

Proceedings
OF THE
NATIONAL
GOVERNORS'
CONFERENCE
1974

SIXTY-SIXTH ANNUAL MEETING

SEATTLE, WASHINGTON
JUNE 2-5, 1974

NATIONAL GOVERNORS' CONFERENCE

Headquarters Office
1150 Seventeenth Street, N. W.
Washington, D. C. 20036

Secretariat Office
Iron Works Pike
Lexington, Kentucky 40511

Published by
NATIONAL GOVERNORS' CONFERENCE

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EXECUTIVE COMMITTEE

1973-74

Honorable Daniel J. Evans
Governor of Washington, *Chairman*

Honorable Dolph Briscoe, Governor of Texas
Honorable Dale Bumpers, Governor of Arkansas
Honorable Robert Docking, Governor of Kansas
Honorable James E. Holshouser, Jr., Governor of North Carolina
Honorable Patrick J. Lucey, Governor of Wisconsin
Honorable William G. Milliken, Governor of Michigan
Honorable Philip W. Noel, Governor of Rhode Island
Honorable Francis W. Sargent, Governor of Massachusetts

EXECUTIVE COMMITTEE

1974-75

Honorable Calvin L. Rampton
Governor of Utah, *Chairman*

Honorable Christopher S. Bond, Governor of Missouri
Honorable Daniel J. Evans, Governor of Washington
Honorable John J. Gilligan, Governor of Ohio
Honorable James E. Holshouser, Jr., Governor of North Carolina
Honorable Arch A. Moore, Jr., Governor of West Virginia
Honorable Robert D. Ray, Governor of Iowa
Honorable Thomas P. Salmon, Governor of Vermont
Honorable William L. Waller, Governor of Mississippi

OTHER COMMITTEES OF THE NATIONAL
GOVERNORS' CONFERENCE, 1974*

COMMITTEE ON CRIME REDUCTION
AND PUBLIC SAFETY

Governor Robert Docking, Kansas—*Chairman*
Governor Jack Williams, Arizona—*Vice Chairman*
Governor Ronald Reagan, California
Governor John A. Burns, Hawaii
Governor Otis R. Bowen, Indiana
Governor Brendan T. Byrne, New Jersey
Governor Bruce King, New Mexico
Governor David Hall, Oklahoma

COMMITTEE ON EXECUTIVE MANAGEMENT
AND FISCAL AFFAIRS

Governor Calvin L. Rampton, Utah—*Chairman*
Governor Robert D. Ray, Iowa—*Vice Chairman*
Governor Sherman W. Tribbitt, Delaware
Governor Reubin O'D. Askew, Florida
Governor Wendell R. Anderson, Minnesota
Governor Meldrim Thomson, Jr., New Hampshire
Governor Winfield Dunn, Tennessee
Governor Arch A. Moore, Jr., West Virginia
Governor Patrick J. Lucey, Wisconsin

COMMITTEE ON HUMAN RESOURCES

Governor Cecil D. Andrus, Idaho—*Chairman*
Governor Tom McCall, Oregon—*Vice Chairman*
Governor Dale Bumpers, Arkansas
Governor Marvin Mandel, Maryland
Governor Malcolm Wilson, New York
Governor Rafael Hernandez-Colon, Puerto Rico
Governor Philip W. Noel, Rhode Island
Governor Richard F. Kneip, South Dakota
Governor Melvin H. Evans, Virgin Islands

*As of June 1974—opening date of Conference.

COMMITTEE ON NATURAL RESOURCES
AND ENVIRONMENTAL MANAGEMENT

Governor Stanley K. Hathaway, Wyoming—*Chairman*
Governor Wendell H. Ford, Kentucky—*Vice Chairman*
Governor William A. Egan, Alaska
Governor John M. Haydon, American Samoa
Governor Jimmy Carter, Georgia
Governor Kenneth M. Curtis, Maine
Governor William L. Waller, Mississippi
Governor Dolph Briscoe, Texas
Governor Thomas P. Salmon, Vermont

COMMITTEE ON RURAL AND URBAN DEVELOPMENT

Governor John J. Gilligan, Ohio—*Chairman*
Governor Christopher S. Bond, Missouri—*Vice Chairman*
Governor John D. Vanderhoof, Colorado
Governor Carlos G. Camacho, Guam
Governor Edwin W. Edwards, Louisiana
Governor William G. Milliken, Michigan
Governor Thomas L. Judge, Montana
Governor Arthur A. Link, North Dakota
Governor Mills E. Godwin, Jr., Virginia

COMMITTEE ON TRANSPORTATION, COMMERCE
AND TECHNOLOGY

Governor Francis W. Sargent, Massachusetts—*Chairman*
Governor John C. West, South Carolina—*Vice Chairman*
Governor George C. Wallace, Alabama
Governor Thomas J. Meskill, Connecticut
Governor Daniel Walker, Illinois
Governor J. James Exon, Nebraska
Governor Mike O'Callaghan, Nevada
Governor James E. Holshouser, Jr., North Carolina
Governor Milton J. Shapp, Pennsylvania

Governor Daniel J. Evans, Washington—*Chairman of the National Governors' Conference—served as an ex officio member of all Committees.*

ATTENDANCE

William A. Egan, Governor of Alaska
John M. Haydon, Governor of American Samoa
Jack Williams, Governor of Arizona
Dale Bumpers, Governor of Arkansas
Ronald Reagan, Governor of California
John D. Vanderhoof, Governor of Colorado
Thomas J. Meskill, Governor of Connecticut
Reubin O'D. Askew, Governor of Florida
Jimmy Carter, Governor of Georgia
Cecil D. Andrus, Governor of Idaho
Dan Walker, Governor of Illinois
Otis R. Bowen, Governor of Indiana
Robert Docking, Governor of Kansas
Wendell H. Ford, Governor of Kentucky
Kenneth M. Curtis, Governor of Maine
Marvin Mandel, Governor of Maryland
William G. Milliken, Governor of Michigan
Wendell R. Anderson, Governor of Minnesota
William L. Waller, Governor of Mississippi
Christopher S. Bond, Governor of Missouri
Thomas L. Judge, Governor of Montana
J. James Exon, Governor of Nebraska
Mike O'Callaghan, Governor of Nevada
Meldrim Thomson, Jr., Governor of New Hampshire
Brendan T. Byrne, Governor of New Jersey
Bruce King, Governor of New Mexico
Malcolm Wilson, Governor of New York
James E. Holshouser, Jr., Governor of North Carolina
Arthur A. Link, Governor of North Dakota
John J. Gilligan, Governor of Ohio
David Hall, Governor of Oklahoma
Tom McCall, Governor of Oregon
Milton J. Shapp, Governor of Pennsylvania
Philip W. Noel, Governor of Rhode Island
John C. West, Governor of South Carolina
Richard F. Kneip, Governor of South Dakota
Winfield Dunn, Governor of Tennessee
Dolph Briscoe, Governor of Texas
Calvin L. Rampton, Governor of Utah
Thomas P. Salmon, Governor of Vermont

Mills E. Godwin, Jr., Governor of Virginia
Melvin H. Evans, Governor of Virgin Islands
Daniel J. Evans, Governor of Washington
Arch A. Moore, Jr., Governor of West Virginia
Patrick J. Lucey, Governor of Wisconsin
Stanley K. Hathaway, Governor of Wyoming

GUEST SPEAKERS

John B. Anderson, United States Representative from Illinois
John Brademas, United States Representative from Indiana
Kenneth R. Cole, Jr., Assistant to the President for Domestic Affairs
Daniel J. Elazar, Director, Center for the Study of Federalism,
Temple University
John W. Gardner, Chairman, Common Cause
Edward M. Kennedy, United States Senator from Massachusetts
Robert E. Merriam, Chairman, Advisory Commission on
Intergovernmental Relations
Frank E. Moss, United States Senator from Utah
John J. Rhodes, United States Representative from Arizona
Elliot Richardson, Distinguished Fellow, Woodrow Wilson
International Center for Scholars
Lawrence Roos, Supervisor, St. Louis County, Missouri
Russell B. Roth, President, American Medical Association
Terry Sanford, President, Duke University
Lawrence E. Spivak, "Meet the Press"
Caspar W. Weinberger, Secretary, United States Department of
Health, Education, and Welfare
James C. Wright, Jr., United States Representative from Texas

PROGRAM

Saturday, June 1

Salmon fishing at Westport, Washington, for Governors and their families.

