local governments out of the crises that they face.

I don't say that this was done in any way to harm State and local governments, but it makes one suspicious of the expertise from a governor's or mayor's standpoint of those who are suggesting some of these alternatives.

We think we have a good program. I have served at all three levels of the government. I have looked at this program very critically. I don't think it is perfect. I think probably there will be some suggestions that we can't even visualize at the moment that will improve it. But I am certain that this program is one that we can get behind that will deliver a solution to the fiscal crisis of the State and local governments promptly. Flexibility is the key; action is the by-word.

With that as a preface, it gives me a tremendous amount of personal pleasure to present at a Governors' Conference a gentleman whom I have had the pleasure of listening to at many Governors' Conferences; a man who has served as the Governor of the great State of Texas, and is presently serving as Secretary of the Treasury of the United States, The Honorable John Connally.

(Applause).

STATEMENT BY THE HONORABLE JOHN CONNALLY

SECRETARY OF THE TREASURY

SECRETARY CONNALLY: Mr. Vice President, I am extremely grateful to you for your kind introduction.

Chairman Hearnes, I must say that I am grateful for the opportunity of being with you today, and particularly for the privilege it affords to renew, how ever briefly, an acquaintanceship and old friendships with so many governors who still sit around this table.

I think in all fairness I would be much more flattered if I couldn't remember the thoughts that went through my mind all too frequently when I sat at these Governors' Conferences and saw a fellow get up to speak, wondering primarily not about what he was going to speak, but how long he was going to speak. I know that's what is going through your minds right now.

So, with that in mind, I will try to keep my remarks as brief as possible and to yet try to cover the subject that is both complex, difficult and extremely important. That is reorganization. The reorganization proposal that the President has made to Congress and to the country.

I think it is only fair to start back in the spring of 1969 to put this reorganization plan which he proposed in proper perspective.

At that time he asked six people to serve on the President's Advisory Council on Executive Reorganization. To chair that group, Mr. Roy Ash, President of Litton Industries. Serving on that group, Mr. Fred Kappel, former Chief Executive of American Telephone & Telegraph; Dr. George Baker, the former Dean of the Graduate School of Business at Harvard; Mr. Richard Paget of Cresap, McCormick and Paget, one of the outstanding management firms in America. Also in the group was Mr. Walter Thayer, distinguished New York lawyer, who later was publisher of the New York Herald Tribune and myself.

We formed the President's Advisory Council. We assured we were given a broad charter to look at reorganization of the Federal Government, not with respect to the substantive programs which had been passed by the Congress and administered by the Government, but to look at the organizational structure of the Federal Government to see how best the services proposed and passed by the Congress could be delivered to the citizens of this country. That was the purpose of it. And in so doing, we went back and studied every single proposal of every commission so far as we know that ever existed in this century that addressed itself to this subject. And this includes, among others, a commission headed by the distinguished New York Governor, Governor

Nelson Rockefeller, that took place, really, over a period of about six years during the Eisenhower Administration, 1962-1968.

We studied both of the Hoover Commission Reports; the one reported in 1947 and the subsequent one in about 1955. We studied the Price Report. We studied the Heineman Report. We studied the Lindsay Report.

We took every single one of them, although they dealt with different problems in different decades in this century. There was a common thread that ran through each one of these commissions and their conclusions with respect to the presidency itself, and that was almost without exception, every single one of them said that there should be greater power, greater flexibility in the Executive Office of the President.

Beyond any question, they all agreed on this point. They also, to the extent they addressed themselves, they all agreed that there had to be greater consolidation within the Executive Branch of Government.

And then they dealt with some very basic problems, as we tried to do.

Again, if you will remember as I go through this discussion, we did not concern ourselves with the philosophy of the program whatsoever. We neither regarded its merits nor its demerits, its applause or its criticism. We simply looked at the means by which the Federal Government attempted to administer programs for the benefit of the citizens of this country.

Now, what do you think of? What do you think of when you try to determine what you could best do to administer your State government?

I know in my case, and I am sure Governor Smith has found this to be true, as all of you have, because I have talked to too many of you over too many years, you found you were plagued with too many separate boards, agencies and commissions that you couldn't confer with, that you couldn't meet with, much less control or direct.

In my State there were about 160 different boards and commissions that I was supposed to have some jurisdiction over and to which I appointed members to perform those.

It is obvious, and it has been found by everyone who has studied the structure of the Federal Government that any President cannot, even if he would, deal with too many people. You can't do it.

Any President is President as a result of the political structure of this country. Any President, naturally, is concerned about the administration of his policies. He is concerned about the delegation of his authority. He is reluctant to delegate, just as you are reluctant to delegate unless you are sure of the person whom you delegate. And if you are not sure of the individual, of his policies or his practices and his abilities, you are not going to delegate him because it is your neck on the line and ultimately the people look to you. And the people look to the President of the United States. They don't really look to the Secretary of the Treasury. They might give me a rough time if I make a mistake, but ultimately they will look at him because I didn't run for office.

So every commission says that a President should have a structure whereby he can with assurance deal with fewer people; that he can deal with people in whom he has confidence; that he can have a structure through which he works; where he can be reasonably satisfied that the delegation of his authority is going to be carried out as he wishes it to be done.

Now, this is a very basic tenet of human nature. So we look at it through the eyes of a President. How does he best do his job? They would have looked at it through the eyes of the user, of the receiver of Government services. How is he best served? By the plethora of agencies, sub-agencies that exist today? Certainly not.

Let me digress for a moment simply to say this: In almost two decades there has been no substantial debate about the organization of Government -- about the reorganization of the Federal Government. No meaningful debate over a period of a generation.

And yet, what has happened during this period of time? This has been a period of time when we have seen the greatest changes -- the greatest changes in the structure -- in the history of the United States.

Among other things, we have gone from nine to twelve cabinet departments. We have gone from twenty-seven to forty-one principal agencies of this Government. We have gone from a Government that employed about two million people to a Government that employs about 2.7 million people. We have gone from a Government that had a budget of forty billion dollars to a Government today that has a budget of two hundred billion dollars. And we have gone from a Government that had approximately 140 different programs and agencies to a Government that has over 1400, depending on how you count them, how ever you describe them or how ever you categorize the programs, you have a ten-fold increase in the number of programs during this period of time.

Now, these are some of the changes you have had in the structure of Government, in the substance of Government, but what changes have you had in the structure of Government? Basically, none, except more confusion, more difficulties, and you see it every day, because I know it hasn't changed that much since 1968 when I left office. Yet, I recall one of the great problems that any governor has -- it is that he doesn't quite know who to talk to; he doesn't have enough staff to talk to all the people he needs to talk to in the Federal Government to try to even find out where to go for help.

Now, if you have problems, think about your county judges; think about your mayors who have less staff than you have.

I submit to you, gentlemen, it is not a question -- it is not a question of the substance of the programs that have been passed that the American people are upset about. It is the manner of delivery; it is the administrative monstrosity that is now hung around the neck of this country. That's where your problem lies.

So that the user believes then that the Government is inefficient; that it is wasteful; that there is duplication -- and you can't convince them otherwise.

So given these two extremes -- the President who does have a structure through which he can delegate authority as he should with confidence of the policies being carried out, and, on the other hand, the user who is completely disillusioned, disturbed and distracted about the ability of the Government to meet their needs.

Why can't we then have the intelligence to find an answer to provide the necessary mechanism? And I think we can.

This Advisory Council set about making recommendations to the President. We received no publicity. It was not our purpose to receive it, but I assure you that the recommendations that we made were not conceived in politics nor merger of our partisanship of any kind or character, none whatsoever.

We were trying to find the basis from which we could make recommendations to the President to change the structure so it becomes more manageable.

Then you say why then do you recommend that these agencies be separate? Why do you recommend that you take eight Government departments and reduce them to four? (portion inaudible).

We then recommended to the President, and he, frankly made some very substantive and major changes after our recommendations to him, but, in essence, what happened was the reduction of eight departments in the fold, and they were designed on a functional basis.

Now, we recognize, he recognizes that you take on, you disturb many special interests. You disturb the status quo. No question about that. But in the real sense, this is to the credit of the recommendation, not something to be fearful of, because, frankly, I must submit to you that I think it is time that we disturb the status quo with respect to the administrative monstrosity we call this Government. Because I think there is that much of a crisis in the minds of the people of this country.

They are not concerned about doing things in the field of poverty to help people. The American people want to help people who are less fortunate than they. They aren't fearful of helping the mentally disturbed, the mentally retarded. They are not worried about providing the water resources this country needs. They are not worried about health care for people.

It is not the substance of these programs that disturb them, it is the monstrous cost, the inefficiency, the duplication that has reached such tremendous proportions that, frankly, the average citizen does not feel that he has the capacity to cope with it. Anytime you get the American citizenry in a frame of mind to where they are rebelling against taxes, against school taxes, and water taxes, and water bonds, and things of this essential nature, you can be sure that you have a disturbed and distraught citizenry. And when you ever convince them that this Government has reached the point where it can no longer cope with the administrative problems of delivering services to them, then I submit to you that we are all in trouble. We are all in real trouble and I think that is about where we are. And you say why eight into four and make them bigger? Size itself is not a disadvantage. On the contrary, it is on a functional basis. If you have a Department of Human Resources and a Department of Natural Resources, a Department of Economic Development and so on, what do you have?

You have under one roof, under one tent, the various program elements that come from all the different departments so that at a lower level, even a regional level, a state level you can have a trade-off. You can settle the difference and overcome the problems that you have today simply because you have manpower really in a number of different departments and agencies; that you have education in a number of different areas, and so on down the line. And wherever you have this dispersion of activity on a functional basis, you obviously have the very foundation discord, discontent and indecision, because it is not until we get to the White House that we get a resolution to these problems.

One of the things that bothers the American people today is the lack decisiveness. And people have a right to expect that they get a decision from their Government and a prompt decision, whatever it is, favorable or unfavorable, they are entitled to a decision.

Now, how do you get it? You get it by putting functional activities under the same tent so that you can have a trade-off at a lower level. So, if there is a dispute, and there always will be disputes. I am not sure that this is going to be a cure-all -- that it's going to be a utopia, because it is not. We are all human. We're still going to have disagreements; we're going to have empire building, personal and department empire building, because this is the way things are structured. But the only answer is if you can put these into departments where they have common purpose and function, then there is a point at which you can get a decision at a level even lower than the Secretary, much less the President.

The President of the United States cannot make all the decisions that are necessary in this Government in these times in which we live.

Unless things have changed in three years, and I bet you they haven't, your fear is not of what you do or what you know, but your fear, politically speaking, is of the things you don't know about and over which you really have no control, but for which you are going to be held responsible.

Now, a President can't make these decisions. He is not now; he is not next year; and he's not a decade from now, because his problems become greater all the time.

So if you devise some formula, some basis on which these decisions can be made in accordance with his policies and in accordance with the Congress and their programs, and their dictates and their mandates, things can be decided at as low a level as possible, and as promptly as possible. Now, this is the whole essence of why these four departments are recommended to you as a consolidation of the agencies.

Some of you will say, "Very well, the Federal Government is efficient. We don't believe all this. We don't buy this." You will hear all this argument. We don't have to consolidate these departments. We are very efficient.

The Internal Revenue Service, which is part of the Treasury Department -- and I submit that it is an efficient tax-collection agency. It is the most efficient in the world. There is no doubt about that.

But, if you stop and think for a moment of why it is good, it is very simple, because it is based on the theory and the practice of voluntary compliance. Voluntary compliance. Now, if you think for a moment how efficient it would be if you didn't have voluntary compliance. You couldn't hire enough agents or auditors.

Now you think how well it is accepted, and you think how well other departments of this Government are accepted.

You hear all this talk about welfare; you hear about poverty programs, you hear about health; and the President set up a new program on health. One of the principal purposes is to try to keep down this enormous cost that is building up and the impossible administration of it.

This is what is behind this Executive Reorganization. It is just that simple. And everybody can support it. There is no liberal politics in it, none whatsoever, unless it is the politics of the survival of this democracy. And it might well be that, and you are everyone concerned with that.

I am not here to say that each person that dealt with this reorganization plan was endowed with infinite wisdom.

When you take all the elements of eight major departments of this Government and put them into four, it may well be that somewhere somebody can find a better slot to put in one of the pieces of the jigsaw puzzle.

But, I submit to you that this plan the President submitted to the Congress is a workable plan; it is a wise plan; it is a plan that in my judgment is responsive to the times in which we live and the needs of the people of this country.

I would hope that you would have your staffs look at it; that you would study it; and I know that unless you support it, it doesn't have a chance it ought to have to pass this Congress. Eventhough it isn't a direct responsibility of yours, and I know that full well, I also know that your job will be made infinitely easier if this reorganization plan is adopted. And I know that you could then say to your constituents, to your judges, to your mayors, that you can go to a single place that handles the Department of Human Resources and you can get an answer.

And that's what it's all about.

Thank you very much.

(Applause).

THE VICE PRESIDENT: Thank you very much, Mr. Secretary. The last time that I heard the Secretary speak with such eloquence and verve we were all locked up on board a ship bound for the Virgin Islands. And he was equally heated and made some great saleable points then as he did today. He always does a fine job.

I would hesitate to say that our next speaker is the architect of the revenue-sharing program because I have already said that the planning for that program came out of much much study by many people of both parties over the years. But if he can't be characterized as the architect of the program, at least we can say in the White House that he is the chief engineer, and also head of the construction gang as many people who labored so hard under him to put together the program knows so well.

Not too long ago we changed our method of procedure in domestic affairs by creating the Domestic Council, a Council that has equal stature with the National Security Council which has operated so effectively for so many years.

Selected by President Nixon to head the Domestic Council Executive Staff, is John D. Ehrlichman, a very competent man whom I am very proud to present to you at this time.

(Applause)

STATEMENT BY MR. JOHN D. EHRLICHMAN ASSISTANT TO THE PRESIDENT FOR DOMESTIC AFFAIRS

MR. EHRLICHMAN: Thank you, Mr. Vice President, Mr. Secretary and distinguished Governors, ladies and gentlemen:

Since the President's State of the Union Address, the President has hosted all the Members of the United States Senate and House of Representatives for breakfast over a series of mornings. And at those meetings a presentation has been made on the subject of revenue-sharing, which the President has asked us to repeat for you here today.

We felt that it would be helpful for you to know what presentation had been made to your Congressional delegations. It would also help to establish a kind of common ground of fact upon which you might wish to base some questions which we will be glad to take after this presentation is completed. So, with that in mind, this is kind of a magic lantern show and I am afraid the room doesn't lend itself too well to this and it is going to tax the capacity, I think, of some of the Governors to see these screens up here, but we will get printed copies of these slides into your hands so that you will have the text material before your meeting is over here in the event that you can't make these out too well.

If we can get the bright lights out of the way we will be ready to go.

The purpose of this presentation was to acquaint the Members of Congress with the underlying thinking with respect to revenue-sharing, which, of course, is simply to make Government work better for the people who are the ultimate recipients of Government services; to move the money and power closer to the people; to relieve the fiscal crises of State and local governments -- And I might say there that in making this presentation to the Congress, we felt obliged to expand the matter of evidence relating to the fiscal crisis of State and local government. Believe it or not, it is a factual issue in some quarters in this City.

And so, when you move to the Hill tomorrow to contact your Congressional delegations, you may be interested in determining the depth of conviction which they entertain on this subject of whether or not the cities in your State, your respective States, really do have fiscal problems.

The objective here is to fill the local capacity for better program performance and to respond quickly in six defined areas of National concern. And you will see that these six areas -- education, rural development, urban development, manpower training, transportation and law enforcement -- are the six classifications of the President's special revenue-sharing proposal.

We had two criterion in developing the range of options which were available to the President -- two major criterion:

One is that any undertaking had to be equitable; that because it was a National program it had to reach all quarters of State and local government in an equitable fashion.

And, second, that it did not require third-party action to be effective.

We'll talk in a minute about alternatives; but we were very concerned that whatever was proposed was within the singular capacity of the Federal Government to respond to the problem -- didn't require some response on the part of some State Legislature, some City Council, some County Board of Supervisors; but to go into action the minute that the Congress acted and the President signed the Bill.

It is a program which is under-girded with the same Civil Rights guarantees for all Americans that are presently contained in the Federal Categorical Grant Program, some of which are proposed to be folded into special revenue-sharing.

As you see on the left, the dollar amounts involve a total of $16.4 billion in the first year. General revenue-sharing at a level of $5 million; and special revenue-sharing at the level of $11.4 million.

In the small type at the bottom you will see -- and this is a very important point and one that is not generally understood. I noticed a newspaper story this morning where a mayor said that he was convinced that his city would do less well under Federal revenue-sharing than it is presently doing under the Categorical Grant Program.

The proposal has been structured, and the Bills are being drawn in such a manner that we can say with definitiveness and with assurance that no city, no county, no state will receive less under Federal revenue-sharing than it presently receives under the existing Categorical Grant Program, of which they are the beneficiaries.

This $300 million reserve is simply to take care of situations -- unusual situations -- where some locality has an unusually high level of categorical grant receipts, or the average level for years.

Now, we show the Congressmen the growth in Federal aid to state and local governments since 1962 on this slide on the right. And you will see a very dramatic curve of increase. But the thing to remember, as the Federal aid increases, so do the matching aid requirements increase, so that more and more local taxes are soaked up in the blotter of increasing Federal participation.

One of the features that must be understood about the special revenue-sharing proposal, that is in the nature of hidden treasure, is that special revenue-sharing money does not bring with it matching requirements. The money comes free of matching requirements.

Federal revenue-sharing involves about a third of the present Federal Categorical Programs which affect states, counties and cities. And virtually all of those programs have carried with them some local matching requirements. So that as to about thirty percent of existing Federal Categorical Programs, the proposal is that the locality be free from matching requirements.

The slide on the left is rather obscure, but what it says is this: That in fiscal year 1971, Federal aid to State and local governments was at the level of approximately $30 million, and increased $8 million between fiscal '71 and the fiscal '72 budget, which has now been sent to the Congress, an increase of -- oh, pardon me -- billion -- from 30 billion to 38 billion, an increase of seven billion nine or 26.4 percent.

This increase compared with the average annual increase over the previous ten years, '59 to '69, of about 11.7 percent.

What happened here was simply that there was a planned increase, a planned increase of $860 million for these local government grants, and hypothesized for the fiscal year '72 budget in the budget planning.

The President added $412 million additional through special revenue-sharing, so that we are looking at a net increase of in excess of $4 billion final question of general and special revenue-sharing.

This $4 billion of increase or the $16 billion of total distribution are demonstrated in an upcoming chart. A booklet that you have before you on the table, a brown publication of the Department of the Treasury is a computer print-out of the distribution of general revenue-sharing. The $5 billion among your state, your counties and the cities of your state eligible for general revenue-sharing, you will be able to refer to that document at your convenience and see what is proposed for distribution in general revenue-sharing to each of the communities of your State eligible for distribution.

This $5 billion amount is a beginning base. It is the result of a formula applied to the personal income tax base. And the formula for distribution of general revenue-sharing -- pardon me -- the computation of general revenue-sharing is 1.3 percent of that base; that is, the personal income tax base of the country.

This income tax base has been growing at the rate of about 9 percent a year. And so in the last slide that we will show you today, you will see that over a period of the next eight years it is anticipated that the general revenue-sharing fund will grow from the proposed $5 billion this year to $10 billion eight years from now.

Who shares? All fifty States and every city over 2500, every county and other municipal subdivision.

The basis for sharing. A per capita formula for distribution, first of all, to the States, with a tax effort adjustment. So that if you have two States of comparable population, one of which is making a better than average tax effort, and the other is making less than the average, national average tax effort, the State making the greater tax effort will receive a greater share of the $5 billion of general revenue-sharing funds.

Once that 1/51 st of $5 billion, once the State share arrives in the State, the Governor will distribute it among the political subdivisions of the State according to a pass-through formula which has been worked out with this Organization, the League of Cities, the Organization of Counties, in a usually agreed pass-through formula.

There is a bonus, however, of 10 percent if the State and its local municipalities can agree upon a locally designed pass-through formula. Here again, this is a provision worked out in concert by the State, the counties and the cities and simply ratified by the Federal Government in this proposal.

What are the restrictions as to general revenue-sharing? Essentially no restrictions on how the funds may be spent as long as they are spent for a proper public purpose.

The Federal Government does retain the right to require a report from the spending agency as to how it proposes to spend the money and how it did in fact spend the money, and, of course, it retains the right of audit and inspection. Beyond that and the basic Civil Rights guarantees, no strings on the local decisions.

How does special revenue-sharing work?

Again, we are talking about $11.4 billion, consisting of $10.4 billion of money derived from about a third of the existing categorical programs plus $1 billion in new money.

We then ask, "Well, all right, in general revenue-sharing the first year level is five and it increases to $10 billion; what about special revenue-sharing?"

This, it is important to understand, is a matter for annual authorization and appropriation by the Congress. If Congress feels that one of the six classifications of special revenue-sharing is not receiving enough attention, it can focus more money at the problem under that classification.

The formula for distribution in special revenue-sharing is different in each of the six classifications. Just as general revenue-sharing is designed to put the money where the people are, special revenue-sharing is designed to put the money where the problems are. And by a fixed statutory formula, using as nearly as possible objective criterion, money will pass to the localities where the problems are, so that the transportation classification money will be where the congestion and transportation impaction is; the urban development money goes to the urban centers; the rural development money goes to those areas experiencing out migration and other problems of rural development, and so forth.

I might say that those formulae are still in the process of development, and we are open to consultation by any of you who are interested in talking with us about what you think ought to be the factors for distribution under those various classifications.

We are talking to educators, and we are talking to rural development experts, and we are talking to people on the Hill -- anyone who would like to give us input on the factors that they feel should be weighted in as important in the distribution of these funds.

What are the restrictions?

Each of the pieces of legislation relating to special revenue-sharing will contain a statutory definition of scope. They, obviously, will be general in nature. And as long as the expenditures are made within that statutory definition of scope, they will be deemed to be a proper expenditure.

It is up to the localities to decide how the urban development fund should be spent.

Now you hear a mayor say, "My goodness, they're going to do away with our Model Cities Program." It's important to understand that the money that has been going to the city for that Model City Program will continue to go to that city. The city will not receive less than it is receiving now. The President will not abolish their Model City Program. The Congress will not abolish it. The only people who can decide not to have that Model City Program continue are the Mayor and the City Council of that city.

If they deem that to be the best way, the highest priority for the expenditure of those funds, then, obviously, they will keep that program going and they'll keep the personnel in place and the program will go on.

On the other hand, if they have gone for model cities because there was Federal money there, and if they didn't get it somebody else was going to, and they put up their matching money, and they infracted that Model City's money, but they did so really wishing they could use it for some other municipal purpose, then that local community will have the option, for the first time, of diverting that money to a higher priority use, as the elected representatives of the cities concerned.

That is where the future of these various categorical programs will be decided under this proposal, at the level where priorities properly should be decided.

Now, we are only talking about a third of the categorical grant programs that the Federal Government now has that relate to States, counties and cities.

Obviously, there are many categorical grant programs that can't be decided on a local decision basis that are pressed with such a broad national interest, or regional interest, or inter-state interest, like the Inter-State Highway Program, that they must remain a Federal Categorical Grant Program, and there is no proposal for dismantling those programs at all. But in the yellow booklet that you have there on revenue-sharing -- I think it's yellow -- it's either yellow or blue -- is a list of the Categorical Grant Programs that are proposed for uniting into special revenue-sharing, and at your convenience you can take a look at those and see what we're talking about as the 30 percent that we propose to be folded in.

As the President said earlier, this is a proposal that has been under study for two years. Many, many alternatives have been studied and possible ways of aiding the States and localities in their financial crises.

And I would like to just review some of those with you to indicate a part of the thinking that has gone into the selection of this particular alternative.

Some of the alternatives that we have looked at are there: Federalization of welfare costs; tax credits; tax reduction; and simply stepping up the amount of money that is coming to the localities through Categorical Grant Programs.

Federalization of welfare costs was one of the alternatives that we studied carefully. The thing that you find when you study it is that the pattern of welfare expense by States, counties and cities is very uneven around the country. So that when the Federal Government picks up a ratable share of welfare expenditures, some localities will be very nicely affected; others will be affected not at all.

Our goal here was to distribute funds largely on the basis of need, where problems were, under special revenue-sharing and where the people were under general revenue-sharing.

If we were to federalize welfare costs, and we ran a comparison on how the States would come out compared to general revenue-sharing, 62 percent of the money would go to the ten richest States; 5 percent of the money would go to the ten poorest States.

Four of the States would be worse off to the degree of between zero and ten percent. Those are the ones that appear in yellow on the lefthand map.

Eighteen States would be worse off between 11 and 50 percent, enormous. And seventeen would be worse off in excess of 51 percent, compared to general revenue-sharing.

As you see, there are a few States left in white -- California, Pennsylvania, New York, and some others, I believe, in the upper righthand corner.

We are trying to structure here a proposal for a National program which will meet problems that are national in scope. And, obviously, a distribution pattern of this kind doesn't do the job.

More importantly, it really doesn't help local government very much. There are very few local governments, and particularly cities, that have heavy welfare costs. Only 20 percent of the funds would go to local governments. And of that 20 percent, three-fourths would go to local governments in only two States.

Now, let's look at Federal tax credits. Of course, this is a proposal for a credit for State income or other taxes. You recall I said we had a criterion that wanted a program that the Federal Government should put into place without some action of a second or third party.

We run into the difficulty that 13 States presently have no tax system that we can link to, and, therefore, would require some affirmative action on the part of those 13 States, either an amendment of their constitutions or action of their State legislatures.

In some cases, we ran into flat-out State constitutional prohibitions.

Again, we run into the fact that some States would realize heavily the result of Federal tax credits, while others would be severely penalized. Thirty-six needy States would be penalized and the wealthier States would be helped the most. Again, the pattern on the map, five States would do less well in general revenue-sharing up to 10 percent. Twenty-seven States would do less well to between 11 and 50 percent; and four States would be penalized over 51 percent.

I think it is generally recognized that the Federal tax system responds more rapidly to need, to growth, or to deterioration of urban centers than many State tax systems. And so it is felt that we ought to have a link between the Federal tax system and the local problems if it is possible to do on an equitable basis.

We looked at the Federal tax reduction alternative. And this is a very direct and simple proposal that if, by golly, we can afford to send $16 billion down to the States and localities, then we just cut Federal taxes $16 billion and let the States tax those people.

Again, we miss a link between the taxpayer's pocket and the locus of the problem. Some affirmative action would be necessary on the part of the States in order to pick up that money that was left in the taxpayers' pocket. And, more critically, the taxpayers who do have more money now left in their pockets under this plan are unequally distributed around the country. So that we find again a disparity in distribution. Five States would be less well off under general revenue-sharing up to 10 percent. Those are the ones in yellow. In orange, 28 States, between 11 and 50 percent. And three States in excess of 51 percent, or a total of 36 States who would be worse off under Federal tax reduction, assuming they could get into gear and reach that money, than they would be under general revenue-sharing.

As the President said earlier, this is not only a proposal to move money from the Federal treasury to the problems of the localities, but it is also essentially a reform recognizing, as Secretary Connally said, that many of the Federal delivery systems simply are not working well. And they can work better, the problems can be solved better with local decision and local performance.

When we look at the alternative of simply raising the ante in existing Federal categorical Grants, we concede that some existing categorical grants are highly desirable. We have raised the ante dramatically, 50 percent, in these remaining programs. But, it is our desire to decentralize decision-making to eliminate duplication; to try and cut down the amount of red tape involved in obtaining approval for projects, to recognize the difference between communities and to permit priorities to be adjusted and determined at the local level.

And so, by way of summary, revenue-sharing provides immediate help for States and localities. We hope it will reduce the pressure for increased property tax. It is certainly one of our goals in this proposal. We believe the distribution is the most equitable of any of the alternatives that we have explored, and has the best chance of putting the money where the need is; and that it is an effective and responsive device in our Federal system of Government, moving the decisions of the money closer to the people, eliminating duplication, recognizing a difference in needs around the country, and combining the resources to do the job, and the responsibility for doing the job at some appropriate level of

Government closer to the people.

The last figure on the left is a figure from the Budget Message and it, unfortunately, is not very visible from this distance. The stairsteps at the bottom, however, on the lower left side demonstrate the annual increase in general revenue-sharing funds from 1972 to 1980. And the increase runs from $5 billion to $10 billion. The other numbers are simply duplications of numbers that we discussed previously.

That is very briefly the presentation that we presented to the House and Senate Members. And then in the case of the Republican Members of the House and the Senate, we have been available for questions, about two hours in each instance.

Some of the carpenters that the Vice President referred to are here, and I by no means am a master of all the technicalities of the subject, but I know who to ask. So if there are questions, Secretary Connally and I will be glad to take your questions, if that is all right with you, Mr. Vice President, and we can call on the other folks; Assistant Secretary Weidenbaum from the Treasury is here, and Dr. Ed Harper from our staff, and others. We will be very glad to try and answer your questions. If we can't answer them, we'll take your names and send you the answers.

Are there any questions?

(Applause)

CHAIRMAN HEARNES: Before we go into any discussion, if there is any, I think -- I am probably more sensitive to mispronounciation of a name than most people, I have just mispronounced -- it has been called to my attention -- the Governor of South Dakota, and I beg his pardon.

Now, is there any discussion? We would like to confine it -- we will confine it to the presentation made by the very distinguished gentleman that appeared before you.

The Governor of Colorado.

GOVERNOR REAGAN: Mr. Chairman, I have one question.

CHAIRMAN HEARNES: The Governor of Colorado first, and we will come back to you.

GOVERNOR LOVE: Do I understand --

CHAIRMAN HEARNES: Who is your question posed to?

GOVERNOR LOVE: John Ehrlichman.

Do I understand that on the so-called special revenue-sharing there are no formulas devised as yet. I am thinking about the $3 billion in education. Is there a formula devised or proposed for that distribution?

MR. EHRLICHMAN: Governor Love, that is under study and review right now. We have a working group very, very actively working on a hypothesis, which they are now checking with people on. The direction that that study is taking indicates that that will be the most highly structured of the six classifications, in order to be sure that money coming down to the localities as special revenue-sharing, a certain amount will go, for instance, to vocational education. A certain amount will go to Title I type problems, so it will be more particularized in the restrictions on its application than the other five classifications; but it is still an open question so far as we are concerned.

The first measure which we will send to the Hill is law enforcement. And it is simply a codification of the existing LEAA distribution formula technique. And so that will be the easiest one for us to get around and get substantial agreement on.

I made a mistake about which my conscience back here corrected me on. I said that your book reflected cities and towns down to 2500. He says that the size of the city or town doesn't make any difference, but that is an arbitrary census classification, but cities and towns smaller than that are still eligible for general revenue-sharing. Is that right, Ed?

CHAIRMAN HEARNES: The Chair would recognize the

Governor from [illegible].

GOVERNOR [illegible] I just want [illegible] that I am speaking [illegible] is possible -- my question is [illegible] what can we do to help get that [illegible]

(Applause)

CHAIRMAN [illegible]: More specifically, what are you talking about?

GOVERNOR [illegible]: Revenue-sharing.

CHAIRMAN [illegible]: Well, I suppose the Vice President would [illegible].

THE VICE PRESIDENT: [illegible] whether this plan is successful or [illegible] people -- regardless of certain [illegible] possibility of [illegible] to those provisions within general revenue-sharing, regardless of the many discussions that come out of the special revenue-sharing, I think the thing is going to depend primarily upon how people unify behind a definitive positive program, and how they refuse to be sidetracked into the consideration of the broad outlines of alternatives that haven't been thrashed out. So I think the Governors, irrespective of their misgivings, perhaps, in minute instances about general revenue-sharing, and also irrespective of their fears about what might surface in special revenue-sharing, will as soon as they are able endorse positively the plans that they feel accommodate them in a broad sense, then we can begin to get Governors, mayors, county executives, county commissioners and judges, as well as the many people in the private sector, who have a very big stake in the revitalization of state and local government on the board for a positive program that is clearly defined in existing legislation.

You note that I have not asked you at this point to endorse a pig in the poke, which is really what special revenue-sharing might appear to be until the President's messages go to the Congress on the six specific categories that Mr. Ehrlichman referred to.

We are interested in your inquiring about those areas of special revenue-sharing that you have a particular interest or a particular expertise in, because you will undoubtedly be of tremendous assistance to us in developing a formula which will be acceptable to the people who have that particular interest.

So it's a matter of broad support, as the clear definition becomes apparent. It is a matter of not being so rigid on every detail, of suggesting the changes that we might be able to accommodate to, and it is a matter of going out within your constituencies and selling the private sectors in such a fashion as they will get behind the program in correspondence and personal communication with the Members of the Congress in whose hands finally the success or failure of any revenue-sharing must rest.

CHAIRMAN HEARNES: As I pointed out to you before, when we met at the Lake of the Ozarks at the last Governors meeting, pursuant to your directive, I appointed a sub-committee of Governors, chaired by Governor Scott of North Carolina, Governor Mandel of Maryland and Governor Holton of Virginia.

At this time I will call on Governor Scott to speak on behalf of the sub-committee.

STATEMENT BY THE HONORABLE ROBERT W. SCOTT

GOVERNOR OF NORTH CAROLINA

GOVERNOR SCOTT: Thank you, Mr. Chairman, Mr. Vice President, Secretary Connally, Mr. Ehrlichman and my fellow Governors.

As the Chairman indicated, immediately following the Missouri Conference, the committee was appointed to look into the matter. And he asked Governor Holton, Governor Mandel and me to represent the Governors' Executive Committee to carry out a special mandate of the National Governors'

Conference, and, specifically, the Executive Committee was directed by the Chairman to work toward the immediate and favorable enactment of revenue-sharing.

In light of this mandate, and in further recognition of the enormous amount of time and effort spent by the Governors involving its policy on the governmental fiscal relations, I am speaking on behalf of the Governors now to indicate to the National Administration and to the Congress and to the public that the National Governors' Conference stands four-square behind the general revenue-sharing.

Now, to be sure that I do not contribute to the problem of semantics, let me emphasize that the National Governors' Conference current policies deal only with general revenue-sharing. It does not deal with special revenue-sharing, which might appropriately be termed as grant consolidation or block grants in broad program areas.

The Governors' Conference is also on record as in favor of grant consolidation and block grants, I might add. I am sure that the Governors will address themselves individually to these various components of special revenue-sharing as the details become clear and as they are announced.