Sunday, June 2

- 2:00 p.m. Briefing for Governors' Aides
Grand Ballroom, Olympic
- 6:00 p.m. Reception at Pacific Science Center for all Conference participants
- 8:00 p.m. Dinner at Space Needle for Governors, their wives, and special Conference guests
- 8:00 p.m. "Night in Pioneer Square" for all other Conference participants

Monday, June 3

CONFERENCE THEME: "THE STATE OF THE STATES"

- 9:00 a.m. Opening business session
Grand Ballroom, Olympic

Presiding:
Governor Daniel J. Evans

Call to Order

Invocation:
Dr. Earl S. Starr, Senior Rabbi of Temple De Hirsch Sinai,
Seattle

Welcoming Remarks and Keynote Address:
Governor Daniel J. Evans

Adoption of Rules of Procedure

- 10:00 a.m. "THE STATES AND CONGRESS"
[A dialogue between the Nation's Governors and the Congressional Leadership]:
Congressman John J. Rhodes, Arizona
Congressman John Brademas, Indiana
Senator Frank E. Moss, Utah
Congressman John B. Anderson, Illinois
Congressman James C. Wright, Jr., Texas
- 12:00 noon Recess for Lunch
- 1:45 p.m. "STATES AND HEALTH CARE"
- Moderator:
Governor Cecil D. Andrus, Idaho
- Panelists:
Senator Edward M. Kennedy, Massachusetts
- Dr. Russell B. Roth, President, American Medical Association
- Secretary Caspar W. Weinberger, Department of Health, Education, and Welfare
- Commentators:
Governor Melvin H. Evans, Virgin Islands
- Governor Philip W. Noel, Rhode Island
- General Discussion by All Governors
- 6:00 p.m. Departure for reception and dinner at Tillicum Village on Blake Island for all Conference participants

Tuesday, June 4

- 9:00 a.m. General Session
Grand Ballroom, Olympic
- "STATE OF THE STATES: INTERGOVERNMENTAL PERSPECTIVES"

Presiding:

Governor Daniel J. Evans

Panelists:

Robert E. Merriam, Chairman, Advisory Commission on Intergovernmental Relations

Lawrence Roos, Supervisor, St. Louis County, Missouri; Member, Advisory Commission on Intergovernmental Relations

Kenneth R. Cole, Jr., Assistant to the President for Domestic Affairs; Member, Advisory Commission on Intergovernmental Relations

General Discussion by All Governors

10:45 a.m. "STATES AND ETHICS IN GOVERNMENT"

Moderator:

Governor Patrick J. Lucey, Wisconsin

Panelists:

Governor William G. Milliken, Michigan

Governor Reubin O'D. Askew, Florida

Lawrence E. Spivak, "Meet the Press"

John W. Gardner, Chairman, Common-Cause

Commentators:

Governor Marvin Mandel, Maryland

Governor Tom McCall, Oregon

General Discussion by All Governors

12:30 p.m. Recess for lunch. Afternoon open for optional Host State events

7:00 p.m. Reception for Governors and wives only
Williamsburg and Colonial Rooms, Olympic

Reception for all other Conference participants
Spanish Lounge and Olympic Bowl, Olympic

8:00 p.m. STATE DINNER (Black tie)
Grand and Spanish Ballrooms, Olympic

Presiding:
Governor Daniel J. Evans

Invocation:
Dr. Dale E. Turner, Minister, University Congregational
Church, Seattle

Wednesday, June 5

9:00 a.m. General session
Grand Ballroom, Olympic

Presiding:
Governor Daniel J. Evans

Invocation:
Reverend Monsignor John P. Doogan, Chancellor,
Catholic Archdiocese of Seattle

“STATES AND THEIR FUTURE AGENDA”

Panelists:
Elliot Richardson, Distinguished Fellow, Woodrow Wilson
International Center for Scholars

Terry Sanford, President, Duke University

Daniel J. Elazar, Director, Center for the Study of
Federalism, Temple University

General Discussion by All Governors

11:00 a.m. Closing Business session

Reports of Standing Committees and Adoption of Policy
Statements

Election of Chairman and Executive Committee

Other Business

ADJOURNMENT

12:30 p.m. “Getaway” luncheon for all Conference participants
Spanish Ballroom, Olympic

MORNING SESSION

Monday, June 3

CHAIRMAN DANIEL J. EVANS: Will the Governors and our guests please take their seats. I would like to call the Sixty-sixth Annual Meeting of the National Governors' Conference to order. Will you rise and join with Dr. Earl Starr, Senior Rabbi of Temple De Hirsch Sinai of Seattle for the invocation. Rabbi Starr.

RABBI EARL STARR: As these great men of our Nation gather together for study, deliberation, and consultation, help them to see themselves as servants of the people and instruments of the Lord. Guide them, give them wisdom and understanding that they will lead by words, and especially by deeds. Help them to use their ability and power to bring help to the helpless, strength to the weak, and food to the hungry. May they remember that we are but stewards of whatever we possess. Let us all realize that we live in the greatest country in the world, but that we have problems and imperfections that must be solved. We must find the answers in the honest toil of labor, in the recognition of the values of the human dignity of all people, and faith in Thee, the God of creative majesty. May these Governors leave this Conference with new direction and new inspiration to fulfill their positions of leadership with renewed vigor and to build a country that will lead the world toward the eternal promise of unity, brotherhood, and peace. Let us say amen.

CHAIRMAN EVANS: Thank you, Rabbi Star. I know I join with the Host Committee and the citizens of the State of Washington in welcoming all Governors here to Seattle and to our State for this Sixty-sixth Annual Governors' Conference. I know some of you arrived a little early. Those who did not will be jealous. The report I received from the fishing trip at Westport yesterday was that the Governors and their parties caught more than 4,000 pounds of Washington's best salmon. I only have one thing to say to the fishermen, however. Later on in the summer, the fish get bigger. There are several items of business before we get into this morning's activity.

First, you have in front of you the Rules of Procedure as presented by the Executive Committee. These rules are identical to those which were adopted at the winter meeting in Washington, D.C. A motion to adopt these rules as they have been in existence or to amend them is now in order. Governor Holshouser has moved that we adopt the previous Rules of Procedure. Is there a second to

that motion?

GOVERNOR MARVIN MANDEL: I second it.

CHAIRMAN EVANS: Hearing a second, are there any questions or amendments to the motion? The motion has carried and the Rules of Procedure will govern this Conference as they are printed in front of you.

All reports and proposed policy statements from the Standing Committees were mailed to all Governors one month ago and will come before the full Conference for vote or amendment on Wednesday morning. As you know, the Executive Committee has the responsibility of reviewing these statements, to change or update where necessary. In accordance with previously established policy, any resolution or policy statement offered by an individual Governor through suspension of the rules must first be typed in final form for distribution to all Governors. Secondly, it must be announced and distributed either today or tomorrow, Tuesday, and then be called for consideration at our closing business session Wednesday morning.

Let me remind you of the microphone system which is typical of those we have had in past years. After being recognized by the Chairman, will you please raise your hand and keep it raised until the microphone is made live. It is very difficult for the people running the system unless they can see which Governor it is who is seeking recognition. I have one other announcement on the Nominating Committee. I will appoint the following Governors as members of the Nominating Committee who, during the course of the Conference, will accept from the two caucuses the nominations for a Chairman next year and the eight other members of the Executive Committee. That vote will take place Wednesday morning. The Chairman of the Nominating Committee is Governor McCall of Oregon. The other members are Governor Mandel of Maryland, Governor Ford of Kentucky, Governor Dunn of Tennessee, and Governor Moore of West Virginia.

A year ago at Lake Tahoe suggestions were made and subsequently adopted by the Executive Committee that we prepare and present, both in written form and as a message from the Chairman, a report on the state of the States. So with the indulgence of my colleagues, as Chairman, let me present to you, then, the State of the States, 1974.

Keynote Address of the Chairman

Two hundred years ago the flames of rebellion were already burning fiercely. Not a rebellion of an enslaved people but of a sophisticated society whose forefathers had fled to the new world in search of self-determination and who were now being denied that right.

In May and June of 1774 reactions against the coercive acts passed by the Parliament had reached a high pitch. The Virginia Assembly resolved to denounce the military occupation of Boston as a "hostile act" and designated June

1 as a "day of fasting, humiliation, and prayer." Although the Assembly was dismissed by the Governor for its actions, the Burgesses met at the Raleigh Tavern in Williamsburg and declared that "an attack made on one of our sister colonies is an attack made on all of America."

In Massachusetts, things were no less tumultuous. Governor Hutchinson left for England; the Harvard College Corporation, considering the dark aspect of public affairs, voted that no public commencement would be held; General Gage was taking over as Governor at the temporary capital of Massachusetts at Salem; and in a fiery declaration, the Massachusetts Daughters of Liberty declared: "Woman is born a free and independent being; that it is her undoubted right and constitutional privilege firmly to reject all attempts to abridge that liberty which she derived from the great Charter of Nature; that she is under indispensable obligations to preserve all her privileges entire, and to pursue her own inclinations without being subject to the tyranny of husbands, the control of reason or the regulations of laws." Those were heady days!

Today many Americans are afraid, afraid of the future and deeply disturbed over the present. But tomorrow's generation is already here. My youngest son, Bruce, is now 7. He can retire at age 62 in year 2028. Actuarially, his life expectancy is about 70 more years, until 2044.

During his generation Social Security maximum payments are predicted to rise to \$44,000 per year. Average wages, now \$9,000 per year, would reach \$300,000 by the year 2028 based on historic trends. If this seems incredible, remember that the average annual wage in 1870 was \$260 per year and that for a 60-hour week. The United States population, if present birth rates continue, will have leveled off and will begin to decline. The number of retired persons will more than double while the work force decreases.

Developing nations and their people will seek more of our natural resources. In the lifetime of our children, the petroleum generation will be ending. More and more species of living things will be endangered as decisions are made as to the kind of life we want to live.

The choice will be before us as to whether we enter an era of chaos, strife and decline, or whether we seize the opportunities presented and enjoy a life of discovery and change, determined to live at peace with each other and with our fragile planet.

We are gathered in the City of Seattle, which is named after the Great Chief of the Suquamish, Chief Seattle. In December 1854, the Territorial Governor, Isaac Stevens, met with the Indians not far from this spot. As a result of that meeting, the Treaty of Point Elliot was signed marking the transferral of ancestral Indian lands to the federal government. On that day, Chief Seattle spoke to Governor Stevens and those assembled. What he said nearly 120 years ago comes to our ears with an eloquence which continues to burn our conscience. Listen to what he said.

"This we know. The earth does not belong to man; man belongs to the

earth. This we know. All things are connected like the blood which unites one family. All things are connected.

"Whatever befalls the earth befalls the sons of the earth. Man did not weave the web of life; he is merely a strand in it. Whatever he does to the web, he does to himself.

"Even the white man, whose God walks and talks with him as friend to friend, cannot be exempt from the common destiny. We may be brothers after all; we shall see. One thing we know, which the white man may one day discover, our God is the same God. You may think now that you own Him as you wish to own our land; but you cannot. He is the God of man, and His compassion is equal for the red man and for the white man. This earth is precious to Him and to harm the earth is to heap contempt on its Creator. The whites too shall pass; perhaps sooner than all other tribes. Continue to contaminate your bed, and you will one night suffocate in your own waste.

"When the last red man has vanished from this earth, and his memory is only the shadow of a cloud moving across the prairie, these shores and forests will still hold the spirits of my people, for they love this earth as the newborn loves its mother's heartbeat. So if we sell you our land, love it as we have loved it, care for it as we have cared for it, hold in your mind the memory of the land as it is when you take it, and with all your strength, with all your mind, with all your heart, preserve it for your children, and love it . . . as God loves us all."

Those were the words of a great native American. But what about today and the response each of us must make to its challenges? Even a cursory examination of the American past makes it apparent that at intervals of about every 35 to 40 years significant changes occur which greatly alter the political landscape: the new age of politics ushered in by Andrew Jackson; the post-Civil War years; the Populist/Progressive era; the New Deal all attest to this observation. It is my judgment that when historians write of the fundamental changes that occurred in the federal system during the last one third of the twentieth century, the reaffirmation of the intended role of the States will be the characteristic most commonly noted.

The past decade has been conceded on all sides to have been one of enormous flux. One of the most dramatic changes was the spectacular way in which the States responded to current problems. The States performed effectively but have gone largely unnoticed and unrecognized by the media or even by the academic community. Perhaps it is only in retrospect that they, like most of the rest of us, can recognize that great and substantial changes have taken place.

In my remarks this morning I do not intend to catalogue the striking advances made by the States in recent years. This is contained in generous detail in the booklet which you have all received entitled "The State of the States in 1974." It is a first for the Governors' Conference and I hope it will be repeated each year and expanded and improved with each passing year. Not only does it show the numerous areas of state activities, but it also, and most importantly,

makes it quite explicit that it has been the States who have responded most fully to the problems of the day. This has been a response not in terms of empty rhetoric without action or visionary promises without dollars. It has been a response which has required executive and legislative courage, sound fiscal management, plus a willingness both to listen as well as to act.

It has required the States, who do not have the luxury of the national government to increase the money supply or to engage in deficit spending, to increase their budgets and to increase their taxes to meet the requirements of the people. In a number of current issues, including governmental ethics, campaign finance reform, consumer protection, and no-fault insurance, the record of many of the States has been one of decisive action in contrast to that of the national government.

But even as more and more people begin to understand that the States are the linchpin of the federal system, the vigilance required of the States to protect themselves from unwarranted federal incursions seems to increase. The imagination of the federal establishment seems to know no bounds when it comes to undeeded and improper meddling. Just recently, for example, the States have been advised by the United States Civil Service Commission that any state or local employees who receive salary money from revenue sharing are thereby covered by the Hatch Act. Any such attempt is a direct threat to the concept of revenue sharing itself and will be vigorously opposed by the States. There is a commonly used expression today which I think accurately describes this presumption by the Civil Service Commission but, given the occasion, I will simply say "expletive deleted!"

To enable the States to be represented more effectively in Washington, D.C., at our March meeting you approved a significant reorganization of the National Governors' Conference. Since the opening of the Washington Office in 1967, the National Governors' Conference has had an increasingly strong and effective voice in dealing with Congress and the Administration. Our action this year will greatly increase our ability to express the position of the States forcefully and in a timely manner.

But it is not enough to merely respond to federal actions. The States, and most specifically the Governors, must seize the initiative and submit their own proposals to Congress rather than passively waiting to give reaction to federal proposals. Some hopeful beginnings have been made in developing state positions for action at the federal level. I urge that these be continued and greatly expanded by the National Governors' Conference during the coming year.

I am particularly pleased with the work which has been done by the New Coalition and the potential which this organization of Governors, county officials and mayors has to help mold federal policy through the efforts of state and local government. Already the New Coalition has had a significant impact on the great progress made toward congressional budgetary reform, and I compliment our representatives from Congress here today on the activity which is taking

place on that front. We have assurances from the Administration that we will have an opportunity to make an early input to the fiscal year 1976 budget during its preparation.

I am particularly delighted we are establishing a Center for State Policy and Research. I believe the financial means are now available for the creation of such a center. This will give the federal system, the States, and the Governors a focal point where the proper role of state government can be studied, state policies and programs developed, and the future of the federal system planned.

Another area where I urge action is to review our present system of Standing Committees and the yearly adoption of policy statements by this Conference. With the reorganization of our structure, we may wish to consider a limited number of high-priority items which we will adopt as policies and on whose implementation we will concentrate.

With serious national questions of the balance of power between the legislative and executive branches, a reordering of our federal system should be of high priority. No greater weapon exists against an unwarranted concentration of power in one branch of the national government than to redistribute power and initiative back to capable and receptive state and local governments.

Modern national goals are desperately needed. Generally ignored, however, is the ability to reach those goals through the independent and innovative action of the States. The inflexibility of most categorical grants, the stifling uniformity of many federal programs must be corrected.

The need is not so much for additional funds from the federal government, but for funds unfettered by a scope so narrow as to force States into an unproductive lock step and by restrictions so niggling as to constantly invite the harassment of federal functionaries. Not only does this prevent the best use of the funds which are available, but enormous sums are kept from their rightful beneficiaries because of the huge structure of mostly unneeded federal regulations which spawn an army of federal enforcers and require unnecessary state auditors and managers. If Congress would simply follow the model of the 50 States as they share unrestricted revenues with local governments, we all would gain immensely.

Major concerns of the States today, in addition to the more immediate matters which confront them on a daily basis, include long-range policy planning; growth policies; conservation of our resources, both human and material; and productivity in the public sector. Events of the past year have brought home to every Governor the importance and magnitude of these issues. I hope that during the ensuing year the National Governors' Conference will devote its attention to these matters, for how the States respond to these problems will, to a large extent, determine whether the public is willing to accept a greater role for the States in the federal system.

To cite but one instance, in the area of productivity, there is nationally a groundswell of interest and activity. In the past few years many new studies and

projects whose goal is the measurement and the improvement of governmental productivity have been initiated but, beyond the fact that most of the available information on these new activities is either at the federal or local level, little else is known. The National Commission on Productivity recently pointed out this critical state government activity gap in the public productivity improvement movement. I believe the National Governors' Conference can be instrumental in encouraging the States to become more involved in public productivity programs and hope it will be the subject of forceful action during the coming year.

To be a Governor is a privilege given to only a few. To be a Governor in these times when the opportunities for service are so great and the needs to be met are so urgent is an especial honor. Each one of you shares with me a deep love for your State and for our country.

In a time of citizen bewilderment and dismay over its political system, let the States and their Governors step forward. In 1776, 13 colonies joined to form a more perfect union and to create these United States. It was then that the lofty language and the high principles of Jefferson's declaration were first given practical and institutional expression. It was then that the rich legacy of colonial governmental experience was reconciled with the needs of new and sovereign States. In short, it was there in the state capitals where the building, the constructive, the positive side of that most successful of all revolutions began first to reveal itself—with the drafting, debating and adoption of the first state constitutions.

Now may the 54 States and Territories again reestablish the revolutionary fervor, the esteem of government, and the confidence of their citizens to meet the challenges of our third century.

Thank you.

We now move to the first general session, "The States and Congress." Let me say to each distinguished member of Congress present that remarks which from time to time put the needle to certain elements of the federal establishment, let present company be excepted. One of the oldest working alliances in the federal system is between Congress and the Governors. Monumental sociological, geographical, technological, and political changes have altered, but certainly not diminished, its vitality. As the federal government extends its reach ever deeper into economic and social programs, close cooperation between Governors and Congress becomes increasingly essential. The advantages of working together are readily observable. The concept of revenue sharing developed as the Governors and Congress sought to simplify the grant-in-aid process and improve the delivery of services. Congress needs a better understanding of our problems, and we need a better understanding of theirs.