In the meantime, we want to address ourselves to special revenue-sharing, and to the ways and means of bringing it about. And to express it in another way: The Governors are wholeheartedly in favor of redistributing $5 billion, or more, to the States and localities with no strings attached.

By necessity, we must reserve judgment on the $11 billion special revenue-sharing proposal.

Our failure to endorse this aspect of revenue-sharing should by no means be regarded at this point as a negative attitude. Charlie Byrley and his staff of the National Governors' Conference have been instructed to work closely with the Administration and gaining a complete understanding of this broad-based proposal. Consequently, we asked -- at the Congressional level, we asked the National Administration to work with Mr. Byrley so that this Conference, through its committee, can also have a full understanding and then be in a position to provide a positive response to the special revenue-sharing proposal.

The National Governors' Conference has been on record in favor of this concept of revenue-sharing since the mid-sixties.

A vast amount of work has transpired since that time and has resulted in a clear-cut decision, first adopted in 1969 and reaffirmed again at our meeting last year at the Lake of the Ozarks.

Our position was developed in cooperation with the organization representing the county and city governments, all of which are pursuing a similar course, and all of us agree to the basic principles of general revenue-sharing.

As Chairman of this Sub-Committee on Revenue-Sharing, it was my pleasure to meet with representatives of other State organizations and local organizations in Atlanta last December.

Perhaps it might be useful to identify those organizations involved. In addition to the National Governors' Conference, the organizations represented included the National Legislative Conference, the National Conference of State Legislative Leaders, the National League of Cities, the National Association of Counties, United States Conference of Mayors and the International City Management Association.

Representatives of these groups were unanimous in their support of the following principles:

First, revenue-sharing should be a percent of the Federal income tax base.

Second, it should be a substantial amount.

Third, there should be a continuing and predictable annual commitment.

Four, revenue should be for a general purpose of State and local governments.

Fifth, revenue should be restricted -- should be unrestricted as to use.

Sixth, revenue should be allocated to States on a formula basis.

Seventh, the State should share with local governments in accordance with a prescribed formula and process.

And, eighth, and perhaps most important of all, the groups there at that meeting were unanimous in an agreement to work together.

Now, all of the organizations worked effectively in Atlanta and since then other meetings have been held and with similar success.

In fact, Administration spokesmen have made it clear that the President would like to support a plan which would (word inaudible) all the State and local organizations involved.

This challenge was accepted and negotiations continued and finally resulted in the form of the Administration's proposal which has bi-partisan support.

The Bill may be described as another example, I think, of the art of political compromise. I am certain that each of us will find certain flaws, and will undoubtedly express our fears through the Congressional process.

In the meantime, it is the recommendation of your sub-committee that the National Governors' Conference keep revenue-sharing at the top of the National agenda, and that we cooperate in a bi-partisan spirit to gain the favorable approval of the Congress.

Now, Mr. Chairman, with your concurrence, I would like to extend an opportunity to Governor Holton and Governor Mandel to offer any supplementary remarks regarding the sub-committee's work before we get into the general discussion of it.

CHAIRMAN HEARNES: I think Governor Holton and Mandel, if you so wish, can use the microphone.

GOVERNOR MANDEL: I think Governor Scott has covered it fairly well as far as I am concerned.

CHAIRMAN HEARNES: Governor Holton?

STATEMENT BY THE HONORABLE LINWOOD HOLTON,

GOVERNOR OF VIRGINIA

GOVERNOR HOLTON: Mr. Chairman, Mr. Vice President, Mr. Secretary and fellow Governors, I would like to take an additional two and a half minutes in support of these proposals because I really feel that we have an opportunity here that is significant in our history.

It is an opportunity, very simply stated, as I see it to save the Federal system. The Federal system can survive. Those compromises that were made by the Founding Fathers between the big and the little, between those who would have a stronger central government and those who would have a weaker, are still valid compromises.

The Federal system is in trouble today because of the disproportionate growth of the central government.

Now, I am aware of the background of the growth of that centralized government, and I am aware that that background undoubtedly includes some neglect of responsibilities at the State level, and my section contributed, I know, to that neglect. But I believe in this Federal system, and you do, and the reason we do, as Governors, is because we know that the problems we are talking about, most of them, can better be solved locally, at the State level or by localities. We simply need the additional funds that general revenue-sharing would give us.

One word about special revenue-sharing. Of course, we must take a look at what is yet to be proposed in the way of specific legislation.

I would like to direct myself specifically to the argument that has been raised because it would be more responsive, those who raise these funds by taxes should have the responsibility for spending them.

I am sorry, I must say that is simply a false argument. Those funds are going to be raised anyway, and it is a question of who is going to spend them.

Now, I simply don't see how anybody can say that some regional director or some alphabetical agency who never had to go to the polls, and who has to have his politics in shape only once every four years, is going to be more responsive than those State legislators and Governors and mayors and city councilmen and boards of supervisors. It simply does not exist that way.

More importantly, the staff of the regional director doesn't even have to worry about his politics every four years. And the staffs in so many instances, as the Secretary has pointed out, is what makes these decisions.

Governors and legislators and city councilmen, boards of supervisors and county commissioners and judges can come and go, but the staffs of these Federal bureaucracies go on forever.

I urge the support of this because manifestly it helps us meet the needs of the people by the elected representatives who are directly responsive to the people.

(Applause)

GOVERNOR SHAPP: Mr. Chairman.

CHAIRMAN HEARNES: Is there any further discussion?

GOVERNOR SHAPP: Mr. Chairman.

CHAIRMAN HEARNES: The Governor of Pennsylvania.

GOVERNOR SHAPP: I would like to address myself to this over-all problem of relieving our States and cities of some of their very pressing financial problems.

Revenue-sharing is like an apple pie and none of us here are probably against it.

Five weeks ago I assumed office of Governor of Pennsylvania, and in that five weeks' time, I have come to the conclusion that the revenue-sharing plan is not necessarily the best plan that helps some of our hard-hit States.

I spoke out very strongly in favor of revenue-sharing and also takeover of welfare when I was down at the Governor elect conference in North Carolina. And now that I am Governor, my emphasis is shifting more to takeover of the welfare problems rather than the revenue-sharing plan such as announced here.

Perhaps my reason for this, next Monday the Commonwealth of Pennsylvania runs out of funds and I have to start winding down the affairs of many of the services in the Commonwealth unless we get a tax program through, and that is tied up in legislature right at the moment, and I am sure all of you know what that means.

The present plan, I don't think, is sufficient to solve either the immediate or the long-range problems that my State faces, or many of the States face.

The Vice President spoke a moment ago and stressed the flexibility that is built into the plan. I think the main flexibility to be built into a plan to help the cities and States is for the Federal Government to take over what is perhaps becoming the most uncontrollable and one of the largest items in our budget; namely, the welfare, so that then we would have more flexibility in our budget because with welfare taken over by the Federal Government, we would have more funds to devote to the other programs essential in our States.

I propose that we have federalization of the welfare program. I think the present call on public assistance is becming more and more uncontrollable because the Federal Government is setting most of the standards and the courts are testing those standards and every day more and more people are finding themselves eligible to come to the welfare offices and they meet the criterion, and, therefore, they get money from the States.

Now, the programs, as I say, are mainly Federally established. There are those States seeking to provide minimum standards for people on welfare. Neither the State alone nor the State and local governments together can carry what is becoming a lion's share of the load. And so what I propose that the welfare program be fully federalized over a five-year period. During 1971, the Federal Government could assume all the costs of welfare that exceed 90 percent of each State's cost for the 1970 period.

Then each year between '72 and '75, the Federal Government could assume an additional 20 percent of this welfare burden. Thus, by 1976 the Federal Government would retain 100 percent of all welfare costs for each State.

If the State decides to increase their welfare benefits over the 1971 level, they would carry a major share of that. If this plan could be adopted, I might say, the Commonwealth of Pennsylvania and other States would have funds to relieve the comminity of almost all costs of public education. And this, in turn, would permit the municipalities to use their revenues for other essential services that they must supply.

There are two other programs that I would like to address also. They are new.

First, I think the cities and States should be able to obtain in advance from the Federal Treasury or the Federal Reserve under a program of special Federal draw money, monies that are due them under Federal grant formulas in any given fiscal year.

This, in effect, would provide additional shock absorbers for the State and local governments to permit better fiscal planning and prevent chaos when the cities and States run out of money.

Most cities and States have no such shock absorbers at present because, unlike the Federal Government, even in the case of dire emergency (portion inaudible) deficit planning. This, of course, is the heart of my problem right now in Pennsylvania.

Without such special drawing rights (portion inaudible) international monetary agreements be quite similar to Federal Reserve agreements (portion inaudible) many states and cities in the near future may be forced to severely slash vital services to the citizens, and result in chaos that would rock the structure of our society.

For example, with such a plan now in effect in Pennsylvania, we could obtain in advance those funds clearly allocated by the Federal Government for our Commonwealth in order to continue operating beyond the end of our fiscal year without violating our no-debt Constitutional requirements and without the necessity to slash these vital public services.

The third proposal is that the Federal Government should guarantee loans for our States and cities. Our States and cities today pay higher than private industry interest rates because the lenders look upon the States and cities as increasingly poor risks, and yet our cities and States must file billions upon billions during the next decade. A Federal agency should be established to fully guarantee loans made by our cities and States. This would lower the interest rate in such filings and save many millions of dollars for the State and local taxpayers.

Such a guarantee plan for our steamship lines already exists under the Federal Maritime Act, and certainly our States and cities are equally worthy.

Congress recently agreed to guarantee loans made by banks to private corporations, such as Penn Central and Lockeed. If guarantees are provided by the Federal Government for Penn Central, why not for Pennsylvania? If they are provided for Lockeed, why not for Loch Haven?

I suggest to my fellow Governors that we should be looking deeper into this whole plan to help resolve these problems.

I intended to present these resolutions to the Executive Committee, but I shall not, but I shall do more study on the problem and present them as resolutions to the September Conference. In the meantime, you will find the yellow booklet goes into greater detail on the probram I have just spoken about here. Thank you very much.

(Applause)

CHAIRMAN HEARNES: Thank you, Governor of Pennsylvania.

The Chair recognizes the Governor from New York.

GOVERNOR ROCKEFELLER: Mr. Chairman, Mr. Secretary, Mr. Vice President and distinguished colleagues:

Seeing that Governor Shapp spoke on the subject of welfare and since this falls within the Committee on Human Resources, I thought perhaps it would be useful to say a word because our Committee met this morning and we have some recommendations to make in this field. But I would like to comment briefly on the comments made by Governor Shapp because he suggested all-out support of welfare as an alternative to revenue-sharing.

I don't blame the Governor for his concern in view of the situation which he found on becoming Governor of Pennsylvania. The fiscal situation is a very serious one and I admire tremendously his courage and his presentation to his Legislature on a tax program to meet this, and particularly an income tax which his predecessor had pushed and which did not endear him to his constituents.

As one who has pushed and received taxes six times as Governor, and now going back to ask for a billion one hundred and fourteen million additional taxes this year, I speak with a great deal of sympathy.

I would like to say, however, that in my opinion the concept proposed here both by the Secretary of the Treasury and Mr. John Ehrlichman on behalf of the President, reorganization and revenue-sharing is one that is essential to the future survival of our Federal system. And I think the Governor of Virginia made that point very effectively.

Welfare is a problem, and for Pennsylvania and for California and for New York, it would be great and I would benefit, and Governor Shapp would benefit, and I would benefit more than any two States in this country. In fact, we would get 51 percent of all the money. And Pennsylvania might get up to about sixty some percent.

So, from my point of view, this would be great. But as one who has been in politics for quite a long time, it is utterly unrealistic to expect that the Congress is going to vote to give a few States a vast majority of the money.

We can get corrections and assist them in getting improvements in the system and I think that our committee has some very important recommendations. But I think we would be whistling in the dark if we thought we were going to solve our problems in the State today by abandoning revenue-sharing, which is one of the most exciting and significant concepts presented by any President I think in the history of this country and in order to save the Federal system as we know it in our desperate scramble to get money -- and I am deeply sympathetic with the problems of the Governor of Pennsylvania -- I think the President today in his speech to the Governors allayed a fear and concern which existed in many quarters as to whether he really wanted revenue-sharing or he wanted the issue.

He faced that very frankly -- he wants revenue-sharing and not the issue.

Mr. Secretary, I think that we must speak here in frankness and, therefore, I would like to ask whether you are ready to trade off revenue-sharing for reorganization, as reported in the press? I have to say that because there is real uncertainty among political leaders in the Congress and outside of the Congress as to whether the Administration, both the President and his representatives actually want the revenue-sharing. This would be true also of Assistant Secretaries.

I think I know where we stand -- forgive me for raising it, but I think it is important that this be clarified so that we all know where the Administration leader and members stand on this issue so that we can, as individual Governors take our stands and the effect will go to all delegations in Congress in the support of what has been characterized as a major step in preserving and revitalizing the Federal system of Government.

Thank you.

(Applause)

SECRETARY CONNALLY: Governor Rockefeller, may I respond to you by simply saying that I have heard of no one who is willing to trade off revenue-sharing for reorganization, nor do I know of anyone who at this point in time is even suggesting such a thing. I did not read the report to which you allude, but I know there is no thought for such trade off nor is there any thought of even compromise of either revenue-sharing or reorganization.

(Applause)

CHAIRMAN HEARNES: Governor Evans?

GOVERNOR EVANS: Mr. Chairman, I, like Governor

Rockefeller, sympathize with Governor Shapp. We have had constantly or in my term as Governor severe financial problems in our State, nothing like Pennsylvania faces now, and I go along with all of my colleagues in sympathizing with him, but I think we are in grave danger as Governors of losing the opportunity for revenue-sharing if we divide amongst ourselves. The present tenor of Congress, it seems to me, at least in my own delegation, is to be pretty skeptical of revenue-sharing.

Some four years ago when I met with my Congressional delegation there was virtually unanimous enthusiasm for revenue-sharing. I think they viewed it as an idea that they would never have to vote on. But as it comes closer and closer there is increasing skepticism in Congress and we are going to have to exert every effort and have to be as united as possible if revenue-sharing is ever going to come about. And I simply think we are going to lose the battle if we divert any effort toward the possibility of Federal take-over of welfare or anything else.

It seems to me that right now is the time we have got an opportunity for revenue-sharing if we work on each individual delegation in Congress, if we do our job and if we do something that I have done in my State and Governor Nelson

Rockefeller has done in New York, something I think we all should do, and that is to make personal contact with every county executive, every mayor in our cities and get them on the backs of their Congressional representatives.

We simply have got to be unified and now is no time to lose that unity.

CHAIRMAN HEARNES: Is the Governor from Washington hinting at the fact that even Congressman Mills may be a buffer?

(Laughter)

GOVERNOR EVANS: I wouldn't hint any such thing.

CHAIRMAN HEARNES: Any further discussion?

GOVERNOR SHAPP: Mr. Chairman.

CHAIRMAN HEARNES: Governor Shapp, before we go on, the Secretary asked me to announce that the White House is expecting the arrival of the Governors beginning at about 7:45.

Governor of Pennsylvania.

GOVERNOR SHAPP: Mr. Chairman, I just want to make this comment: I am not going to oppose getting Federal revenue-sharing through. And I will certainly help if this is the only plan that is going to go through because any dollar we get from Washington to Harrisburg is going to help my problems.

What I have presented here is a program which I think in the long run is a much more realistic program to help all the States because I don't know what your welfare programs are in your States -- but Pennsylvania was one of the States that gained under every one of the other programs outlined except the Federal revenue-sharing plan. And we need the funds but it does not help our immediate problems nor our long-range problem.

I think we should give thought to this rising welfare cost. It might be of interest to know that the percentages of people on welfare in our rural areas of Pennsylvania are greater than the percentages in our hard-pressed cities.

THE VICE PRESIDENT: I would just like to say one or two words about the matters Governor Shapp raises. And I, too, have the greatest sympathy for any Governor who finds himself in such a fiscal plight as the Governor of Pennsylvania does.

I think it is important to remember that pouring money into the existing welfare system is not exactly a good investment. Since the President proposed his welfare reform we have had added to the welfare rolls two million new recipients of welfare at an additional annual cost of one and a half billion dollars. I think it is slightly more than a

And if even there is a reservation in your mind about how strongly you are supporting our revenue-sharing program, you have eroded to some extent the unified massive effort that this is going to take to get it through the Congress.

CHAIRMAN HEARNES: Any further discussion?

The Governor from Colorado.

I can't see, I'm sorry, the Governor from Nevada, Governor O'Callaghan.

GOVERNOR O'CALLAGHAN: Full Federalization of the welfare program would really get us in trouble I feel, and serious trouble if the Federal administrators continue to create a web of policies and regulations that make the program unworkable and entirely unresponsive to the American taxpayer.

This suggested program, and put it into -- well, taking over the welfare program, and the revenue-sharing program really pulls up the real issue -- too much incompetent administration at the National level is the real issue, and the continuance of these Titles will not be halted or properly funded by any alternative offered at this point.

General revenue-sharing would only be excellent if combined with a well thought-out State-controlled welfare program.

Secretary Connally, if your organization can obtain this, then we are on our way. But I don't think the family assistance plan the Vice President referred to appears to be the answer. Though I can thoroughly understand what the Governor from Pennsylvania is saying, I am afraid we might get in deeper if we continue going along the route we have in funding the inadequate programs provided through the Federal Government.

CHAIRMAN HEARNES: Any further discussion?

I want to close this meeting with one little word, Secretary Connally -- I am sure the engineer, as the Vice President said, of reorganization, Mr. Ehrlichman, as engineer of revenue-sharing, I have somewhere in my mind and heart a fear that you are going to end up with a tough job.

With no further discussion to come before the meeting, the Governor from Arizona moves that we stand adjourned and the Governor from Washington seconds the motion. All in favor say "aye".

(Chorus of aye's.)

(Thereupon, at 5:50 o'clock p.m. the meeting was adjourned.)

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TRANSCRIPT OF PROCEEDINGS

NATIONAL GOVERNORS' CONFERENCE

WINTER MEETING

Committee Reports

Washington, D.C.
February 24, 1971

Pages 1 thru 96

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NATIONAL GOVERNORS' CONFERENCE

WINTER MEETING

(Committee Reports)

International Ballroom East
Washington Hilton Hotel
Washington, D. C.

Thursday, February 24, 1971

The National Governors' Conference held a Session for the presentation of Committee Reports, commencing at approximately 3:00 o'clock p.m.

HONORABLE WARREN E. HEARNES, GOVERNOR OF MISSOURI, Chairman

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PROCEEDINGS

CHAIRMAN HEARNES. This session will come to order.

Will everyone take their seats, please, so that we can begin the session. Everyone in the rear please take your seats. We are going to begin with our reports -- I would like to have courtesy shown to those making the reports and we cannot begin until you take your seats.

This lends to confusion if you don't sit down; please be seated.

Thank you very much.

As I said at the beginning, this has been a very fruitful stay in Washington. We have enjoyed it. It has been enlightening but to hear more of this, it is the practice at the Midwinter Meeting to call upon various committee chairmen to make a progress report. This is done, of course, in order that all Governors have the benefit of what each particular committee has learned from their visits with respective Committees in Congress.

We lunched today with House and Senate leadership. It was enjoyable. Of course, I wish to thank the Speaker of the House for his hospitality.

The first chairman which I would like to call upon is the chairman of the Committee on Law Enforcement, Justice, and

Public Safety. Along with his committee report, of course, we will present a very distinguished guest to this body.

I would like now to call upon Governor Russell W. Peterson, Chairman of the Committee on Law Enforcement, Justice, and Public Safety.

(Applause)

REPORT BY THE HONORABLE RUSSELL W. PETERSON, GOVERNOR OF DELAWARE, CHAIRMAN OF THE COMMITTEE ON LAW ENFORCEMENT, JUSTICE, AND PUBLIC SAFETY

GOVERNOR PETERSON: Thank you, Chairman Hearnes; Attorney General Mitchell, and fellow Governors. The members of my Committee are Vice Chairman, Governor Burns of Hawaii; Governor Anderson of Montana; Governor Camacho of Guam; Governor King of New Mexico; Governor Licht of Rhode Island; Governor Walter Peterson of New Hampshire, and Governor Williams of Arizona.

We are primarily concerned, of course, with the major problem in America, the rising crime rate and what should be done not only to stem the tide in that very critical area, but to do what is required to markedly reduce crime in our country. And I think you will agree with me that there is one index of the quality of life in America to the crime index. It measures our failures -- our failures in the home, in the school, in the church, in the neighborhoods and Government, and so on.

And, since the crime index in America has been rising, that indicates to us that our quality of life has been deteriorating and it is fundamental that we take this more seriously, that we get more resources to combat the problem and that we do a better job of managing those resources to reach our objectives. And we believe that establishing some goal for reducing the crime rate would be a very worthwhile objective for America, and during the coming months through communication with each of you, we wish to discuss, get your thoughts on whether or not in September we shouldn't adopt a national goal of cutting the crime rate by a given amount by a given date.

We decided to recommend to our Executive Committee that we change the name of our committee in order to emphasize our objective a little more effectively -- to change the name from Committee on Law Enforcement, Justice, and Public Safety, to the Committee on Crime Reduction and Public Safety. We are recommending that to the Executive Committee for consideration so that we keep in front of us the great importance of being concerned about the prevention of crime as well as the rehabilitation of offenders.

I think you will agree that law, the Courts, police and correctional agencies constitute only a part of the activities required to cope with this problem, and we need to be more concerned about what is being done in the educational arena and in manpower training and in family structure, and so on, to do something about this very serious problem in our country.

We also believe that the Governors are in the best position of anyone in America to manage and provide the leadership necessary to get at this problem, to provide a climate in their respective States so that the public and private sectors all pull together on this community-wide project.

And so it is appropriate at a Governors Conference to seriously consider what we should be doing to spark and improve our effectiveness in this area. We think it is particularly important that we fit every young person, every young man and every young woman into a career opportunity which they find satisfying and rewarding.

We recommend that the Federal Government consider consolidating the 75 programs that are now operated by 16 Federal agencies into one block grant. These are all programs which are directed toward use and are very pertinent to this problem of reducing crime; mainly preventing crime. And so we recommend consideration of the block grant for use which would encompass those 75 programs. We will treat the delinquent and nondelinquent as members of the same family.

Yesterday we had the opportunity to have lunch with Attorney General John Mitchell and members of the Law Enforcement Assistance Administration to talk about the Nixon Administration's plans in this area. We are pleased to learn that the Attorney General and his staff are committed to these same broad objectives about which I have just spoken, and in their current plans which will be announced shortly -- which the President will be announcing shortly -- we understand there will be a minimization of the guidelines over the various funds made available to the Law Enforcement Assistance Administration today.

I am perfectly pleased to learn of the nomination of Jarris Leonard as the Administrator of LEAA.

We recommend to the Executive Committee of our Conference that they officially apply to the Law Enforcement Assistance Administration for the grant of $352,000 for use by our National Governors Conference to hire a staff that would provide each of our States with the assistance in knowing what is going on around the country to bring expertise, training to bear in our several States.

Our Committee recommends to the Executive Committee that they consider making an application. This was not a precedent. As you probably well know, our Conference of State

Governors has previously mentioned programs relating to this.

We were asked by the Executive Committee of our Conference to consider and carry out the establishment of a subcommittee on the National Guard. We have responded to that and I have appointed such a subcommittee which will be chaired by Governor Forrest Anderson from Montana. And the other two members of it will be Governor Jack Williams of Arizona and Governor Walter Peterson of New Hampshire. They, in turn, will assign their Adjutant General to a task force which will also include Colonel James Derrin of the National Guard Association of the United States. And we will provide thereby a mechanism for communicating with the Adjutant General of our 50 States so they can bring the proposals and suggestions to our Committee and then if we approve of them on to our Executive Committee.

Governor Ray of Iowa recommended to our Committee that we change the extradition procedures throughout the country and he has prepared a proposed piece of legislation to establish this new system and we will be sending it to each of you Governors for your consideration and later discussion.

I want to thank all of the members of my Committee and the task force for the work they have done in preparing this report and we look forward to discussing it in more detail with you at our September meeting.

And now it is my privilege and honor to introduce to you the Attorney General of the United States, the Honorable John Mitchell for any remarks that he would like to make and, in so doing, I want to thank him on behalf of all of us Governors for his cooperation in this very important field.

(Applause)

STATEMENT OF THE HONORABLE JOHN MITCHELL,

ATTORNEY GENERAL OF THE UNITED STATES

MR. MITCHELL: Governor Peterson, Your Excellencies, actually I was just brought here as a professional witness in case the Government needed any backup.

I will affirm the fact that we had a good and frank meeting yesterday with this Committee. Needless to say, we did not agree with everything he and his Committee had to say, and they certainly didn't agree with everything we have been doing.

We do have in the Law Enforcement Assistance Administration a new program that was barely on its third budget. It is, of course, with its growing pains creating numerous problems. I think it is coming of age and will be very very effective in the fields for which it was created, and that is the restructuring of the criminal justice system in this country.

I believe that you gentlemen are well cognizant of the fact that our criminal justice system was more designed, as it currently exists in many places, for the 18th and 19th Centuries and not the 20th Century in which we exist.

We have to approach the criminal justice system which is composed, as Governor Peterson said, of not only our law enforcement establishments, but also our Courts and our correctional institutions as a total unit to approach the problems that we have to face.

With respect to the President's message, it will be one of the six special revenue messages which he will send to Congress. The subject matter is law enforcement.

It will provide more money than was intended under the existing budgetary provisions and it will provide the monies to the States under a concept where the States will have a greater latitude in their expenditures than they had under existing legislation.

We think it is important that the Governors and their State planning agencies be the ones to ascertain what in the criminal justice system in their States needs to be addressed and what are the priorities. We feel that this new vehicle will provide the wherewithal to carry out this program.

One additional comment that I made to the Governors who met with us yesterday, our requests for appropriations in the field of Law Enforcement Assistance Administration, particularly with respect to the block grants, have been related to what we felt proper expenditures could be made by the States and be made usefully. We wanted to make sure that this program which is being launched was well operated and that the funds were well spent. We have, however, testified before the Congress and have stated publicly, to the extent that we find that this area of criminal justice can use more money through the block grants to States, we would be glad to go back to the Congress for supplemental appropriations.

One last thought, and that is that in the administration of this program at your State level, you recognize that the block grant concept of the LEAA was the forerunner of much of the concept of revenue-sharing. And this is why I would hope that all of you gentlemen and your staffs would devote the greatest possible attention to the administration and execution of the programs that are recipients of these block grants to the end that we will have a living example of how revenue-sharing can work and deny many of the allegations that have been made by the opposition to the concept of providing Federal monies in block grants to the States for their use.

I think it is the best guinea pig that we have at the Federal level and, hopefully, it can be made a shining example for revenue-sharing to come.

I think, Mr. Chairman, that those conclude my remarks.

If there are any questions that you gentlemen have, I will be glad to answer them while I am here.

CHAIRMAN HEARNES: Are there any questions for the Attorney General?

Governor Ogilvie.

GOVERNOR OGILVIE: No, I don't have a question. I would just like to emphasize the point you just made that this block grant approach is the greatest thing that has happened to law enforcement in this country in a long long time. We are using it very effectively in Illinois. We can see our crime statistics starting down and it is something that deserves the attention of the Governors because, as you point out, here is a way you can prove if we can get this kind of thrust from the national Government and Congress, and make it work, we can extend it. I just want to say that it is an accomplishment.

CHAIRMAN HEARNES: Thank you, Dick, with your assurance, this was not staged.

(laughter)

I will express my appreciation to you and your special guest. We do appreciate your appearance here and we hope you will visit us again. I will say on behalf of those who have been here more than three years, it was a long and bloody battle to get where we are in LEAA and which your predecessor and I assure you that the Governors will do the very best they can to make the system work.

(applause)

I would now like to ask the man that I served with for many years, the Chairman on the Committee on Human Resources who was kind enough, along with Governor Rampton of Utah to allow me to visit with them as they made their visit to Congressmen Mills and Byrnes and then on to Senator Long.

Governor Rockefeller's head is somewhat bloody but it is still erect. I would like to ask him to make a report at this time.

REPORT BY THE HONORABLE NELSON ROCKEFELLER, GOVERNOR OF NEW YORK, CHAIRMAN, COMMITTEE ON HUMAN RESOURCES

GOVERNOR ROCKEFELLER: Thank you, Mr. Chairman, fellow Governors, ladies and gentlemen.

We lost our stalwart on our Committee because he became your National Chairman, but the Committee now is composed of Governor Docking as Vice Chairman, Governor Evans, Governor Ferré, Governor Guy, Governor Love, Governor McKeithen, Governor Reagan, Governor Scott and Governor West.

Our staffs met and reviewed the proposed material for the Governors Committee meeting. We then met as a group yesterday, a very good meeting, a very lively meeting, full discussion. There were important additions made to the conceptual thinking of the Committee.

Governor Reagan made some very interesting and significant observations about experiences in a study going on in his State which contributed very importantly to the thinking of the Committee and it was reflected in our discussions with the two Committees on the Hill.

We are very grateful indeed to the generosity of Wilbur Mills and John Byrnes for their time. And we then had a very good meeting with the Senate Committee.

I think it is fair to say that in these discussions that there seems to be a growing awareness of the magnitude of the fiscal problem faced by State and local governments in this country, and that it is one that is not going to be met by business as usual. And that while Congress cannot act and even the Governments could not act that the buck stops. Unfortunately, we -- Harry Truman says it stops in Washington -- and that is what we are working on, but the problems stop at the local government and there is nothing that they can do so that the crisis is going to come in the cities and the urban areas of the industrial States. In the State governments which during the past ten years have been increasingly helping, the local governments are getting to a point where they are unable to do what is needed.

Now our area of discussion in the Committee of Human Resources is not revenue-sharing although this did come into the discussion because it is one way, one quick way, of meeting the crisis that our Committee in its report to you states as follows:

"Although revenue-sharing is not within the specific responsibility of the Committee on Human Resources, the Committee wishes to express its support for and urge prompt enactment of the President's general revenue-sharing program."

Such a program would be a major first step toward helping the States and local governments meet their fiscal crises.

We then go on and treat with the major subject of concern to the Committee; namely, Federal assumption of costs of welfare on a phase basis, which was adopted in 1969. Enactment of universal health insurance program, which was also adopted that year. Substantial additional Federal aid to the aging, which was adopted that year, and consolidation of the Federal Manpower Program with increased Federal assistance to promote job opportunities.

I will take these up in that order.

I might say that in a little blue folder which you may find on your desks the magnitude of the fiscal problem which is the backdrop against which we discussed these questions is outlined in brief.

Now, on welfare, as I mentioned, Governor Reagan brought in importantly the fact that we as Governments and local communities do not have the power to carry out the intent of Congress in making available assistance to those in need and at the same time avoid making available assistance to those who are not in need in terms of the intent of the legislation, but who through loopholes are able to get assistance in one form or another which is amounting to hundreds of millions of dollars. And so we incorporated in our discussion and our recommendations the recommendation that the Congress and the Executive Branch remove those restrictions which limit our capacity to cope with the problem locally. And he may want to speak on that subject to the group here.

The Committee on Human Resources supports the basic concept, reading now from the report which you have before you, "The basic concept of the President's proposed family assistance program as a step towards the accomplishment of the goal, and, particularly, the Committee urges enactment of provisions that would provide incentive to welfare recipients to work. At the same time the Committee urges that Federal legislation and regulations be revised to allow a rational system that will limit the possibilities for abuse through a reasonable and realistic ceiling on amounts of income a public assistance recipient may receive, and more effective review and control over eligibility to help assure that adequate funds are available for the truly needy.

"In order, however, to provide immediate fiscal relief for all States and localities and the Commonwealth of Puerto Rico and the territories, the Committee urges that the following actions be taken as interim steps toward 100% Federal financing of welfare" -- and I read the first three major recommendations:

Increase of Federal aid, one. This is "(a) the enactment of legislation providing for an increase in the Federal share of the cost of existing welfare programs, including medicaid and administration, retroactive to January 1, 1971, in order to provide immediate financial relief to States and localities from the escalating and overwhelming burden of welfare."

(b) Adult categories:

"Effective July 1, 1971, transfer the present public assistance programs for adults -- that is old age assistance -- aid to the permanently and totally disabled and aid to the blind, to the Social Security system. Funds from Federal general revenue would be provided to the Social Security system to finance the increased cost. State and local costs for these programs are estimated to be $1,700,000,000 in 1971-'72."

"(c) State and local expenditures:"the enactment of an absolute ceiling on State and local expenditures for welfare by providing that no State or locality would have to spend in 1971-'72 more than 85% of their expenditures for welfare in calendar 1970. This would result in a decrease in State and local expenditures for AFDC in 1971-72 of an estimated $1 billion $100 million dollars."

I would then go on to health. I might say that our estimate generally is that $10 billion this year is needed to meet the Federal share of the growth in State and local expenditures, and these items, as you will note, add up as we go along and we are trying to be helpful to the Congress in finding ways in which they can act within their own framework of a program that will be meaningful eventually.

Under health, the Committee on Human Resources supports the principles set forth by the President in his recent

Health Message.

And now I quote, "No American family should be deprived from obtaining a reasonable and basic standard for medical care by inability to pay, and applauds the President for his recognition of the need for national health insurance.

"The Committee, however, has not yet had time to analyze the details of the President's proposal and looks forward to the submission of the actual legislation and the opportunity for public discussion of it and other related proposals.

"The specific recommendations of the Committee are as follows:

"(a) Nursing home care. Delete the provision in HR 1 that the Federal matching percentage for care under Medicaid in the skilled nursing home be reduced by one-third after the first 90 days of care in a year.

"(b) Care in mental hospitals. Remove from the provisions in HR 1, which would reduce by one-third the Federal matching share for care of patients in mental hospitals after 90 days of care and provide no Federal matching after one year of such care during an individual's lifetime.

"(c) Immediate care: Delete the provision from HR 1 that an intermediate care facility would not include an institution of mental disease or defects.

"(d) Puerto Rico and the Territories: The Committee recommends to consolidate and provide for the elimination of set-asides currently applied to the Commonwealth of Puerto Rico and the Territories."

Under education, the policy position of the National Governors Conference calls for the assumption by the Federal Government of a far greater responsibility for financing of education. However, for the third consecutive year, the Federal share in the cost of elementary public education has dropped. The Federal share for this year, it is estimated at 6.9%, the lowest level since 1964-65. The total cost of primary and secondary education to State and local governments is $41 billion. This accounts for 40% of all the money we spend at the State and local levels and the Federal share is only 6.9% despite the fact there were over 100 categorical grants and we have to fill out 21 State-wide plans.