We have a close association in at least one other major way. Some Governors sitting around this table have served in Congress in the past, and some Governors will very likely shortly enter into service in the national Congress. I have already

suggested to the distinguished Governor from Arkansas that as he moves to Washington, D.C., he never forget that he once was a Governor, and I presume that he will not. I'd like to introduce now the five members of our panel. They are distinguished leaders in the Congress, and we will call on each of them for brief remarks, and then open up a discussion. I will introduce all of them as a group and then call on each one without further introduction. First, to my far right, may I introduce the Chairman of the House Republican Conference who was elected to Congress in 1960, and who has been reelected to each succeeding Congress. His committee service includes the Committee on Rules and the Joint Committee on Atomic Energy, the Congressman from Illinois, John B. Anderson. To his left is the distinguished Senator from Utah, now serving his third term in the United States Senate. In addition to his chairmanship of the Aeronautical and Space Sciences Committee, he is serving as secretary to the Senate Democratic Conference. He is a member of the Commerce Committee, the Post Office and Civil Service Committee, and the Select Committee on Aging, the Honorable Frank E. Moss. To my far left, a Deputy Majority Whip in the House of Representatives from the State of Texas, serving his tenth term in Congress, his committee assignments including Governmental Operations and Public Works, the distinguished Congressman, James C. Wright from Texas. To his right, from Indiana, the Chief Deputy Majority Whip in the House of representatives, currently serving his eighth term in the House of Representatives, serving on the House Education and Labor Committee, the Committee on House Administration, as well as the Joint Committees on Library and Printing, the Honorable John Brademas. To my immediate left, a westerner first elected to the Eighty-third Congress in 1952, who was elevated to the position of Minority Leader in the House of Representatives when Gerald Ford was appointed Vice President, the Honorable John J. Rhodes, Congressman from the State of Arizona. If I may first call on Congressman Rhodes for brief remarks. John, it is a pleasure to have you.

CONGRESSMAN JOHN J. RHODES: Thank you, Governor Evans. Good morning ladies and gentlemen. It is a pleasure and an honor to be here and to exchange ideas with the Governors of the various States, obviously some of the best minds in the country. When I think of the position that the States are in now vis-a-vis the federal government, I sort of feel like the poor relative, because looking at the "State of the States" as compiled by the distinguished Governor of Washington and his Committee, it seems to me that you are much better off fiscally than we are. However, it has been the vogue in this country for many years, and I assume it will continue, to depend on the federal government, with its larger taxing base, to do certain things for the people of our Nation. Polls do indicate that the people of the country still expect the federal government to take the leadership in areas of humanities and the like, so I guess we will still be very much involved in the partnership with you gentlemen.

What I would like particularly to mention to you today is an area in which

may be some disagreement between the Governors and certain of us who are members of the House and the Senate. I think the disagreement is mainly in nomenclature, semantics, and certainly not in objective. I refer to the area of land use planning. There is a bill which will be before the House of Representatives on June 11 which came out of the Interior and Insular Affairs Committee. The rule under which the bill will be considered does make in order a substitute which was introduced by my colleague from Arizona, Sam Steiger. The main difference between these two bills, frankly, is that the committee bill purports, I believe, to tell each State exactly what it must have in its state land use plan in order to qualify for federal assistance, whereas the Steiger substitute follows the lead of the New Federalism approach and merely provides for financial help to a state land planning agency if the State, in fact, sets it up. How the plan is evolved and what it contains is strictly up to the State itself.

I think the logic behind this certainly should be unassailable, because I don't think there is anybody here who would dispute the statement that the problems of land use planning in Arizona differ from the problems of land use planning in Vermont; certainly Washington differs from Florida and the like. Of course the reasoning is to set forth the fact that the States, operating individually, can do a better job of planning the use of their own land than the federal government can do for them. So it would be my hope that, as we progress, we would be able to discuss this matter and perhaps get a little bit closer to a meeting of the minds on it, because we do need federal legislation, we do need federal help, although I must say that some of the States, as usual, are way ahead. In reading the reports of the Governors of Colorado, Alaska, and Florida on land use planning, I think maybe they could write the book better than we could because they certainly have done well. Gentlemen and ladies, it is my pleasure again to be here with you, and I will look forward to the questions and answers.

CHAIRMAN EVANS: Now Congressman Brademas.

CONGRESSMAN JOHN BRADEMAS: Governor Evans, my Distinguished Colleagues in Congress, and Distinguished Governors. I am glad to join this distinguished gathering to participate in the discussion on Congress and the States. Last night while I was riding up the elevator in the Space Needle to dinner, the young lady in charge of the elevator announced that the Needle made one revolution every hour. I could not resist observing, "Just like a Governor." But there was one of our gubernatorial colleagues on board the elevator who retorted very quickly, "Just like a Congressman to say that." We are legislators, you are executives. We make decisions for the Nation; your responsibilities are statewide. Despite the substantial differences in our responsibilities, we in Congress and you in the States have significant areas with respect to which we ought to be working far more closely together than I think we have been. So I want to congratulate the Governors on organizing this particular panel because it is, to me, an encouraging indication of the awareness of the need for such collaboration.

By way of making a context for my brief contribution here, I'd like to offer a rapid-fire analysis of where it seems to me the country is headed in the immediate future, and I am going to be very candid in what I say. I believe that the combination of events we call Watergate, with the economic troubles of the country, will result in substantial Democratic gains in the House and Senate in November. Of special significance, I think, will be the prospect of at least what I see as some 300 Democratic seats in the House. If you can count, that means 135 Republican seats. The White House, on the other hand, whether presided over by Mr. Nixon or Mr. Ford, will be much weakened within our political system. This combination of a Watergate-diminished presidency with a Congress in substantial control of the opposition party will mean that we shall have, in the years 1975 and 1976, a period of what Woodrow Wilson in another context called "congressional government." In my view, the responsibility that will accrue in this situation to the leadership of the Democratic party in Congress will be very great, especially in the House, because of the far larger size of that body.

It will in my view be essential for the congressional leadership to develop approaches to the great problems facing our country, a program that is positive, constructive and sensible. If we fail to do so, our party's prospects for presidential victory in 1976 will suffer, the Nation will in the short run suffer from an ineffective attack on the problems we face, and the future role of Congress and the American political system will suffer. So we in Congress have a big problem to help fill at least part of the vacuum in leadership caused by the trauma of Watergate. But also in my view Governors in this country have a crucial role to play at this extraordinary time in the life of this country. Without in this very brief time seeking to offer any easy panaceas, let me suggest only these lines of future activity.

First, I think much greater efforts should be made to systematize dialogue on federal-state policy between the Democratic leaders of Congress and the Democratic Governors. I commend the Democratic Chairman, Mr. Strauss, for having already initiated such efforts. Secondly, I think there must be more effort by Governors, both Republicans and Democrats, to express their views on major legislation, especially as it affects the States, than has so far been the case. I think, in turn, that we in Congress must work much harder than we have done to elicit from you Governors your thinking on the legislation that we handle, surely no later than during the committee hearing stage. For example, the subcommittee I chair in Congress has jurisdiction over a wide variety of areas with important implications for state government. But it is all too rare that we hear in my committee from Governors their views on the bills we consider in these fields.

Accordingly, I want to congratulate your Conference for its decision to establish liaison offices in Washington to deal with both the House and the Senate. I know that, speaking for Speaker Albert and Majority Leader O'Neil,

you will find our doors open to you, as Governor Evans has suggested, to your initiatives for major legislation. In all of the discussions about revenue sharing and block grants and consolidation and categorical programs, you will, I think, find that there is much more openness than some of you may now realize. Finally, may I say this: There are those who look at the extraordinary revelations of the last year and respond to them with despair. I am not among them. I believe that the events we call Watergate can, if we respond to them wisely and well, save the American constitutional system, but with two provisos. First, provided that we do not retreat from the process of politics and, second, provided that all of us in public office seek new ways of working with one another to meet the Nation's problems. I believe the time has come for us as leaders in Congress and for you as leaders of your States to begin working together far more closely than we have been doing. This National Governors' Conference, it seems to me, marks the beginnings of that new era of cooperation.

CHAIRMAN EVANS: Thank you very much, Congressman Brademas. Now Senator Moss.

SENATOR FRANK E. MOSS: Governor Evans, Governors of the Sovereign States of our Union, including our Commonwealths and Territories, Governors who soon will be sitting in the Senate now populated with an inordinate number of former Governors, I am very happy to be here and participate with you today in this Conference. You, indeed, do represent the heartbeat of this great Union of ours, and I applaud the keynote remarks of Governor Evans concerning the need for liaison, cooperation, and a working relationship between Congress and the Executive Branch of the United States and the Governors of the several States. I think, in talking of this working relationship, we have largely overlooked an aspect of the New Federalism. Most of the debate on federal-state relations has been over the virtues or the vices of general revenue sharing, and that controversy has served to obscure the larger problem of institutionalizing formal lines of communicating between state governments and the Congress. There is a need to establish permanent, effective, two-way lines of communication between Congress and the 50 state governments because of the increasingly common pattern in major federal legislation of requiring the States to perform new functions within federally defined parameters.