Our specific recommendation on Federal funds:

"The Committee on Human Resources urges that action be taken to increase substantially Federal aid to State and local governments for education. Specifically, the Committee urges the Federal government, as an interim step," pardon me, "initial step, finance in 1971-72 at the very least 10% of the total cost of elementary and secondary school education, based on 1970 expenditures.

"This would result in an increase of Federal aid of about $1 billion $200 million.

Consolidation of Federal programs:

The Committee applauds the President's announcement that he intends to propose legislation to consolidate Federal education programs.

The National Governors Conference has long supported consolidation of Federally funded programs for education and urges that such action be taken promptly.

The Committee stresses, however, that Federal funds from consolidated programs must be significantly greater in order to reflect the normal load that would have taken place had the existing programs remained in effect."

Then, skipping to Manpower, as the last of our recommendations:

"The policies of the National Governors Conference called for the enactment of Federal legislation which would consolidate Federal manpower programs.

"Recommendation: The consolidation of programs."

The President has announced that he intends to submit to Congress legislation to consolidate existing manpower programs.

The Committee urges the prompt enactment of such legislation.

The Committee also urges that the legislation provides that Governors be given both the responsibility and the authority to develop and implement a coordinated State manpower program.

Governors should assure that States have a comprehensive manpower agency which has the capacity to administer and unify the system of manpower services.

(b) Job Opportunities:

The Committee urges that Federal action be taken to provide job opportunities and training as a transition to permanent employment for those who are unemployed or underemployed because of adverse economic conditions.

Such a program would be Federally financed and allow for contracting with private sectors for job opportunities.

The Committee, therefore, urgently requests the Federal Government to act promptly on these proposals also.

Gentlemen, that is the extent of the recommendations. I think that one of the things that clearly comes out of this meeting, and I want to congratulate our National Governors Chairman, is the importance of the contact between the Governors and the Congress. No longer can the three levels of Government operate independently of each other because no one of us can meet the nation's problems alone, and I think it is essential that there be developed, such as was developed this morning in the Senate Committee, the suggestion from the Senate Finance Committee that the Governors create a Committee of three technical people to work with them in the development of legislation.

I talked to John Byrnes and he said they would like the same. This would be true of Welfare. If we can start doing this, so tbat they don't pass programs and then when we go to execute those programs they find out that they weren't really what they thought they were going to be and then when we ask for the money they say we never expected it was going to be that kind of request.

I think we can save a great deal by much closer cooperation and I think, Mr. Chairman, your leadership here today and yesterday has contributed immensley to both the atmosphere and the substance of this relationship.

Thank you very much.

(applause)

CHAIRMAN HEARNES: There may be some discussion or questions to pose to Governor Rockefeller, but I think before we do that or open it up for discussions and questions, another Committee also visited at the same time, and I would like to call on Governor Rampton of Utah for comments and then we will open up the discussion.

REPORT OF THE HONORABLE CALVIN L. RAMPTON, GOVERNOR OF UTAH, CHAIRMAN, COMMITTEE ON EXECUTIVE MANAGEMENT AND FISCAL AFFAIRS

GOVERNOR RAMPTON: Gentlemen, as was the case with Governor Rockefeller's Committee the fact that the subject of revenue-sharing was being handled elsewhere did not preclude our talking about it. It is much like the subject of sex at a bear's bull session. Whatever, we started talking about, we ended up talking about revenue-sharing. It appears to be a matter very much on the minds of most of us at the present time.

In our Committee, we are not entirely certain as to the division of responsibility in regard to revenue-sharing between our Committee on Executive Management and fiscal affairs and the Special Subcommittee.

At the time the Special Subcommittee was appointed, I assumed we had in mind only general revenue-sharing and we need further direction from the Executive Committee as to whether or not special revenue-sharing in the six categories that have been indicated should be handled by the Special Subcommittee or by the Committee on Executive Management and Fiscal affairs.

We feel that this should be determined very quickly because it is our understanding from presentation made here yesterday that the President's proposal in these six categories will start moving to the Hill within the next few days and it is quite important that we be in a position to react to the proposed formulas in each of the sections that are being set up. So I strongly recommend that that matter be determined before we get away from here, if we could, Mr. Chairman.

Other matters that our committee decided should be reviewed and reports made on during the interim between now and the fall session are the question of Federal government, not so much that we should tell the Congress how it should structure the upper Federal government as we have a desire to be able to react to the new departments as they are created. Because what the structure of the Federal Government is affects very largely how we deal with them on a State level. And so it is highly important, we feel, that we should follow closely the matter of reorganization and where we feel the input from the Governors Conference to the Congress in this field might be helpful, that it should be provided.

We feel that we should watch the questions of multi-State regional commissions. We understand that it has tentatively been decided by the White House to recommend the folding of the Title V commissions as well as Appalachia into one of the six special revenue-sharing categories. We feel that we should wait to see what is actually done and then the attitude of the Governors Conference should be made known to the Congress in regard to this matter.

There are four special fiscal issues which we feel need review and watching over the next few months. These are the questions of interest exemptions on State and Municipal Bonds, both conventional bonds and on the industrial revenue bonds. The taxation of Interstate business. The question of a Federal value added tax and the proposed overview of the State and local property taxes. It is the general feeling of our Committee that this is not and should not be the concern of the Federal Government and we felt that our Committee in this Governors Conference should be in a position to react rather rapidly if, in fact, this proposal begins to take on momentum in the Congress.

We visited this morning with the Ways and Means Committee along with Governor Rockefeller's Committee. I think it is fair to say that the Chairman of the Ways and Means Committee and the Senior Member of the Minority showed a concern and an understanding of the plight of the cities and of the State, but, at the same time, I think a frank appraisal would have to indicate that general revenue sharing at the present time at least faces a very rough road in that Committee.

In regard to the special revenue-sharing, although they, like we, are waiting to see the fine print, generally the attitude of the two gentlemen towards special revenue-sharing appeared to be favorable even if it required additional monies to those obtained from the phased out programs.

The members of the Committee on Executive Management and Fiscal Affairs, in addition to myself, are, Governor Hathaway of Wyoming, Governor Anderson of Minnesota, Governor Askew of Florida, Governor Bumpers of Arkansas, Governor Davis of Vermont, Governor Dunn of Tennessee, Governor Lucey of Wisconsin, and Governor Ray of Iowa.

Thank you.

(applause)

CHAIRMAN HEARNES: If the Chair recalls correctly, the Subcommittee on General Revenue Sharing was appointed pursuant to action required by the Executive Committee of the National Governor's Conference as a whole. I personally believe that that subcommittee has its hands full with that one particular subject.

I note a quorum present of that Executive Committee. Unless I hear objections from that Executive Committee, as

Chairman, I would point this subject matter of special revenue sharing to your Committee.

Hearing no objections -- no objection --

GOVERNOR RAMPTON: With that understanding then, Mr. Chairman, as the proposals come from the White House and the proposed formulae become known, our Committee will take the responsibility of corresponding with, not only our own Committee Members, but with all governors to get their reaction to the proposed formula and let you know so that you can make the attitude of the Governors Conference known to Congress.

CHAIRMAN HEARNES: Thank you.

GOVERNOR HOLTON: Mr. Chairman.

CHAIRMAN HEARNES: Governor Holton. Is this discussion? Governor Holton of Virginia.

GOVERNOR HOLTON: Mr. Chairman, I would like also, while we are on this inquiry, and this inquiry comes from me as a member of that Special Subcommittee on Revenue Sharing, and I say this: it was my understanding last summer that we had near unanimity among the Governors in favor of the general idea of general revenue sharing.

I see, myself, no lessening of the support among the Governors for that idea, the one proposed by Senator Muskie and one proposal by the Administration. They are basically the same general approaches. And we on this Subcommittee have operated throughout the time we were appointed on the assumption that this near unaminity still existed. Now, we have got a number of new folks and I think we ought to be candid about it. My judgment is that we are still very nearly unanimous on this, but I read in the press some little different suggestion, but it seems to me as we sit here and debate this thing for a couple of days that the alternative to take over Federal welfare as a substitute or as an alternative for general revenue-sharing becomes not only less feasible but less practical because it doesn't help enough of us. The alternative is becoming less attractive. Now if anybody disagrees with that I would like them to tell me so because I am on a Subcommittee supporting it and I want to know where we stand.

CHAIRMAN HEARNES: I think the Governor from Virginia is pointing out the fact all of us recognize since the National Governors Conference at the Lake of the Ozarks some 19 additional governors are now part of the Conference. The Subcommittee was following the mandate of the Conference as it existed.

I would just inquire whether any of the Conference's Governor's present who are older Governors or the new Governors if they would like to make their own ideas, or give their own ideas about revenue-sharing.

GOVERNOR McKEITHEN: Mr. Chairman, I am a member of Governor Rockefeller's Committee and I apologize first to you and the other members of the Conference for my absence yesterday, but we have Mardi Gras in New Orleans once a year, and there are a million constituents there --

(laughter)

The Governor of Virginia invited comments from various Governors.

I have talked to a number of the leaders of Congress about this proposal, and Members of Congress who are not leaders, I have spoken with them. I honestly must say that my conversations with them lead me to believe that our chances of getting Federal revenue-sharing, as the President said in his address to Congress, without strings attached and without certain conditions attached to it, are very slim indeed. I am very fearful that if we push forward with revenue-sharing, what we are going to have is additional Federal grants, telling us exactly how that money is to be spent, how many employees we are to hire and the way it is going. That is my candid opinion from my discussions with various Members of the Congress. I think that the likelihood of our getting the Federal Government -- and I think we should say this without hesitation -- our own Federal Government to participate more fully in the various programs they now have in effect and eventually, and I would hope not to take over the financing of the various programs of which they have virtually assumed control already -- and I speak, specifically, of course, immediately of welfare. And, as I say, I am sorry I was not at the Committee Meeting yesterday when I understand Governor Reagan gave many examples of the situation in California. But I think our likelihood of getting this is much better than just a pure revenue-sharing plan. I don't think there is any likelihood at all of our getting a revenue-sharing plan without strings attached to it. That is what I get from my conversations with Members of Congress.

The Governor of Virginia asked for comments and I think it is fair that I should give them. I think our chances of getting additional money from the Federal Government are virtually nil.

I can't conceive, for example, of my own delegation, through the seniority system, and I think through their own efforts, and they have demonstrated ability to lead, but I just can't conceive of that delegation voting additional taxes or, as you said today, Mr. Chairman, increasing the Federal debt limit to give us additional money to do with as we please.

If they are going to give us that money and have to raise additional taxes to do it, or raise the debt limit to do it, I think we can certainly reason that they are going to tell us how to spend it. That is my candid observation and I would not have said that had the Governor of Virginia not invited comments.

I think the likelihood, as I say, of their taking over welfare -- and it should be taken over -- for example, a family in Mississippi, as far as I am concerned gets less from Welfare than a family in Louisiana gets. That is true today. If the people in Mississippi, for example, ever are given the good word or get the message that they can move to Louisiana immediately and increase their welfare payment two or three times over, we can all make some investments in the Greyhound Bus Lines stock. Some of you States are even more liberal than Louisiana.

(laughter)

CHAIRMAN HEARNES: I thank the Governor from Louisiana in the State for Welfare.

GOVERNOR McKEITHEN: That is one of the pressing reasons why the Federal Government should take that program over.

We have attempted to get children off the welfare rolls, and we have attempted to improve our welfare programs but the Judiciary has traditionally and consistently stricken it down. The requirement that you must be in Louisiana a year before you could get welfare -- the Judiciary struck it down. The man in the home, a person in the home able to work should be made to take care of their little children, the Federal Judiciary struck it down. And we are virtually helpless about our own program. The only thing we are called upon to do is pay. We have a lot of indigent people in our State in desperate need. As the rolls get larger, we are forced to cut down the payments to those in actual need.

I think we have a strong argument, as you may or may not agree, to have the Federal Government take over the welfare program.

I think the chance that this Congress is going to give us a lot of money without telling us precisely how it should be spent, I think is almost nil.

CHAIRMAN HEARNES: Thank you very much.

GOVERNOR McKEITHEN: I made this statement because it was invited by the Governor of Virginia.

CHAIRMAN HEARNES: I know he appreciates discussing this matter.

(laughter)

GOVERNOR McKEITHEN: He asked for candidness.

CHAIRMAN HEARNES: At least the indication here, as far as the Chair is concerned, I think Governor Holton and

Governor Scott and Governor Mandel feel that they have to hear not only from the Governors who they have served with before, but the new Governors, and they have invited this discussion and I think it is very healthy.

The Governor from New York has sought recognition to respond briefly and the Governor from California and the Governor from North Carolina.

GOVERNOR ROCKEFELLER: Mr. Chairman and gentlemen, just in response I have two observations. We have a delegation, a large delegation here from New York. The Republicans have all supported the bill and all but two of the Democratic members have been opposed to it; however, all of our delegation, or virtually all of it, is in agreement that if revenue-sharing came out on the floor of the House now it would pass. I think this is a very significant thing. So when a distinguished Member of our Committee feels that it won't pass, in my opinion it is an appraisal of the leadership.

Secondly, I would like to sort of predict maybe that the following would happen, that if action is not taken to relieve this crisis that we will go through into the summer and the cities are the ones that are going to be under tremendous binds. The finger in the cities is going to be on the Congressmen. There is no other place that anybody can go for money.

The States haven't got it, the cities can't raise it and I think towards summer the Congressmen from our big cities are going to have a very, very strong change of heart and they are going to be down here with a different attitude. And I think maybe we are going to see a change because it is the only way that money can be gotten to all of the States and all of the communities on an equitable basis. You can't do it through welfare. We would love to have welfare taken over. It would be $2 billion for New York, and again, there is no place else for them to go for it. So I think they are going to come out with revenue-sharing before this Session is over.

CHAIRMAN HEARNES: Before recognizing the Governor from California, it just seems to me that in September we will find out who has the best crystal ball, the Governor from Louisiana or the Governor from New York. We should know by that time.

The Chair recognizes the Governor from California.

GOVERNOR REAGAN: Mr. Chairman, with all due respect to our colleague here from Louisiana, at a meeting this morning with Senate Committee, through Chairman Long, on Human Resources and Welfare, naturally, as Governor Rockefeller said, we did touch on Federal sharing. And the consensus, I think, of what we came out with after the lengthy meeting with this Committee was the belief that we have an immediate problem of the crisis facing the States and communities. We have an immediate problem with regard to correcting some of the things that are wrong with welfare, that is, in connection with this same financial crisis. And then a longer range plan with regard to establishing, such as through Federal sharing, the money problem, and at the same time a long-range reform totally of welfare. I cannot agree it is different to talk about the Federal Government increasing and taking over the financing of welfare, but if we are suggesting the Federal Government administering welfare in our States, then I have to say that we are asking for disaster because we are throwing the ball to the same people who have fumbled it already. They created this monster. It doesn't work. It is a disaster, and we are stuck with it.

In California, we have had a task force working with welfare for the better part of the year and we are now prepared to go before our Legislature next week with a program on total welfare reform, which depends, in part, not all of it, but in part, on getting some experimental waivers from HEW here in Washington.

We discussed those this morning with the Committee. We have been told by the representatives of HEW that part of their problem was if they granted us those waivers they would be up against trouble with the Committee. We have the assurance now after meeting with them that the Committee is going to send a letter to HEW telling them that they encourage the granting of waivers for the States to make these experiments. They then, based on some of the reports we gave on failures in developing, suggested that they themselves were willing prior to long-range welfare to meet some of the problems. There is no one in the United States today who can determine how many people are on welfare. They can only determine how many checks are being mailed. There is no way to know, and I suspect it is a greater number than anyone here realizes. There are people who are collecting four and five welfare checks under four and five different names and there is no method of identification. Indeed, the regulations prevent us from even challenging the affidavit or forcing into proof his eligibility under this program.

They are willing to try to get passed a law that will provide for such identification and that will provide a serious penalty for anyone who is committing this fraud on welfare.

We have asked also in our reform program, we have suggested the thirty and a third formula of the Federal Government to provide incentives and incentive of welfare recipients to take jobs. That has now been so violated, and it was passed with the best of intentions, that it is an absolute necessity that we have a ceiling put on earnings, a limit above which no one goes and also be permitted a supplemental welfare grant. And some curtailing in the welfare grant that those people who have earnings, and all of us were agreed this morning that at the basis of this is compassion because we believe that the person totally destitute and depending on welfare is getting enough for a decent living.

We in California are basing it on the idea if we make the reform we can reduce our budget by $700 million and a part of that $700 million is Federal money, part of it is county money and a part is State; but, at the same time, in doing it we will increase the benefits to the totally destitute. Now we were told by the Committee at the end of this discussion -- and I have been disappointed, let me interject this statement -- over the years with meeting with the Governors I have had a great faith in this Federal system of ours but I have also had a suspicion that none of us around this table realize our own muscle. We are the leaders of the 50 States -- 50 sovereign States that make up this federation and we pass resolutions and let them die here in Washington because all we do is write something on a piece of paper. But if the 50 leaders of 50 States, we go home and carry the message to our people and then tell our Congressional Delegation that we are speaking the sentiment of our people, and if there is one sentiment prevalent in this land today our people, regardless of party lines, want, I think, this additional help from the Federal Government in revenue-sharing and they want an end to what they think is a disaster, and a disgrace on the present welfare system. And I just don't believe that our Congress can hold out if we come as the leaders, and it was confirmed this morning when this Senate Committee told us that if we could produce 40 of the 50 Governors asking for these reforms now and these changes in welfare they believed it would strengthen their hand at the place they could deliver this to us. They want to hear 40, at least, of the 50 Governors telling them that this is what we want them to do.