Three examples of such legislation which have passed the Senate recently are the no-fault automobile injury insurance bill; the land use planning bill, referred to by my colleague from Arizona; and surface mining control and regulation. The input from the States into these bills has been on an ad hoc basis, through testimony from representatives of individual States at various points in the hearing process. That is an insufficient response to the problems addressed by these bills and should not be the pattern for future state input into major federal legislation. The country is beset by domestic problems, health care, housing, energy demand, environmental protection, to name a few, with which state governments have had more direct experience, and some have tried

to solve more than has the federal government. Yet the accumulated wisdom and expertise of state officials who have worked on these problems is not being assembled and presented to the national Congress. Let me give you a couple of examples of what I mean. I plan to introduce next week, with Senator Mansfield as a co-sponsor, a bill on which the States and the Congress can cooperate. The bill would increase and standardize weight limits for trucks on Interstate highways. I believe that if the States work closely with the sponsors of this bill we can get it through the Congress. There would probably be some question about whether increased weight would be detrimental to highways and put greater strain on bridges. States which have already allowed increased weight loads on their highways can give us the benefit of their experience in this area.

Another example is a bill which I introduced last Thursday allowing States to use certain funds appropriated from the Highway Trust Fund, without matching, to remedy damage caused by impoundment of the Highway Trust Fund in past years. There will be concern in the Congress over the distribution among the States of money from the Highway Trust Fund not matched as now required. Only close cooperation between the States and the bill's sponsors will bring about its passage. I believe that two things need to be done. First, each of the 50 state governments needs to have a federal presence in Washington. Since the adoption of the Seventeenth Amendment, Senators have seen their function as representing the people rather than the state governments as such. I do not suggest this is wrong. I'm not advocating that we return to election of Senators by the Legislatures. My point is simply that every state government should have its own representative in Washington in order to stay abreast of developing legislation which impacts on their State and in order to have sufficient advance notice of such legislation to be able to make significant contribution in its formulation.

Of course you have the National Governors' Conference, and you do have competent staff people. I am aware that in March 1974 the Governors voted to reorganize the National Governors' Conference, feeling that for too long the States have had a back seat. As a result, the Governors have demonstrated concern over the shifting and somewhat undefined relationship between federal and state governments. You are seeking a dramatic improvement in that relationship. In order to ensure that the States have that opportunity, I am prepared to introduce a bill under which the federal government would provide physical space and underwrite the cost of telephone lines for a federal presence for each State. Second, it is imperative that we have another kind of organization, one not for furthering the States' parochial interests, but rather for bringing to Washington and to the Congress the best thinking of state officials who have distinguished themselves as problem-solvers in their States.

The National Governors' Conference should undertake the task of creating a research and planning center, a think tank, manned by state officials on sabbatical to be a resource of new ideas coupled with the States' perspectives on

problems which the Congress is or ought to be addressing. I would be glad to introduce legislation to provide for federal sharing of the costs of maintaining such a sabbatical organization. This is not a one-way street, however; it is up to you to recognize the needs and share the costs and responsibilities and implementation of a new, more effective program to solve your problems and those of the Nation as an indivisible whole. Our objectives are common in reality; what we need is the mechanism whereby we utilize all of our resources from state government and federal government to achieve those objectives.

CHAIRMAN EVANS: Thank you, Senator Moss. I heard some ideas there which we may very well grab on to. Next, Congressman Anderson from Illinois.

CONGRESSMAN JOHN B. ANDERSON: Thank you, Governor Evans. Distinguished Governors, Ladies and Gentlemen: I think it was worth coming all the way to Seattle, Washington, to make even a five-minute speech because it enabled me to read Governor Rampton's comment as reported in the press this morning that, despite the incubus of Watergate, there is no group that is more dedicated to the public interest than we politicians, with the exception of the ministers. I don't know how happy the clergy will be about that statement, but I want him to know that I was mighty grateful. I also read that Father McLaughlin, the very controversial Jesuit priest, has received word from his superior that he can keep his job and his allegedly somewhat sybaritic way of life in return for a pledge of annual periods of prayer and reflection. I would like the voters of my district to know that I am perfectly willing to make the same promise if they will let me keep my job.

It is refreshing to listen to Governor Evans this morning and realize once again what I think all of us know, that the expression "States' rights" is no longer merely an atavism to a dying era, but rather it spells the kind of dynamic ideas that have been represented by so many of the Governors who are present at this meeting. I want to talk very briefly about a matter that was raised in the comments a few minutes ago by my distinguished colleague from Indiana, Mr. Brademas, when he predicted 300 Democrats in the House in 1975. I assume that he did that with some assurance and even with some pleasure. I'm not sure that 300 Democrats or a veto-proof Congress in 1975 and 1976 is going to be all that good for State Governors. Let me tell you why. I have to go back a little bit, because I don't think you can assay the future of relationships between the federal Congress and the 50 States in any valid sense unless you give some consideration to the state of the American presidency. When Richard Nixon announced his support for the New Federalism and for general and special revenue sharing in August 1969, I think it is clear that he gave that program, that doctrine, genuine impetus. But, nevertheless, it took the cooperation of the Congress to make it possible for him on October 20, 1972, at Independence Hall to sign into law the State and Local Federal Assistance Act.

I mention that this morning because the next Congress, of which Mr. Brademas spoke, will very likely be called upon to consider the fate of the

efforts that will have to be made to continue that \$30 billion program beyond its present December 31, 1976, expiration date. I think that, in addition to the traumatic effects of the impeachment inquiry on the power and the prestige of the American presidency, we ought to remember that the seeds of our present crisis of confidence were sown before Watergate. This is not to put in the category of *de minimis* the moral squalor of that affair, but I would suggest that the experience that state and local governments had with the failure of federal delivery systems and federal programs in the latter half of the decade of the 1960s was also a very important factor in bringing about the crisis of confidence in government. I am a little bit afraid that if a dominant Congress rams through another series of categorical aid programs, we are going to see more sand in the federal gears. The same thing happened in 1965, under the relentless prodding of the late President Johnson, when a whole series of categorical type programs were enacted.

I also want to answer very briefly what my distinguished colleague referred to a minute ago, the relative affluence of the States. Some of my friends are saying that if all but two of the States could balance their budget or even show a surplus in fiscal 1973, why distribute \$30 billion in federal funds over the next five years? Of course what they object to is that in some instances the States have used revenue sharing funds to either reduce taxes or defer tax increases that were coming down the road. In view of the clearly more regressive nature of many state tax systems, I don't see anything to apologize for if the States are reducing some of those regressive taxes, and I think that it is a poor argument to use against the continuation of revenue sharing. Back in 1966 this organization, the National Governors' Conference, had the prescience to organize a Task Force on Revenue Sharing and, as a result of the work that you did, you can rightfully claim a good deal of the credit for the successful passage of that legislation in 1972. The purpose of my brief remarks this morning is to sound the alarm, if you will, on the basis of a report that was put out by a subcommittee of the House Government Operations Committee just a couple of months ago which revealed that by a 46 to 37 percent margin Democrats found undesirable the initial reports that state and local governments were using revenue sharing funds to reduce taxes or avoid increases.

By a 42 to 38 percent margin, Democrats agreed that, because so many governing units share in the payments, they were spread too thinly. I might be inclined to agree a little bit with my Democratic friends on that score, that maybe 38,000 governmental units are too many to be sharing the revenue sharing pie. But listen to this: By a 41 to 35 percent margin Democrats would favor restricting state use of funds to high-priority purposes specified by the federal government. Gentlemen, I have read your 1973-1974 policy statements, and over and over again I find things like this: "Clear definition of the State as critical to program coordination, planning and evaluation, with gubernatorial review replacing cumbersome federal approval processes." Again, "The multi-

tude of categorical federal programs are overlapping. They operate to prevent continuity of services." Again, "State governments, operating closer to the people, should be responsible for the delivery of social services." I think that you stand four square for the idea that you know better than the federal government how to use these funds to meet local needs and, therefore, I conclude with the suggestion that it is not just an idle alarm that I sound this morning. Based on this report issued in April 1974 by a subcommittee of the House of Representatives, I think once again this Governors' Conference is going to have to take the lead in making sure that we continue general revenue sharing and that we implement some of the special revenue sharing programs that were proposed five years ago but which we are still waiting to see this Congress enact.

CHAIRMAN EVANS: John, you have just invited 54 Governors to sit on your doorstep in Congress, and I expect we will. Finally, to cap this very interesting dialogue preceding your questions, Congressman Wright.

CONGRESSMAN JAMES C. WRIGHT, JR.: Mr. Chairman and Distinguished Governors: Searching for some semi-original contribution that I might make to this dialogue on States and the Congress, I have hoped that you might both indulge and forgive me if I avail myself of this forum at the outset to say a few kind words for us, the Congress. Patronized in presidential pronouncements, satirized by both an impious cartoonist and a pious commentator, and apparently held in depressingly low esteem by the public, the Ninety-third Congress, perhaps surprisingly, is hammering out upon the anvils of legislative machinery a better-than-average record of productive accomplishment. Contrary to popular misconception, the Congress is not like a bird held helpless in the hypnotic gaze of a snake, mesmerized into a paralysis of inaction by Watergate. While one Senate subcommittee and one House committee have been preoccupied with those highly publicized concerns, the remainder of the legislative machinery of Congress has been at work on substantive matters. We have been dealing with issues as historically profound as presidential war powers, and an almost revolutionary new concept of congressional budgetary management, coupled with an antiimpoundment injunction, and with a host of other perhaps somewhat more mundane matters that bear much more directly upon the federal-state relationship.

Permit me briefly to comment on just three of these federal-state matters: The highway bill of 1973, authorizing some \$19 billion in matching grants, was the broadest and most innovative highway legislation since the inauguration of the Interstate system in 1956. I confidently predict that before this year is finished we shall have passed a public mass transportation act of comparable scope and proportions with at least some \$20 billion of meaningful help, and with a minimum of restrictions upon local and state initiative in the decision-making process. The \$25 billion Water Pollution Abatement Act launched a massive and perhaps overly ambitious assault upon the spoliation of our Nation's water resources. Bound for 18 months in an almost unbelievable morass of

paperwork and bureaucratic guidelines, the flow of funds under that act for construction of badly needed waste treatment facilities finally is beginning to work itself free from the jungle of encumbrances. Perhaps our frustrating experience in trying to translate that elaborate legislative blueprint into reality may serve as a caution to the Congress to be extremely careful in writing into future acts of our favorite programs invitations to the writing of unnecessary restrictions and gratuitous guidelines.

In all that we do from this point forward, it seems to me that our very best advice may lie in Thoreau's admonition, "Simplify," and the new imperative I think might be just to make things simple enough that they can work. In each of our doings, whether it be hospital construction, highway beautification, or land use planning, we in Congress need to be constantly and increasingly mindful of the need for flexibility, individuality, and the richest possible diversity of experimentation among the States. Congress must reject any temptation to try to remake the 50 States, with their own infinite right to problems and possibilities, into identical carbon copies of our own self-conceived image with no more individuality than a row of marching soldiers and no more personality than so many printout sheets. The problems we face are diverse, but they are not insurmountable. Of course there will continue to be categorical grant programs, because the only justification for raising federal taxes is to meet national needs. But those hundreds of hard, individual decisions that have to be made as to just what point we place the balance between the demands of energy and environment, growth and quality, commerce and conservation, those decisions must be made at the level of government closest to the people who are going to have to live with the consequences. So, rather simply, it seems to me, our goal for the future must be to face these problems together and for Congress to provide the States with the tools, and then to look to you to do the job.

CHAIRMAN EVANS: Thank you very much, Congressman Wright. You have heard from the distinguished representatives of congressional leadership in our two Houses. Now, gentlemen, it is your turn. Governor Salmon of Vermont.

GOVERNOR THOMAS P. SALMON: Mr. Chairman, I have a question of sorts for Congressman Rhodes. I'd like to make a brief comment and then solicit a response as opposed to a specific rhetorical question. Congressman Rhodes, you have memorialized us in your opening remarks with some thoughts on the subject of national land use planning. You are obviously a man who has some very strong convictions about the legislation now pending before the Congress, and I sensed in the tenor of your remarks the notion that a federal presence in the question of state land use planning was some kind of an insidious monolith, fundamentally designed to seize local control and, in so doing, to usurp fundamental, traditional, historical rights reserved to the States. In the State of Vermont where we are reasonably well along on the subject of state land use planning, we have developed a process without any intervention from the federal government. I take some umbrage with the notion that by Congressman Steiger's

recent offer, by throwing a few additional million dollars at the States under a program that represents no national land use plan at all, we suddenly can come to grips with the subject with unassailable logic, as you term it.

Very briefly, let me give you the impressions of one Governor with reference to the national bill. First, I find the criteria in both bills fairly innocuous. I find that our State is in fundamental compliance right now. What this legislation says, as I read it, is this: That it is a distinct and continuing concern of every State in the Union, from Vermont to Arizona, to California, to Washington, to have a national set of goals and objectives that deal with such questions as critical environmental lands; that deal with such questions as the fundamental capacity of our land to support growth, economic growth, population growth and the like; that deal for the first time with rational public investment, utility siting policies; and that make some kind of commitment towards preserving the high resource land in this Republic that is going down the drain by way of conversion to nonagricultural and other resource uses at the rate of tens of thousands of acres per year. I think that the case for the federal presence is, in a word, grossly understated. Particularly I think the Steiger amendment, in all due respect, Congressman, if enacted, would be essentially a fundamental and colossal waste of money. I thought that I would leave these brief impressions for the record.

CONGRESSMAN RHODES: Governor, I thank you very much, and I think your points are mainly very well taken. However, let me assure you that I don't have the fear of the federal bugbear which you apparently detected in my remarks. What I really intended to indicate was twofold. There is a provision in the committee bill which says that, after five years if a State has not taken any action in land use, the federal government may come in and actually do it for the State. I don't think that any State should be required to go into land use planning at the present time. I think that most States have and most States will, and your State certainly has set a very good pattern. I have read the material which you had in the report of the Governors, and Vermont is way ahead of the ballgame. I think you should be very proud of it.

One of the things which bothers me most about the committee bill, frankly, is some of the rather loose language which makes it apparent to me that, if you follow the analogy of the Environmental Protection Act, it would be very possible for some of the more militant conservation groups—and I mainly agree with the aims and objectives of most of the conservation groups, except the militants—to go into court and perhaps tie things up with an injunction. I will give you an example. In the committee bill there is a requirement for balancing of objectives; in other words, the state plan has to balance objectives between esthetic, ecological, and environmental considerations; recreational needs of the State, with state economic development needs and industrial housing and other land use needs.

Now, these are certainly important items, but I suggest that they are also

somewhat inexact, and it wouldn't be very difficult to imagine the scenario where a lawsuit might well be brought to enjoin the operation of the state land use plan on a lack of balance, and which might then cause all sorts of delays in development of land use planning and actually the use of land in certain functions. I borrow the note from Jim Wright's book. I think the simpler we can keep these things, the better off we are going to be. That certainly has to do with the proscriptions from the federal level as to what a state land use plan should contain. Your State has done a very good job of deciding what it wants in a state land use plan. I don't see any reason why the other States of the Union should be deprived of that same stature.

CHAIRMAN EVANS: Governor McCall of Oregon.

GOVERNOR TOM MCCALL: Congressman Rhodes, I have traveled over 50,000 miles discussing land use planning with people of this country, and we have established a very clear picture of who is doing the job and who isn't doing the job. Vermont and Florida have the best plans, according to various regional and national conferences I have keynoted. Hawaii is third but has slightly skewed the enforcement of it by putting a pro-development majority on its state commission. I would say that Oregon is fourth if its new bill can actually be made to work, and we are insisting on tremendous local participation. We have contacted 50,000 people by mail; we are contacting 25,000 more, actual face-to-face contacts to make sure that the public is built into the whole process. I think I can refute chapter and verse, if we want to get into this at some length, the various arguments that are made against the so-called Jackson-Udall bill, but generally it is pictured as a monster that gets into States' rights, gets into private rights, whereas the bill actually proposes not one provision whatsoever for the imposition of any federal land use planning or control. There is no authority in the act for federal review of the substantive policies or decisions of state land use programs.

I have testified before both Houses of Congress on the so-called Jackson-Udall bill, and I have seen in the past three years that bill grow weaker and weaker to the point where I very nearly considered getting off of it. What kept me with it was the injection of the so-called Steiger bill, with the request from Congressman Rhodes that we hold field hearings in the States, which I think is a pretense to cause delay with respect to a bill that has already been three years in the mill. Congressman Steiger in a very good exchange we had before the House Interior Committee said, "Well, if Oregon is doing so well, then why are you here asking for this federal legislation?" Oregon and all of the other States, to implement this legislation properly when they finally get it—and, believe me, it takes great hand-to-hand combat to get it, and I'm covered with body wounds and scars from my effort and I'm not even sure how good the bill is—you have to have some federal money for the implementation to go down to the local level so the locals can finance a meaningful set of guidelines.

My answer to Congressman Steiger was that, if Oregon and three or four

other States do their job, and the other 45 or 46 States don't, then it is only a matter of time until the States that do their job and keep their livability are completely engulfed. We love Californians, but I think it is important that California and Arizona and some of those States that talk about land use plans and really don't know what they are talking about go to work, I really mean it, go to work and get into this hand-to-hand combat and find out what a tough job it is and how important it is that we leave a few options by saving land, leave those options to our children which we are making at a rate that is going to foreclose any chance for them to have any say about the livability of the future.

CHAIRMAN EVANS: I am going to call on Governor Reagan for rebuttal after that attack from his neighbor, but before I do, this is supposed to be a dialogue so I do want to give Congressman Rhodes a chance to stick a word in.

CONGRESSMAN RHODES: I am not sure it is safe. Governor, actually I just want to make one point. You mentioned several times the fact that federal money is needed, and I am sure you didn't mean to leave the implication that the Steiger bill does not provide money. It does. Also it provides for money if the State will, in fact, pass a law which will allow for a passthrough to the local communities, so that there is incentive to go clear down for land use planning in the counties and in the cities. I really think that the best way to get this planning job done is by the simplest bill, to let the States do it themselves and not have the federal government so deeply involved as they would be under that committee bill.

CHAIRMAN EVANS: Governor Reagan.