Now, Governor Rockefeller told you that they asked for three technicians, if we could provide them full-time, because they said they don't have any input at all from out in the firing line where we are dealing with welfare as to how it works and what the shortcomings are and what the loopholes are that permit these abuses.

I can tell you now that California has volunteered one and we are already at work on a program and we are going to provide a full-time expert to this Committee on the welfare problems to reveal to them that what looks like a good law here in Washington, when you get out there the welfare workers scan for the loopholes and it becomes a means whereby in California we have people whose combined welfare grants and earnings total as much as $16,000 a year, and we don't think this is what the people intended when they passed it.

I believe that the Governors around this table before they leave Washington make not just a dissenting voice raised but an affirmative voice raised that we want this Federal sharing and we want these laws and this reform of welfare. I think we can drop a little bomb that will wake us up and we will realize how much muscle we have.

(applause)

CHAIRMAN HEARNES: Thank you, Governor of California.

Before we go to the Governor of North Carolina, the Chair notes with pleasure the presence of two former Governors, the former Governor from South Dakota now Assistant to the Vice President in charge of intergovernmental relations, Nils A. Boe.

Will Governor Boe please stand and be recognized.

(applause)

I also note with pleasure the presence of an old friend and former Governor from Michigan, now Secretary of

Housing and Urban Development, George Romney.

Governor Romney.

(applause)

I will recognize the Governor from North Carolina. I want to call your attention that if we could, after the Governor from North Carolina has finished, if we could take the other three reports and have the Committee Chairmen make their reports, then we could go back to further business and pick up any discussion we want to on any of the six topics.

I recognize the Governor of North Carolina.

GOVERNOR SCOTT: Thank you, Mr. Chairman, I will be very brief. I would like to point out to the new members of the Conference, and remind all of them that really the position of the Conference is supporting both of these missions, general revenue sharing and the gradual phasing out the State and local costs of welfare programs, and so there is nothing inconsistent, and the thing that disturbs me about what I get going around and reading this is that it begins to be an either/or proposition. Either we are going to have the Federal assumption of the cost of welfare or we are going to have revenue sharing, when, indeed, I look upon these two as different things which can be used to assist the State and local governments. I don't see really that there is any reason for anyone not being able to be supportive of both.

As I recall at the Lake of the Ozarks Meeting, the Conference, although not unanimous strictly, because I do believe there were one or two votes that were either cast as negative or simply abstained, they were pretty much unanimous. I recall yesterday the remarks of our colleague from Pennsylvania who had to leave to return to the State and his problem, of course, is immediate relief, because as I understood his conversation, unless he was able to swing one or two votes in his Senate this week, he was going to be out of business almost next week. He had to have relief right away and the assumption by the Federal Government of welfare costs would be an immediate way of relief -- the quickest way, I should say.

And while the revenue proposals are being worked out -- and I see nothing inconsistent -- he said himself he wasn't opposed to it -- and I think it has been implied there is a division among the Governors on this. I think that all of us may have some questions about the many details, but the point is getting the proposal established and getting something going. The overriding factor is the need of our cities and States for financial relief. I think those two proposals are foremost in our minds, and I am supporting both of them.

CHAIRMAN HEARNES: Thank you.

Before we take the next report, I would like to ask those people in the rear of the room to please take your seats.

Governor Evans, if it were possible, I would like to have your report along with Governor Curtis and Governor Smith and then we will get back to a discussion of all the topics.

I would like to call on Governor Curtis at this time, Chairman of the Committee on Natural Resources and Environmental Management.

REPORT BY THE HONORABLE KENNETH M. CURTIS, GOVERNOR OF MAINE, CHAIRMAN, COMMITTEE ON NATURAL RESOURCES AND ENVIRONMENTAL MANAGEMENT

GOVERNOR CURTIS: Mr. Chairman and fellow Governors:

Today I think there is an almost endless number of environmental needs and environmental interests that we need to occupy ourselves with. Our Committee doubts very much that we could do justice to all of these areas between now and September. So, through our own Committee meeting yesterday morning and through subsequent meetings with the Secretary of Interior Rogers Morton and William Ruckelhouse of the Environmental Protection Association, and Senators Gaylord Nelson, John McClellan and Ed Muskie, we have developed our program for action.

I will take a very few moments to outline these areas and then to briefly discuss the points of general interest which emerged through our discussions with the Senators and with Government officials.

With regard to the task force program for the rest of this year, I am very grateful to the many Governors who replied to our request for suggestions as to the areas in which we might concentrate this summer.

On the basis of the most frequent suggestion in our letters, and with the thoughts of the other members of the task force, we have decided to concentrate in three basic areas:

First, to concentrate on developing and implementing policies designed to harmonize our industrial growth; particularly, our energy needs with environmental protection.

Second, to assure the highest possible level of Federal funding to promote our future long-range cleanup efforts and repayment of the Federal Prefunding Committee to the States.

And, three, policies to foster plans and implement necessary land use guidance centers with particular emphasis on the rapidly overcrowding situation in our coastal areas.

I was personally encouraged, as I know other members of the Committee were, to discover that both the Senators and Government officials with whom we met shared these areas of concern. And, in particular, it was the unanimous feeling that the water pollution control must be encouraged if Federal credibility in this area is to be maintained. The Administration will more than double its last year's efforts to $2 billion annually over the next three years.

Senator Muskie has a bill which would provide $2½ billion a year over the next five-year period.

Mr. Ruckelhouse foresees a considerable possibility that the Congress will go beyond the $2 billion mark in this particular area.

In our meeting with Senator Muskie, he informed us that hearings will be starting very soon on these matters and these would be concurrent hearings and the purpose would be to try and combine the very best in both his bill and the Administration's bill.

Now, it was on the encouragement we got from the Administration and the Congress -- and I would like to say our Committee felt that the Governors should not relax feeling that they are going to be repaid, have the money refunded or get this $2 billion figure. I think we would like to urge you to continue to press into Congress this whole effort.

Senator Nelson and Senator McClellan requested a meeting with us to present several matters which I would like to bring very briefly to your attention.

Senator Nelson will be sponsoring a Congressional Resolution based on the National Governors Conference resolve last year that we proclaim the third week in April to be Earth Week in all our States. Senator Nelson particularly felt that Earth Week will have an impact, particularly in our schools that will lead to widespread environmental education next fall.

Senator McClellan has yesterday introduced some enabling legislation to give to the States advance approval from the Congress to form inter-State antipollution agreements.

The National Governors Conference will be forwarding this material very shortly to you along with model legislation for your review.

Our task force plans to remain active in these and other areas in order to implement the National Governors Conference position. And, in particular, we plan to testify on relevant bill before Congress and continue to communicate with the Administration officials.

We would also like to state that we will continue to welcome the guidance and advice on environmental matters from any Governor.

This is a rapidly developing area in which many important issues could be developed between now and September. We are perfectly willing and able to work with you before that time.

Lastly, I would like to compliment the Chairman for the very effective meetings that he arranged with the Congressional leaders, whereby we had an opportunity to make these points to the Congressional leaders. I think what is said to be the most urgent is that of full-time water pollution projects that there is considerable interest in the Congressional leadership on both sides. I don't know what your plans are in the period of time remaining, but Mr. Ruckelhouse is here, Administrator of the Environmental Protection Agency. He has been most helpful to us and he will be available for questions at whatever time you want to call on him, Mr. Chairman.

(applause)

CHAIRMAN HEARNES: Thank you, Governor Curtis.

Let me say we have had this problem at every Governors Conference. It is very difficult for those making a report to make it and for those trying to listen to hear it unless we have the cooperation from the rear of the room.

I would like to ask you once more if you please, in the rear of the room -- and everyone in the rear of the room, please take your seats. We are very happy to have you here.

The Chair will now recognize the distinguished gentleman from Texas who is the Chairman of the Committee on Rural and Urban Development, Governor Preston Smith.

REPORT BY THE HONORABLE PRESTON SMITH,
GOVERNOR OF TEXAS, CHAIRMAN, COMMITTEE ON
RURAL AND URBAN DEVELOPMENT

GOVERNOR SMITH: Mr. Chairman, my colleagues and distinguished guests: certainly it is an honor for me to present the report of the Committee on Rural and Urban Development.

Those distinguished Governors who serve on this Committee are Governor Tom McCall of Oregon, Vice Chairman; Governor Cahill of New Jersey; Governor Exon of Nebraska; Governor Gilligan of Ohio; Governor Hall of Oklahoma; Governor Kneip of South Dakota; Governor Moore of West Virginia and Governor Ogilvie of Illinois.

Also I do note that we have Secretary Hardin and Secretary Romney with us who will be called upon to make a few remarks.

I was quite intrigued, Governor Reagan, by the statement you made so far as the muscle that the Governors might have.

Now, we have that muscle this year because I think most of us will not forget that this is the year of Congressional redistricting and it might just be possible that they will talk with us about some of the problems confronting them.

Now, a full report of this Committee is before each of our Governors. My report will be highlighting, more or less, the Committee report.

The policy positions of the National Governors Conference adopted in August, 1970, recommended that the Congress and Administration should develop a comprehensive national community development policy with the effectuating funds, agencies and programs.

The policy position pointed out that the formulation and implementation of such a national community development policy, in coordination with State development policies, is essential to achieve the objective of balanced growth.

The basic responsibility of the Committee on Rural and Urban Development will be one, to continue to press for the adoption and implementation of a national community development policy, as outlined in this report of August, 1970.

The Committee applauds the action of the 91st Congress in the passage of the Housing and Urban Development Act of 1970, in which the President is requested to submit to the Congress a report on urban growth. The report in February, 1972, will contain an evaluation of the progress and effectiveness of their efforts designed to meet urban problems and to carry out a national urban growth policy.

The Committee on Rural and Urban Development believes that the report on urban growth can be the basic document on which a national policy is articulated.

At this 1971 Midwinter Meeting of the National Governors Conference, the Committee on Rural and Urban Development has agreed to focus its attention on the major issues of interest to the Committee which will be of significance during the 92nd Congress.

It is the unanimous opinion of the Committee that the States cannot be expected to significantly expand their current efforts to assist rural and urban development without achieving immediate fiscal relief from the Federal Government. The National Governors Conference has long favored a consolidation and simplification of Federal grant-in-aid programs. Although the Committee wishes to withhold comment on specific issues, those relating to the creation of block grants for rural and urban communities for development purposes until the proposed legislation is made public, the Committee endorses the concept of block grants for rural and urban community development. The many billions of dollars worth of unfunded applications for community development assistance through the Department of Agriculture, Housing and Urban Development, make it imperative that Federal funding for community programs not be reduced in the process of consolidating programs.

The Committee notes that at least 15 States are actively considering the establishment of housing agencies, agencies to assist in the production of housing for low and moderate income persons.

Twelve States already have legislation under which State housing finance agencies are currently operating. In addition, housing activity in at least 10 States includes the establishment of State regulatory boards to facilitate the introduction of industrialized housing.

As was stated in the policy decision of the National Governors Conference, the Committee will continue to point out the absolute necessity for the Administration and for the Congress to provide for full cooperation with emerging State housing instruments whenever housing legislation is considered.

The policy decision of the National Governors Conference states that the Federal agencies should support the efforts of Governors and the appropriate State agencies designated by the Governors to beget, coordinate and plan community development programs. The 70-1 comprehensive planning assistance program, that is the Department of Housing and Urban

Development, has reached the point where its scope and its purpose have outstripped its appropriations. Either a major fund increase or a major reduction in scope during the next fiscal year is needed to restore the balance. The President's budget recommends an additional $50 million over the current level on appropriations. The 70-1 program is a logical vehicle for formulating State and local strategies in support of national community development policy. However, its funding level and administrative procedures are inadequate for this task. Rural development is a strategy of growth in development on non-metropolitan America, a very great import for metropolitan America. The central component of this strategy is to re-direct the growth of our nation, in order to improve the conditions of the urban population.

I might point out at the same time it would increase the rate of growth of non-metropolitan America. Rural America encompasses about one-third of our population. It encompasses most of the geography, the farmland, the forests, the resources, the minerals and fossil fuels, rivers, lakes and streams, fish and wildlife, yet we might note that those who reside there are not fully participating in our national economy. We lack a national policy to encourag a balance of growth and full use of our resources.

Now, a variety of types of assistance is essential and will be needed in implementing a national policy on balance of growth and the following, I think, for example, which would require resolution, there are several of them, in the first place, comparative opportunity, employment and income for rural America. Second, incentive to business and industry to produce a basic employment opportunity which would support new growth.

Third, assistance to improve and meet educational and health services, housing and other community, water, sewer, and solid waste disposal facilities, as well, I might point out, as recreational and cultural activities. Now there are many of those that are in your report.

This afternoon we extended an invitation to Secretary Hardin, Department of Agriculture, to be present and to make a few remarks and Secretary Romney.

Mr. Chairman, if it is in order, I would ask Secretary Hardin, because his schedule, I think, is a little closer than Secretary Romney --

CHAIRMAN HEARNES: Secretary Hardin.

REMARKS BY THE HONORABLE CLIFFORD HARDIN,

SECRETARY OF THE DEPARTMENT OF AGRICULTURE

SECRETARY HARDIN: Governor Smith, and Members of the Governors Conference:

First of all, my apologies, Governor Smith, for not being able to attend your meeting yesterday but, as some of you may know, I, at the request of the President, did go down to visit the disaster area of Mississippi, and I take advantage of this occasion to compliment your colleague, Governor John Bell Williams for the very efficient and effective organization that he put together to take care of that major disaster in his State.

I am very pleased to make just a few remarks about the rural development part of the program. Governor Romney will cover the urban part of it. But the report, as Governor Smith correctly pointed out, we do have a major problem in rural America, and this is income. I think it is the number one problem. We have a situation, for example, in which farm families are receiving income, approximately three-fourths of those of non-farm families throughout the country. Or you can measure it in terms of return on labor or returns on capital and you come out about the same way.

I hasten to add that there has been an improvement in the past decade, but not enough. Ten years ago these incomes were 55% of the non-farm levels. Last year they were up to about 75 to 78%, still a big gap.

The new farm program that is going into effect, we think will help some. The industrialization of some of the rural communities would also help to add off the farm income of many of these families. This is one of the areas that we want to keep stressing and this is part of the total effort in rural development.

Many people have asked from time to time whether there is going to be a rural development package. Let me describe it this way: I don't think there ever will be something you can call a package submitted to Congress or anyone else. Rather, it is a process, and the process is going on. For example, in the Department of Agriculture, over this two-year period, the total resources available to rural America, the Department of Agriculture increased by over $1 billion. The big thrust is in the area of rural housing, the area Governor Smith mentioned as one in which there are tremendous slacks. And, in fact, the condition of rural housing relatively is worse than it is in urban housing. It is just scattered out where you don't see it quite as readily. We did invest over $1 billion in rural housing in calendar 1970. In fiscal 1971, it will amount to $\$1\frac{1}{2}$ billion, in addition to efforts that are being made to make grants and loans to rural communities for such things as sewer systems and water systems.

Rather than go on with the details of the program, which many of you know well, let me say that all of the Federal agencies have been and are being urged to work as closely as possible with the offices of Governors and with the staffs that you have, particularly those in economic development areas and it will be our place to carry out whatever rural development we do in conformance with the development districts that most of you have designated for your States.

I want to call your special attention to the State USDA Committees which are made up of the heads of the various Federal agencies, from the Department of Agriculture in your States, who have been instructed to work closely with you Governors.

I call your attention also to the very special resource that you have available and many of you are using at the county level. I am thinking here of the special soil conservation service, the Farm and Home Administration, the ASCS office,the REA and the county agents. All of these people are knowledgeable and available to help in ever so many ways to work with your programs in rural development and we hope that you will make use of them.

The evidence that the President is tremendously interested in this program is the fact that he has made one of the packages of special revenue sharing rural development

I do not propose to go into the details of this unless you have questions but certainly every effort is being made to work more closely with State plans and to push more of the decision making to the State level.

Thank you, Governor Smith, Mr. Chairman.

(applause)

CHAIRMAN HEARNES: Thank you, Mr. Secretary.

The Chair recognizes the fact he was somewhat premature in introducing the next speaker, Secretary of HUD, Mr. George Romney.

REMARKS BY THE HONORABLE GEORGE ROMNEY,

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

SECRETARY ROMNEY: Thank you very much, Governor Hearnes.

I am glad to have this opportunity and I want to congratulate Governor Smith and his Committee on the report they prepared. We had an excellent discussion with them yesterday and, in the main, concur with their report.

I would like to make one or two comments as a result of information we have that they may not have had.

Number one, the revenue-sharing program will not result in any reduction in current programs. As a matter of fact, the money flowing to the State and local governments through the various categorical assistance programs, including those recommended by the President for next year, will increase the amount of money going from the Federal Government from \$30 billion this year to \$38 billion next year. That is an \$8 billion increase that is proposed in the 1972 budget.