GOVERNOR RONALD REAGAN: Governor Evans, I just thought that somebody ought to get on the other side here a little bit about States' rights, which was so eloquently discussed at the beginning of the meeting, and I'm struck by the fact that those who have spoken, my colleagues here, with regard to land use planning, are terribly pleased with what they have already accomplished in their States. I don't know why they feel, then, that having saved their souls, they want to impose that on the rest of us if the rest want to be heathens. I was delighted to hear Governor McCall say that the Udall and Jackson bill has been declining in power over the years, and I hope it will continue to be on the endangered species list until one day we remember it only by looking in the history books.

We are not careless about land planning in California, and we are going forward with our plans, but I recall that about a decade ago the federal government's move then on land was through a recreational program, and the federal government was gobbling up and taking, through condemnation, tract after tract of land, whether privately owned or owned by echelons of government. The man then in charge of that bureau in Washington made the statement that in the beginning this government encouraged private ownership of land in order to secure its development, but that now the government was going to seek to regain control of the land from the private sector. I think one of the basic freedoms

that we fought a revolution for in this country was the idea that the king did not own all of the land in the world, the individual citizen could have private ownership of a piece of land. Right now, in most of the Western States, the bulk of the State is owned by the federal government. More than half of the State of California is federally owned in national forest and park lands.

We, on the other hand, are continuing to add millions of acres of park land, taking those beautiful spots that should be preserved, and ensuring that they will be by buying them from their present owners and putting them into park land. We in California don't feel the need of a federal plan. Maybe it wouldn't go as far as we are going to go, maybe it would go too far; but I can't see why anyone can believe that here, as in so many programs we have heard criticized this morning by the speakers, the federal government can evolve a plan that will fit all of the 50 States of the Union.

I know that more than 50 percent of the counties in the United States today have a smaller population than they did 50 years ago. I know that in the State of California about 80 percent of our people are living on 2 percent of the land. You can fly over miles and miles of still beautiful and untouched land. With people being concerned about ecology, too, and with the various trends, if we are going to start to move back from the cities to some of those lesser populated counties, as seems to be a beginning trend, this is the right of the people. I believe that the right of private ownership must be protected, but I believe also that the beauty and the natural habitat and the heritage should be preserved for our children. I just mistrust the ability, on the record, of the federal government to come up with a plan that is going to suit every one of the States represented around this table.

CHAIRMAN EVANS: Senator Moss.

SENATOR MOSS: May I make a comment? The Governor from California concluded his remarks by saying he didn't think the federal plan was going to be any good when it was imposed on all of the States, showing that he departed completely from the context of the Jackson bill that was passed in the Senate some time ago. It requires that there be a state land use planning process and that it include certain things. That is all; the State has to do it. It puts the burden on the State to develop a state land use program to meet the requirements of the act. The funding that is extended to the States is simply to permit them to have the implementation and the tools to do it. My State doesn't look a bit like the State of Florida and the land use plan for Florida wouldn't fit in Utah, and you could compare all of the States in that way. Each one, of course, has to be concerned with the local problems, but there isn't any federal plan, overall plan, to be imposed on the States at all. This legislation says the States shall develop a land use plan.

CHAIRMAN EVANS: Governor Reagan.

GOVERNOR REAGAN: I have to respond to that. Senator, you have to forgive some of us for being a little cynical. First of all, we look at the plan as it

was before it was watered down in an effort to get it passed, the very weakening that Governor McCall mentioned, and you see what the original intent of the sponsors was, which they have now compromised because they couldn't get all that they wanted. On the record again, this, I think, is one of the things that we mean when we talk about the need to reemphasize States' rights. The federal government may get a suggestion of the kind that you propose, but the next thing that happens to us is the additions to the plan and the threats that if we didn't comply not only would we not get the money for the land planning but other funds for other purposes would be taken from us as punishment until we did give in. I believe that the plan may have been watered down, but the suggestions of the federal government are there, the suggestions will grow, and the States will find that coercion on the basis of federal funds will be used to secure exactly what the sponsors of the bill originally had in mind.

CHAIRMAN EVANS: Congressman Anderson.

CONGRESSMAN ANDERSON: Governor Evans, I take just a minute because this is the age of truth in politics. Candor compels me to confess to this group that there is not complete unanimity of opinion within the Republican ranks in the House on this matter. I was one of those who voted on the Rules Committee to report this bill to the floor of the House of Representatives. I did it, Governor Reagan, even though the bill does require that there be an identification of critical environmental areas in the state plan if it is to qualify for federal funding. It does provide that there be an identification of key facilities that have a regional impact. I just think that the problem of increasing urbanization and the shrinking area within this country to support an ever-increasing population is so critical that this is one of those cases where, to quote back to a very excellent statement that appeared in the Governors' Conference policy declaration last year, "There is a need for the President and the Congress to set national goals in the fields of ecology, environment, conservation, and population." I really interpret this act as doing that, setting out national goals, but giving the States complete flexibility, with the aid of local advisory planning councils.

Another section in the bill specifically prohibits the taking of private property in violation of the law, of the constitution. I must agree with the Governor of Vermont. I was interested in his initial comment. When I read that legislation I couldn't see where all the fuss and feathers came from. It seemed to me like a fairly innocuous piece of legislation, except from the standpoint, I think, of recognizing that the land use planning process is a very important national priority. As I think they say in the committee report on the bill, when Will Rogers was asked on one occasion what would be a good investment, he said, "Buy land. They ain't making any more of it."

CHAIRMAN EVANS: I know we could spend a whole session on land use planning because it is of great importance and immediate urgency, for precisely the reason that Congressman Anderson just ended with, "They ain't making any

more of it." With that, Governor Shapp, I think you wanted to introduce a new subject.

GOVERNOR MILTON J. SHAPP: Yes. I would like to talk about the New Federalism and make a few comments in regard to some of the statements that Congressman Rhodes made a few moments ago. I happen to believe that New Federalism is one of the biggest public relations shams that has been put across on the American people in recent years. It seems like the mouth in Washington giveth but the hand that controls the power taketh away. For example, we talk about funding of programs, and yet many of those programs that have been funded by Congress are hounded by the Administration. Taking water and sewer systems as an example, to compound the problem that we now have at the local levels, the Office of Management and Budget is about to issue regulations that would now make it harder for the States and local communities to finance water and sewerage systems by removing the possibility of getting tax-free bonds issued. This is just one example of the action in Washington that really is words only as far as providing help.

A second thing I might say is the arbitrary decisions in cutting funding to the States if we don't obey certain regulations, particularly highway safety regulations, signs along highways. They take our funds away through these arbitrary rules. You have the same thing in welfare, in handling of nursing homes and other programs that are controlled by HEW, and then we find our funding is cut from Washington. The Model Cities program is being phased out, and many of the programs such as school lunches, senior citizens and housing. If there is one thing this Nation needs, it is a national housing program. States and local governments cannot finance these housing programs that are needed and, unless we have major rehabilitation of our urban centers, this Nation is, indeed, in great danger of declining as a world power.

Another area is the virtual elimination in Washington of programs that help in case of time of disaster. It seems like the policy in Washington is that there will be no future disasters in this country. I think revenue sharing has been a disaster. Revenue sharing has resulted really in less money coming into the States and local communities for the simple reason that the categorical grant programs have been cut and, worse than that, because the money is being disbursed to the wind, without any real programming behind it. We have no national investments program to develop our people, our resources, our transportation and, as a result, this is one of the major causes for the economic stagnation we have in this country today. I think that Washington is taking, through its policies, action that creates problems in our local communities and our States, and then refuses to take action and give us the finances that are necessary to solve the problems that the policies of Washington are creating in our country. So I go back to my opening statement. I think New Federalism has become a public relations sham.

CHAIRMAN EVANS: Congressman Brademas.

CONGRESSMAN BRADEMAS: I'd like to just make two or three observa-

tions on what Governor Shapp has just said because I think he has put his finger on some very important concerns. In the first place, as chairman of a House subcommittee that presides over a wide variety of categorical programs, I must tell you that I find very wide support in the country for a number of these categorical programs such as the vocational rehabilitation program, the nutrition for the elderly program, education for the handicapped, to cite but three, over which our subcommittee has responsibility. Second, I speak as an author of a number of those bills, but I'm not unsympathetic to consolidation of programs where there is hope of greater productivity and, indeed, worked with my Republican colleague, Congressman Quie of Minnesota, to provide for consolidation of certain programs in the Elementary-Secondary Education Act. Third, I want to make a comment that has not yet been voiced with respect to what Governor Shapp suggested about the impact of revenue sharing. I read with great interest the report of the subcommittee chaired by Congressman Fountain with respect to congressional attitudes on revenue sharing. I remember that Congressman Pepper appeared before my subcommittee to announce a GAO report that indicated that, with respect to general revenue sharing funds at the local level, less than 1 percent of those moneys had been set aside for programs to benefit the elderly.

I have with me here today a report, the text of which I shall make public later this week, from the General Accounting Office in response to an inquiry that I mandated in response to the question of the extent to which general revenue sharing funds were being utilized by local units of government for programs to benefit the handicapped and for programs to benefit children. On the basis of this report, in respect to 250 selected county governments and city governments involving the 50 largest in each case in the United States, for calendar year 1972, approximately three tenths of one percent of the moneys were set aside by local units of government for programs to benefit the handicapped, and a little over 1 percent of those moneys were set aside for programs to benefit children. You will appreciate, therefore, that there is a degree of sensitivity on the part of some of us in Congress with respect to the commitment on the part of, in this case, local administrators to utilizing revenue sharing funds for those groups which in another context Elliot Richardson has described as "vulnerable."