Number two, having had some part in your earlier discussion with respect to revenue sharing, and welfare and other things as a matter of fact, Warren Hearnes and I introduced the first resolution at the National Governors Conference on revenue-sharing in 1965 in Minneapolis. And, having been Chairman of your Committee for about three years on that subject, I would just like to make these comments that may have some point:

One. There isn't any question in my mind that there is a need for a welfare reform and greater Federal support of welfare incentives, but you have the opportunity to get that and the Administration is seeking that. Now, if you focus your effort entirely in that area,you are going to pass up the opportunity to get a commitment in revenue-sharing and correct this imbalance in the way in which the revenues are flowing in this country and being used.

Consequently, it seems to me, it is tremendously important in terms of meeting your problems, the city's problems and enabling us to do a more effective job to get the revenue-sharing concept established, both the general revenue-sharing concept and the special revenue-sharing concept.

I knew before I came down here that these grant-in-aid programs were complicated, but I didn't know just how complicated they are. One of the first things I asked our fellows to do in my department was to develop a flow-chart on some of these grant programs that we administer.

They developed a flow-chart on urban renewal. When we took office, it took 36 months to get approval of an urban renewal application. Thirty-six months.

I have an exhibit out in the hall of a typical city, and the paper work stacks up to two and one-half feet. Now, we have worked our hearts out to reduce that process to a maximum extent and now we have got it down to 15 months, but it still takes 15 months to process an urban renewal application. And I think it is knocked down to about three inches high and weighs about six pounds compared to 53 pounds. But it still takes 15 months. And when you take into consideration the hundreds of these programs, and the numbers that States and communities have to fill out in order to get funds, and to get funds for carefully specified areas without the flexibility for use of those funds, it just does not make sense. It is a tremendous waste of effort.

Now, much has been made here of planning by the Committee. You are familiar with the 701 program because we are providing each State with some money under the 701 program for planning. This program does need additional funding and the President's budget recommended doubling this money to $100 million. And this money will be used importantly to enable the States to do a more effective job in this respect and also to enable area and local governments to do a more effective job in this respect and to increase your capacity to use these flexible funds that will become available through special revenue-sharing, as well as the general revenue-sharing approach.

Now, in our case, we worked out the general formula with respect to the urban community development portion of the revenue-sharing program. I could go into the details of it if you want, but let me say this: 90% of the money -- 90% of the $2 billion will flow through automatically and will flow through on a basis where there is freedom of use as long as the use is within the framework of urban community development. So this permits the local officials to establish their priorities and determine use, without having to be bound down by these tight categorical restrictions.

I don't think there is any question but this is going to enable them to make more effective use of this money.

Now, let me just touch on one or two points on housing. In the balance of this century, if we can get rid of the constraints, as I am convinced we are going to do as a result of the progress we have made in the last two years, housing is going to be the key economic stimulator of our economy. It is the major undeveloped market in America and I want to say to you as Governors, if you aren't putting your State in a position to take advantage of the housing opportunity then you ought to get at it promptly.

Now, in the past two years, as a result of your foresight and some effort on our part in connection with operation breakthrough and some of our other programs, additional States have adopted housing finance programs, so there are now 15 States with housing finance programs, of one type or another.

But in the period since these programs have been established and, except for New York, most of them have been established in the last two years, 95 housing units have been assisted by our Department through your housing agencies of one type or another. This year, 30,000, $23 million in subsidies set aside to be made available to these housing finance agencies that you set up in your State, if you are one of those with such a program.

Now, there are 11 States that have such a program under consideration. I just urge all of you to take a good hard look at it and we have further information if you are interested.

Number two, 9 States have had the good judgment to recognize the fact the bulk of housing in the future is going to be built in factories, not on site. And 9 States have set aside local building codes as far as factory-built housing is concerned by providing either State factory inspection which then permits that unit to be erected any place without regard to the local building code or they have mandated State building codes on the basis of established standards.

Now, there are 18 States that have such legislation pending at the present time -- that is 32.

But the hard facts are if you want to take advantage of this economic opportunity in the field of housing, you should get your State in a position so that at least the housing producers, the industrial housing producers in your State can produce for the market within your State, because they must have a volume market in order to justify the tooling and the investment that is necessary. And, furthermore, I am hopeful that Interstate compacts will have developed so that we won't have to move in the direction of a national building code to overcome the constraint on the free flow of Interstate commerce in terms of materials and technology and other things that do more to slow down this increase in the cost of housing than any other single thing.

Now, two more quick comments:

Number one. The President is putting an effort into this program that he has proposed with respect to revenue-sharing and Executive reorganization such as I have not seen him devote to any domestic program. Obviously, he has been heavily involved in the international field, but he is giving time almost every day. He met with you yesterday. We had a meeting this morning of the national Black leaders on revenue-sharing in which he participated. He turned up there and talked to them for about half an hour on this program. He is going out to Des Moines -- I hope this has been announced --

(laughter)

he is going out there sometime. And I am sure that is going to be a vocal point out there, meetings with other groups and so on; he means business, not because he is seeking issues, because he is not. He is seeking action on this because of the crisis that exists and this leads me to my final point.

While I was still a Governor and while I was chairman of that committee, we took a look at all of these alternatives and I just want to say to you that there is not a ghost of a chance of getting any welfare approach that will provide equity between the States and, furthermore, it won't establish a basis for a continuing increase in the source of funds that you badly need and can only get through general revenue-sharing.

I say that because you could take the cutback of Federal expenditures, and elbow room for taxes, and I don't know how long it will take to get that. It would take an awful long time to get the Congress of the United States to cut Federal expenditures. I happen to believe in that philosophically. If I thought it had a ghost of a chance in dealing with the crisis we face, that is what I would favor as number one, but it doesn't have a ghost of a chance.

Now, the second thing that I would favor philosophically is tax credits. But, again, there isn't a ghost of a chance of getting that in a reasonable time, and even if you did States have constitutional and other problems they have to deal with, and the cities have problems and they can't get immediate relief from that approach.

And the only other alternatives you have are to increase the money flowing through these complicated, expensive, wasteful categorical assistance programs which have proven futile. Now, I happen to have to administer 73 of them and the statutes and regulations are so thick and so complicated that if I spent all of my time for the next two years, I could only read half of them. Nobody understands them fully. You can't do it. They are too complicated. People can't take advantage of them. We need a simpler approach and that is why I am for revenue-sharing, both special and general.

Thank you very much.

(applause)

CHAIRMAN HEARNES: Thank you, Mr. Secretary.

I am speaking for all the Governors in saying we are always happy to have you before this Conference.

And now, to present the last Conference Committee Report, the distinguished Governor from Washington, the Chairman of the Committee on Transportation.

REPORT BY THE HONORABLE DANIEL J. EVANS, GOVERNOR OF WASHINGTON, CHAIRMAN, COMMITTEE ON TRANSPORTATION, COMMERCE, AND TECHNOLOGY

GOVERNOR EVANS: Mr. Chairman, I find myself in an unenviable position for several reasons. One, we have super-saturated this Conference with revenue-sharing and I find it difficult to get the attention of this crowd on transportation, so I will try to relate it to revenue-sharing.

Second, I am last on the schedule and I know everyone is anxious to retire, and, third, I have a colleague who I hope to have on the program with me, and he is the Secretary of Transportation, but apparently he has got transportation difficulties in getting from his office here. I hope he arrives before I am through.

Our Committee met with the Secretary and with his top administrators, and this morning with the Senate Commerce Committee under Senator Magnuson's chairmanship.

At both meetings the main subject of conversation, and I think the most important single area of responsibility as it affects the States is the field of transportation, in the development of a national transportation policy. This is a current and important issue as far as every State is concerned because you have in your hands right now a highway needs study on which you are to report by April 1st. The other modes of transportation needs study will ask for your reporting by September 1st. The Secretary must submit the primary highway or transportation policy to Congress in May. So this development of a comprehensive inter-modal transportation policy for the nation is something that is current; it is important and it will affect every State in its ability to carry out its transportation responsibilities for many years to come.

Tied closely with that and subject perhaps to the most questioning at the meeting this morning is the question of flexibility between the various funds set aside for transportation. This, as you remember, those of you who were here last year, was the subject of considerable comment at the Governors Conference. There is a very high degree of interest on the part of the Secretary and the Department of Transportation and, frankly, I was surprised by the interest shown by the Members of the Senate Commerce Committee on this concept of a limited flexibility of the Governors to transfer funds between the various modes of transportation to suit and fit their own priorities as they relate to meeting the national transportation policy.

A third element and one I know we have worked on for several years -- I wish the Secretary were here to hear this and

I will ask him to comment on it when he arrives -- is the determination that we should not be subjected as we have been in past years to the cut-back or the freezing or withholding, particularly now when we are trying to stimulate the economy of this nation. This cut from authorization or even appropriation by the Administration, and these have occurred in both Democratic and Republican Administrations, leaves the State in an impossible position in trying to manage a continuing transportation program, particularly a continuing highway program.

Let me turn for a brief moment to one of the other major elements of our Committee's activities, technology, and I will try to relate for you why I think transportation is so interrelated with revenue-sharing.

In terms of technology and science, we are working with the Governors Committee on Science and Technology, and one of the items we are going to attempt to accomplish during the remainder of this year is to work with each of you as Governors to seek out your ideas on the use of technology, the use of new technology in executive decision making. I know that many States of this nation have found methods, new methods, new technology, new discoveries and are using them wisely and well in their executive decision making processes.

We are going to attempt to bring those together, to put them in a form they can be transmitted to all States for your use and benefit in the years to come.

And now, finally, the relationship of transportation and particularly transportation trust funds to revenue-sharing. I don't know about all States, but I do know that my own State, in my own State, we have a very rapidly increasing pressure to eliminate or to drastically change the present Constitutional prohibition that we have against the use of motor vehicle funds for other purposes. They are Constitutionally protected and can be used only for highway purposes. There are rising demands for eliminating that Constitutional protection. There are concerns being expressed in Congress today about the whole concept of trust funds for highways or for transportation with the other pressing needs that face the nation and that face the States.

One of our reasons for urging the flexibility of transportation funding was to help insure that transportation collected monies would still be utilized for transportation purposes. But I can assure you that the demands for changing or diverting these revenues to general purposes will continue to increase unless we have through revenue-sharing an easing of the pressures on the State and local community. It has come down to the point where it is going to be very difficult for any of us to suggest that it is more important to continue a good and safe system of highways at the expense of people in our State who are hungry, who are sick, or who lack shelter. Those most basic of services are what we are attempting to provide, and find impossible to provide under our present revenues, one of the most dramatic needs for revenue-sharing and its relationship to transportation, and I believe very strongly that without revenue-sharing we are soon going to see pressures we will not be able to withstand on the use of transportation collected monies for non-transportation purposes and we will see, as a result, a deterioration of our transportation system.

Mr. Chairman, I have finished. The Secretary is here.

I am delighted to present him to you, and I don't know just when he came in -- and I don't know exactly what you have heard -- but I hope you can for a few moments discuss particularly national transportation policy and any words you would like to share with us on the concept of full authorization of monies in the Trust Fund so that States can continue to plan. It would be eagerly awaited by everyone.

Former colleague, Secretary of Transportation, John Volpe.

(applause)

REMARKS BY THE HONORABLE JOHN VOLPE,

SECRETARY OF TRANSPORTATION

SECRETARY VOLPE: Thank you very much, Dan.

Something funny happened to me on the way over here, the Secretary of Transportation got stuck in a traffic jam.

I didn't hear very much of what you had to say, Dan, so I can't come back at you with anything. I didn't hear what you had to say, except the last two minutes' worth.

First of all, it is good to be back with my colleagues, former colleagues. Since vacating the Governorship, as we call it in Massachusetts, in January, 1969, I have attended, I guess, more Governors Conferences than I attended as Governor -- five of them, in fact, over a two year period. But I am just delighted to be here after what I think, at least for me, and I trust for Dan, and the Members of the Committee yesterday, a very productive session on this review of the fundamental policy and program that we have undertaken during the past two years and the path in the road that lies ahead of us.

I can assure you that our Committee is a no-nonsense, solid group, and we had a real shirtsleeve session. I had present with me, not only my own secretary, Deputy Secretary, Assistant Secretary, but also the Administrators of our various agencies so they also could be questioned.

I don't know exactly what Dan touched, but I am just going to forget these cards and just say, frankly, as we see our mandate, it is really to move people and goods rather than just vehicles which I am afraid sometimes in the past thought in terms of moving vehicles rather than people and, of course, goods. That is important to people and to our commerce.

Let me say that we have tried to develop also, and done everything we can to bring about more balance in the transportation systems in this country. And I say systems and not networks because we have had basically a series of networks rather than a system and if we are going to really move people, and move goods efficiently, and safely, then we have to think in terms of balanced transportation and we have to think in terms of inter-mode transportation so that these modes can serve one with the other and do so on the most efficient basis.

To that end, we moved in 1969 and in 1970 the fruits of our efforts really paid off together with the tremendous amount of help that we received from many of the gentlemen in this room today in connection with legislation which was passed on a non-partisan basis by Congress last year. That legislation, as most of you know without my going into any detail, primarily involved the urban mass transportation or public transportation bill, the Airport -- Airways Bill, the Rail Passenger Service

Bill, and I know I have seen a few Governors already about why they don't have some of that railroad money through their States, or more than one part of the State. Let me assure you that had we not taken the action we did, I am firmly convinced that within five to seven years we would have had no railroad passenger service in this country with the possible exception of the northeast corridor alone.

We believe that if we can start off with a basic system, which I think we now have in my final blueprints, a better State system than we started with, we will be able to build on that. I think that with good equipment, with courteous service, that we will be able to attract a great many people back to railroad passenger service who for one reason or the other have refused to use it or have decided they just did not want to use railroad passenger service that has been depleted in many cases to a point where it no longer exists in many parts of our country.

I would hope that each of you would try to help us in this endeavor to make this a for profit corporation. These are the words of the language of the bill. I didn't put them in, Congress put them in. It is a for profit corporation. It is a Comsat type corporation which will endeavor to provide service without subsidy.

The initial investment on the part of the Government is perhaps not as large as some people would have liked, but we do make an investment, the railroads will be making an investment. We are hopeful that as a result of imagination, innovation and so forth, that will be utilized here, we are hopeful that with a single corporation directing the efforts of railroad passenger service instead of 21 corporations, that were in many cases not too well related to each other, that we will be able to bring about a restoration of the kind of service that I think many Americans would like to use and which we hope we will be able to provide for them.

In that connection, I might add also that we have a Rail Safety Bill, with your help, that reserves in most cases the ability of the State's public utility department to carry on their responsibilities but, at the same time, gives us the responsibility in the overall that makes it possible for us to really make certain we do get some genuine rail safety.

We have had a great many other bills which time will not permit us to go into, but let me just say that I think specifically the Urban Mass Transportation Bill, the Public Transportation Bill, which I refer to is one that the President took a real personal interest in and he is still taking a personal interest in because he looks upon it as a public service just as you and I look upon public education or public safety as a public service. And the flexibility which I think will be provided through special revenue-sharing will enable us, I think, to allow those States that have greater needs in one area, one mode to be able to use funds from other modes so that that mode can be satisfied and vice versa if they have needs in whatever mode, they can transfer from one mode to that mode.

It starts to give us the flexibility that I talked about and I trust that in the months and years ahead we will go even further with this type of flexibility.

One final word, if I may, Mr. Chairman, and Dan, and former colleagues, I know that some of you may have heard of a plane called "Supersonic Transport." I suppose this is what you will have to pay for getting me over here, this is a short commercial, but I would just like to make one point, if I may.

I know that Dan Evans, and he didn't put me up to this, by the way; I don't imagine he even knew I was going to mention it, and he will probably get mad because I do -- but I hope that all of you recognize and know that this affects 44 States -- not one, or two or three, or a half a dozen by way of the various components and subcontractors that are involved in this plane. I hope you will also realize that we are not asking for the construction of a fleet of two or three hundred Supersonic Transports -- SST's -- we are only asking for the construction and testing of two and instead of calling them prototypes, we call them experimental test planes because that is exactly what they are. We are just as anxious about the environment as anybody in this nation, we have worked at it. This program has been dissected and bisected more than any program I think this country has ever undertaken, including the ABM, and that got a good going over, as you all remember and I can assure you if there is that one chance, and I think it is only a chance in a thousand rather than one in a hundred, as I thought might be the case six months ago, that when the plane is tested and it is found not to be environmentally accepted, or it is found to be economically not viable, I would be the first one to say to the President, "Mr. President, I think you ought to scrap it."

We are now three-fourths of the way down a road that has been started by one President and carried on by three more Presidents; approved by four Presidents and the Congresses that have been in session during that period. And I hope that each of you will take a good strong look at this before you pass judgment on whether or not you want to allow a Supersonic

Transport to land in your State or not, I would hope you would wait for the evidence to indicate that it should not land in your State, or evidence that it should and could land in your State. As of today, I can submit to you that we now have the evidence that indicates to us that the Supersonic Transport can be built with no more noise and at the same levels of 108 decimals that we have demanded for the subsonic. I couldn't say that only a month ago. I can say it today.

I hope that the Governors of the respective States, particularly on the border, the East Coast and the West Coast, where these planes probably will be landing mostly, at least in the initial stages, would consider that it would be best to wait until the evidence comes in before we make a decision whether or not to allow these planes to land in our State.

One last thought, this plane won't be ready to come down the runway, the first initial plane, for at least seven years, maybe eight years. And in that amount of time we can take out the remaining bugs on this plane, after a nation that has landed a man on the Moon from scratch in nine years, then this is not the United States of America that I think I know.

I hope each of you will give great consideration to the tremendous amount of unemployment that will be caused if this plane or the prototypes were stopped, not only because of the SST per se, but because of the whole family of planes which are vital to the aviation industry in this nation, which employs almost a million people.

So, that is my commercial. I am delighted to be with my former colleagues and the new Governors and trust, as I told Dan yesterday, we will be working closely with the Committee. We will make available a draft statement of our national transportation policy so they can go through it before we make it a final document and keep in touch with them, and they do keep in touch with us, I can assure you, so that we can exchange views as we move along toward the balanced transportation system that we all want, to move the people of this nation and the goods, so vital to the commerce of the nation.

Thank you.

(applause)

CHAIRMAN HEARNES: Thank you, Secretary Volpe.

Do you have a question?

GOVERNOR RAMPTON: I have one.

CHAIRMAN HEARNES: Addressed to Secretary Volpe?

GOVERNOR RAMPTON: Yes. Can John indicate just generally what we can expect in the coming year with respect to the release of Interstate --

SECRETARY VOLPE: The release of Interstate funds for fiscal '72 will be in the same amount as fiscal 1971. There will be no problem.

GOVERNOR RAMPTON: Will there be any pull-back during that period?

SECRETARY VOLPE: There is no indication there will be any holdup of funds during fiscal '72.

GOVERNOR RAMPTON: We already have, each of us, I suppose, at least some funds that have been withheld; at least, we have. Will there be any release of these funds that have been applicable to the preceding years?

SECRETARY VOLPE: I don't envision a release of funds that have been withheld previously -- not just in this Administration, but other Administrations. And I am in the position of being the one who fought so hard against those cutbacks, if you remember, as Chairman of one of your committees, and as Chairman of the Conference. I have succeeded in avoiding the up and down scale which did prevail. We fought, and fought very hard for stabilization of the levels of spending. We have succeeded in doing that. I doubt, at least at this stage, from anything I have been able to see, that there will be a restoration of funds that were withheld before.

Those States, however, who voluntarily provided a withholding of the obligation of funds, as we hoped and requested last year, will not suffer for that effort.

CHAIRMAN HEARNES: Thank you, Mr. Secretary.

I just might add that if you will enter into a consent decree in the case of State of Missouri versus Volpe, et al, we will take care of all your problems.

Before we go into a general discussion, I think it is proper to have announcements. They have a way of being lost as we adjourn.

I would like to call on Crihfield or Byrley, or anyone who has announcements at this time.

MR. CRIHFIELD: I have just two, Mr. Chairman.

Number one, regarding the State Department session tomorrow morning we should go to the 23rd Street entrance and be there by 9:20 so that we can start on time.

Another announcement for the Governor's press secretary, would all of the other press secretaries go to the pressroom at Georgetown West at the conclusion of the Plenary Session; a number of correspondents would like to meet with you.

GOVERNOR RAMPTON: Is it anticipated that the briefing at the State Department will run right up to luncheon there?

MR. CRIHFIELD: That is correct, there will be a little social hour before lunch.

CHAIRMAN HEARNES: Before I recognize the Governor of Nebraska, I think it is in order -- there seems to be some misunderstanding among some of the Governors as to the statements made by our distinguished colleague from Louisiana, and he desires recognition to clarify those statements. I recognize Governor McKeithen.

GOVERNOR McKEITHEN: Mr. Chairman and Members of the Conference, I want to interpret my thinking as to revenue-sharing. I just suggested that we might take a realistic view of it. Unfortunately, as Governor of Louisiana, I do not have the control perhaps over my Congressional Delegation that some of you have. I am concerned about making money again in a short time.

(laughter)

(short portion inaudible)

-- taking the State of Louisiana out of this financial crisis, unless he gets some credit with his constituency back home.

I just can't see the Congress doing it that way. I think in all probability we are going to get help. I think we should be prepared to fall back on something that we could easily expect.

I mentioned welfare because we are such a liberal welfare State. Some of you are not, I gather. We could get some help from Interstate (word inaudible), as far as that is concerned -- asking about construction monies, it is going to cost us about $6 million a year to maintain that Interstate System. We don't get any help at all. That is another area where we can get help, and we should.

I join Governor Reagan completely in his efforts to get some sense into the welfare program in California, as Governor. I certainly hope you will have more success than we have had in our efforts. You see, for many years, we have been a welfare State. We can't hardly afford it anymore. We attempted to make sense out of welfare but every time we did, not so much the Federal Government, but the Federal Judiciary has stricken us down. Our feeling is that if you are going to tell us how to spend it, put it up. So I wish you well. We are for you and if you are successful we will be with you.

I want to make clear at the Conference that I shall urge my delegation, or our delegation, or the delegation -- I shall urge them to support just pure grants in revenue to the State without any type of strings or qualifications whatsoever. I will urge them do that, but I repeat again that we should be prepared to fall back on something that we are most likely to obtain.

CHAIRMAN HEARNES: The Governor of Nebraska.

GOVERNOR EXON: Governor Hearnes, I apologize to you and especially the Members of the Committee on Rural and Urban Development, of which I am a member. I could not be here yesterday because of some disaster situation we had in my State.

I am going to take one minute before we return to the SST and revenue-sharing, and all these problems that we have been battering about for so long. I feel, and I am sure most of my colleagues around this table feel that we have not devoted enough time in our discussion to agriculture. I just want to take one minute, and since I am a member of the Committee, and I cleared this with the Chairman, I would like to add this phrase as Number 10. If it is in order, I would like to move that this Number 10 be added to the Committee on Rural and Urban Development, on page 5:

"A study of new approaches to the agriculture and food concerns of America, recognizing that well-intentioned present and past policies have been, at best, temporary pass-word ventures, usually ignoring the fundamental long-range problems of agriculture."

I move the adoption --

CHAIRMAN HEARNES: Governor of Nebraska, what Committee does this pertain to?

GOVERNOR EXON: Rural and Urban Development.

CHAIRMAN HEARNES: Governor Smith of Texas --

GOVERNOR EXON: I said I was not here yesterday.

CHAIRMAN HEARNES: I am sorry, I missed that. I would suggest that rather than opening this pandora's box of adding to or subtracting anything from Committee Reports, I think we could really get in trouble, and I see and recognize the merits of your partioular motion, but I believe it can be taken care of if you would do this in cooperation with the Chair and in conference with Governor Smith from Texas, who will poll his Committee and if that is in keeping with their feeling, then I would assume that the Governor from Texas would add that to his report.

GOVERNOR EXON: I accept that.

CHAIRMAN HEARNES: Thank you very much.

Is there any further discussion?

Is there any further discussion on any of these Committee Reports?

Governor Guy.

Governor Guy of North Dakota.

GOVERNOR GUY: We have heard several comments today about the failure of welfare. Now this failure which reflects increasing numbers of people on welfare rolls is taking place at a time when the national gross product is increasing.

It seems to me that we may be simply applying the cast without setting the bone to think that simply by eliminating the abuse in welfare that we have solved a problem of distribution of national gross product.

I listened to Secretary Hardin today talk about the new homes that they are going to provide through Government programs for rural America and, yet the agricultural policies of America are such that it is squeezing resources out of agriculture, of which resources are people and there won't be a need for new homes in agriculture. And so just to recite a little example, an example we used today, twenty years ago that loaf of bread that you bought for 13 cents and paid 3 cents worth of farmer's raw product, today you pay 25 cents for the same loaf of bread and there is still 3 cents of the farmer's gross product in that loaf. So I say that until America looks at distribution of opportunity and, hence, voluntary distribution of people, that we will continue to ship marginal farmers out of North Dakota and send them to California to go onto the welfare rolls.

As a matter of fact, somebody said: "How do you have such an efficient parol system in North Dakota that costs you so little?" And, facetiously, I said: "We have the least cost, most efficient parole system of any State. We give them an out of State parole to California."

(laughter)

Now, that is facetious, to be sure, but our unemployed are going to other States simply because this nation does not have a policy for distribution of opportunity and, until we do, you are going to get people moving into New York, New Jersey, California and Arizona looking for opportunity because it has been taken away from where they originated.

CHAIRMAN HEARNES: Thank you, Governor Guy.

The Chair recognizes the Governor from Illinois.

Before he takes the microphone, I will ask those in the rear of the room to carry on their conversations outside of the room, please, if you would.

At the next meeting, we will have some chairs for you in the back of the room so that you won't have to stand up. These chairs seem out of place over here. Rear of the room, please. Take your seats, please.

The Governor from Illinois.

GOVERNOR OGILVIE: Mr. Chairman, first of all, I am very happy that my friend from Louisiana amplified his remarks.

I have been reading the press accounts of this Conference yesterday and today and I am deeply concerned about the impression that we apparently are making to the press, the radio and television reporters, about the commitment of this Conference to policy positions which have been adopted before I became Governor of Illinois and which have not been changed in any respect in the past two years.

What I think is happening is that as we are approached by the newsmen in the halls of this hotel and elsewhere, and the question about whether we stand for this or that and that and this or that, we are creating a confusion -- confusion contributing to just what is our position in connection with revenue-sharing, or with welfare reform.

It seems to me that we are either for it and we are willing to work for it or we are for it and like has been the case in the past, we are going to wait until it falls off the tree in our lap, or we are against it.

I recognize that we have a number of freshmen Governors with us who, I am sure, are beginning to appreciate the enormous responsibility that they have in conducting the affairs of their States.

We have some very senior Governors here who outrank me by many terms and many years, who have lived with these problems, who have fought these battles with the Congress, national Administrations and we come down to the point where we are today. Today we have a President who has moved a long way toward realizing something that has been the objective or objectives of this Conference and I am sorry that it is not possible for us to go around this table this afternoon and indicate just what the dickens we do stand for. Because, I will tell you this, the impression that we are all over the lot, all over Washington, all over most of these issues, there is no partisan label in the problems of the States and local governments of this country. There certainly should not be any partisan label on the matter of revenue-sharing or welfare reform.

Thank you.

(applause)

CHAIRMAN HEARNES: The Chair recognizes the Governor from Washington.

GOVERNOR EVANS: Mr. Chairman, I thoroughly agree with the Governor of Illinois and his remarks. I have been disturbed also by this apparent division that is being broadcast from this Conference, a division I don't believe exists. And may I just ask whether I am out of order, or whether we would be out of order if the Members around this table were to be asked if there is anyone who is against revenue-sharing and anyone who is not willing to work for it, revenue-sharing. Perhaps that violates the rule, but if it bends it only a little, I think it would be useful to indicate that we are indeed behind revenue-sharing and we are indeed willing to work for it. It doesn't mean that we can't and shouldn't work for welfare reform and a number of other things as well.

CHAIRMAN HEARNES: The Chair is somewhat reluctant to bend the rule because it causes problems, but I will state it as I think you desire it. The Governor of Washington is inquiring broadly of each and every one of his colleagues present at this table if any of his colleagues oppose revenue-sharing, as outlined in our Subcommittee Report, Chaired by Governor Scott of North Carolina, Governor Holton of Virginia, and Governor Mandel from Maryland.

Is that a fair question?

GOVERNOR EVANS: Yes, and add to it, willingness to work for it. I agree with the Governor from Louisiana. I think we have got a darned tough fight.

CHAIRMAN HEARNES: Governor from Montana.

GOVERNOR ANDERSON: Mr. Chairman, the way I look at this, the effort that has been made here, as I view it, is an effort for us as the Governors of the 50 States to, in effect, endorse the Administration's proposal of revenue-sharing. I don't think there is anyone in this room who is not for revenue-sharing. I think this has been reflected by all of the National Governors Conferences since the year 1965. It is reflected in the policy positions of the National Governors Conference in the 1970-71 Report, and I am sure that none of us are against revenue-sharing, but I think what is being attempted here is endorsement, carte blanche endorsement of the Administration's proposal. I think this is where the problem -- from which the problem has resulted.

Now, I have every reason to believe that the people I have sent from our State to the Congress are familiar with the fact that this Governors Conference and other Governors Conferences, in the past have endorsed revenue-sharing and I think that I am, for one, perfectly at ease when I say to you and to the group here that I have confidence in the Congress and I don't think we ought to just adopt a measure because it is the first one that has come from an Administration. In other words, I believe this will be thrashed out in Congress and I believe that the recommendations of the past Governors Conferences will be considered, and I believe we will have revenue-sharing, and I believe we will have it immediately.

CHAIRMAN HEARNES: Governor Licht.

GOVERNOR LICHT: I would like to add to what has been said already, apparently we are in complete agreement on two propositions because we have already taken a position. One, we are in favor of revenue-sharing, we have said it, and I have voted for it now twice in two Governors Conferences and we are also in favor of the Government phasing out or taking over welfare. And I don't see any difficulty. One thing I do find, however, and to carry along what the Governor of Illinois has suggested, I am not sure that we have made the impact that we should make upon the Congress of the United States and upon the people and the press, as to the urgency of help immediately for so many of our States. In my own case, for example, if I say that the Governor of Connecticut has a serious problem and I look for some solace from the fact the Governor of New York had serious problems and that the Governor of Massachusetts has a serious problem, and the Governor of Pennsylvania has a serious problem, and the Governor of New Hampshire has a serious problem, it is very difficult when I am talking to people in my State for them to understand that this is a national problem and which, in fact, we have had declining revenue in a period of national recession, and rising expenditures; we have had the worst time and we are called upon to go to the well again and if Congress has the idea that the Governors of the respective States are not prepared to go with tax programs, they are making a mistake. It is not that we are not going to the people with these tax programs, it is that we can't go as hard and as much as long as we do. And, as the Governor of New York has said, the Federal Government has preempted the field of revenue, and so what I would like to convey to the Congress of the United States, and to impress upon the people of this country, is that we need this kind of relief now.

(applause)

It will not do for the Congress to make this thing a partisan matter or for the Administration to make this a partisan matter.

I think the time has come now when there ought to be action and I think in the field of revenue-sharing we have taken our position and the field of phasing out welfare, making it a national issue, because we have said that national employment is a national responsibility and I contend that national poverty is a national responsibility and that is why the Federal Government ought to phase out and take over welfare. I have a problem with the inaction and I think we ought to have action as soon as possible.

(applause)

CHAIRMAN HEARNES: Is there anyone who would like to speak in opposition to the position taken by the National Governors Conference at the Lake of the Ozarks last year?

Does anyone wish to speak in opposition to that position on revenue-sharing -- general revenue-sharing? It was reiterated by the Subcommittee headed by Governor Scott of North Carolina.

Hearing no one speak in opposition, the Chair concludes that the position of the National Governors Conference has not changed.

Is there any further discussion?

The Governor of California.

GOVERNOR REAGAN: I feel very much the same way as our colleague from Illinois, Governor Ogilvie. Whatever we have done with regard to our rules here we have not given the impression that I think we should give.

Governor McKeithen, perhaps the adversary you have in your delegation, I am sorry, I wish I could count on the Congress of the United States to see the light, but I think we would have a helluva lot better chance of getting these things done if they felt the heat.

GOVERNOR ROCKEFELLER: Right.

GOVERNOR REAGAN: And I don't think we have done enough to generate the heat. I don't know what else to do. We were asked this morning by a Senatorial Committee could we indicate that at least 40 of the 50 Governors wanted some changes in welfare to give us some flexibility to deal with the problem. About the rules -- I have framed a letter here, but whether this is the moment time-wise now, I suppose tomorrow morning is the last chance, I was going to circulate and ask if enough Governors would sign this letter indicating and also suggesting that the report from our Committee be attached to it and sent to both the Chairman of the House Ways and Means Committee and to the Honorable Russell Long, Chairman of the Senate Finance Committee.

But, I will assure you gentlemen if you believe that revenue-sharing alone and no reform in welfare, no correcting of the ills that beset this program, is going to solve the problem, that we can simply transfer the paying for it to someone else, then a year from now you will be sitting around a table with the same financial crunch, and the Federal Government will have the crunch. The State of California pays $36 billion in taxes and $26 billion of those go to the Federal Government. And to just transfer the cost to them, the people in the State of California will be paying $40 billion, and $30 billion of those will go to the Federal Government and we won't be getting any more for the purposes of the State of California.

As I say, if there is no other way to indicate our feeling about this and the need for reform of welfare sharing, then I just hope that maybe some fellows would sign this letter, and I will just put my name on it if somebody will lend me a pen.

CHAIRMAN HEARNES: The Governor of California is now signing his letter.

(laughter)

GOVERNOR MANDEL: The State of Maryland will supply the pen.

CHAIRMAN HEARNES: The Governor of Maryland has offered a pen.

GOVERNOR REAGAN: I got one from one of those immigrants from North Dakota.

CHAIRMAN HEARNES: Any further discussion to come before the Meeting?

The Governor from Illinois moves that we adjourn and the Governor from California seconds the motion.

All in favor of the motion, say aye.

(Chorus of ayes.)

CHAIRMAN HEARNES: Opposed say no.

(No response.)

CHAIRMAN HEARNES: This meeting stands adjourned.

(Whereupon, at 6:00 o'clock, p.m., the Meeting was adjourned.)

end tape
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