The final point I'd like to make, Mr. Chairman, is, I hope, a somewhat more positive one. I believe very strongly, as one who wants to see state governments strengthened and one who is much impressed by this volume entitled "Innovations in State Government" and who is, as well, impressed by the brochure entitled "The State of the States in 1974," that one of the ways in which we in the federal government can help you as Governors do a better job of meeting your responsibilities is to encourage more attractive, able, intelligent young people to go into state and local governmental service. I refer to a measure known as the Education for Public Service Act, the purpose of which is to

authorize federal funds to universities for graduate and undergraduate programs in public affairs and public administration, with an eye toward encouraging people to enter the public service at the state and local government levels. That bill provides support for fellowships in order to encourage young people into such careers. The bill comes before the Appropriations Subcommittee tomorrow and I would hope very much that those Governors here who have an interest in this kind of program will advise your Representatives and Senators that you hope they will give some modest support, a few million dollars for a program that will enable you to have better people working for you so that you can do a better job.

CHAIRMAN EVANS: Congressman Rhodes and then Congressman Wright.

CONGRESSMAN RHODES: I just wanted to make a couple of rather quick points. Actually, the problem boils down to this: This Democratic Congress has never accepted New Federalism. It still is clinging to the old ideas of categorical grants, as is the distinguished Governor of Pennsylvania, and the country is a watershed. Either you are going to go ahead with New Federalism and with the idea of letting the States have more to say with their own fates, or your States are going to go back to the old ideas of the federal government telling you exactly what to do, and it is about that simple. The federal government doesn't do a lot of things very well. There are some things we try to do which we just don't do well at all. But, ladies and gentlemen, the one thing we do better than anybody else ever has is to collect taxes. We have the finest tax-collection system ever known to man, and what we are trying to do really is to try to give the States the benefit of the finest tax-collecting system based on a progressive tax so that you can do those jobs for yourself. Just have patience with us and with this Democratic Congress until it gets into the last half of the twentieth century and realizes that the New Federalism is here to stay.

CHAIRMAN EVANS: That brought up a lot of hands. Congressman Wright first.

CONGRESSMAN WRIGHT: Let me make a very nonpartisan comment on a couple of things that were mentioned by Governor Shapp. First, with regard to the difficulties we have had getting the water pollution abatement program actually into service, I think there have been fundamentally two problems: One, guidelines, and, two, deadlines. You can blame the deadlines on the Congress. We wrote them into the law. But the guidelines must be blamed, I think, upon the appointed officials who have been delegated to administer the law, and many of the guidelines were not anticipated by those of us who wrote the law. It has been a restrictive application of guidelines which has made it absolutely impossible for us to meet the deadlines, and so we are going to have to revise them, but I do hope that the money will begin to flow.

The second comment I wanted to make addresses itself to Governor Shapp's comment about the withdrawal of federal funds and the Highway Act and other acts as a means to enforce conformity with nonstatutory requirements. I have to

say that has been done. I think the most flagrant example that comes immediately to my mind of a usurpation by appointed officials is the Highway Beautification Act of 1965, which contains this language. Listen to it now: "The states shall have full authority under their own zoning laws to zone areas commercial and industrial, and the actions of the states shall be accepted for the purposes of this Act." That is a verbatim quote from the Highway Beautification Act. I don't know how we could make it more unequivocal. This is what gives me pause, Governor Reagan, and perhaps may lie at the heart of your concern. Notwithstanding our very best efforts to write into such bills as the Land Use Planning Act restrictions against the imposition of regulations that are not in the law, here is what happened. The administrators of the Highway Beautification Act, faced with that clear injunction to let States do their own zoning and to accept their actions, withheld 10 percent of their highway funds from the State of South Dakota on the grounds that the administrators didn't regard South Dakota's zoning law as traditional zoning and, sad to say, a federal trial court upheld the federal administrators. I don't know what you do about that. I'd like to see some land use planning activated in all of the States. I'd like to make some money available to the States to do some effective planning on their own, but I must confess that, confronted with examples of absolute flagrant flouting of the law that Congress has written in an effort to enforce compliance with things that are not statutory, I have to be a little hesitant about voting for some of these.

CHAIRMAN EVANS: I think Congressman Wright has struck at perhaps the biggest barrier between the States and the federal Congress and the federal Administration; that is, the rules and regulations that stand between the law and its implementation. The next three Governors have requested time: Governor O'Callaghan, Governor Bond, and Governor Andrus. Governor O'Callaghan from Nevada.

GOVERNOR MIKE O'CALLAGHAN: Governor Evans, as usual Congressman Wright has put his finger on the problem. I think we have to discuss it further. For instance, I have no difficulty at all communicating with our congressional delegation; they do a good job. So there is no problem that I see between Governors and Congress, as such. I don't know what the answer is; whether it is additional guidelines or no guidelines at all or broader guidelines. I don't know exactly what the answer is in Congress so that the intent will be carried out. I believe that the intent of Congress has been made very clear and usually we have had our input with Congress, but when the final product comes out, here, again, we are missing something. What we are really missing here is the original intent of that law. I would like to have the Senator from Utah delve into that for a while because of his experience in that field.

CHAIRMAN EVANS: Senator Moss.

SENATOR MOSS: Thank you, Governor. The intent of the land use planning law was to encourage land use planning nationwide but to have the States implement it because, as we say so frequently, there are differences, all sorts of

differences, land differences, elevation, precipitation, every kind of difference you can imagine. Also land use planning is for preserving national heritage-type lands, and the definition of that can be formulated perhaps better in the States than in the federal government. However, it is a partnership arrangement because the federal government is concerned that land use planning pervades the whole United States. For that reason it enumerated a number of things that should be taken into account by the States as they develop their plans, simply to set out the things that we thought were of value in the national system. The other thing is to provide funding so that the States would have the funds and could hire the personnel and do the planning without constriction and try to move the whole thing together.

What happens so often, as I have tried to put in my brief opening remarks, is that the national Congress, which, after all, is the legislative body for everybody, decides that a certain matter is of importance to all of the people of the United States and, therefore, we ought to move to that position. Recently we have taken the position, as we did in land use planning, that the implementation ought to be done on the state level and the administration ought to be on the state level because they are in the closest proximity to the problem and presumably can do it better. However, we do want all of the States to act, and where you have a handful of States or one half of the States or three fourths of the States who would be willing to act, and the others just failed absolutely, then you have destroyed the overall standard we are trying to reach. That is, I think, not an onerous thing because in the bills that I mentioned it seemed to me we gave ample time and leeway to the States to move, provided some funds with which to move, and said, please get on with the job and do it at the state level.

CHAIRMAN EVANS: Next, Governor Bond of Missouri.

GOVERNOR CHRISTOPHER S. BOND: I must take this occasion to put in the other side of the question of New Federalism being a public relations sham. It seems to me the objections raised to it were, first, budgetary, to the extent that adequate funds have not been available. Certainly all of us who are responsible for making budgets realize that problem, but it is not one which goes to the structure, in my opinion. Secondly, the objections seem to be to those situations in which elements of restraint still remain, whether they be in unwarranted administrative regulations or in unduly restrictive categorical grants adopted by the Legislature. I think that's the purpose of New Federalism, to get away from those restrictions wherever possible. So I would have to disagree with the philosophy of my fellow Governor from Pennsylvania that major problems, social or environmental, will be solved only if they are solved in Washington or through the federal government.

I respectfully decline Congressman Brademas' invitation to testify on the Education for Public Service Act to get young people into government. We have been extremely successful in bringing young people into both state and local government in Missouri, not as a result of any federal program, but because there

seems to be now an opportunity to solve some problems at the state and local level. To the extent that we are successful in obtaining additional special revenue sharing, along with general revenue sharing, I think there are adequately trained young people who are willing to provide dedicated service if they feel some of the problems can be solved at the state and local level.

CHAIRMAN EVANS: I would ask my colleagues to be very careful to distinguish between Washington, D.C., and the State of Washington. There are times when I'd like to disassociate ourselves, many other times when I'd be delighted to be closely associated. Governor Andrus.

GOVERNOR CECIL D. ANDRUS: Thank you. Mr. Chairman, if I may direct this, please, to Congressman Brademas, and change the subject somewhat. Congressman, in the Senate bill that is presently awaiting activity by the conference committee dealing with primary-secondary education, the one that extends and amends the act, in the Senate version of that bill there is funding made available to the States for programs that would equalize educational opportunity within the States. That same amount of money is not embodied in the act that was passed by the House. If the conference committee is going to meet and work this out, would you give us your idea as to the possibility of this provision in the Senate bill being accepted by the conference committee with the House?

CONGRESSMAN BRADEMAS: I'd be glad to, Governor, if I could in good conscience do so, but I do not know how much money for that program is contained in the Senate version of the bill, and I hope it will not be thought disparaging if I say, with respect to my friends in what we euphemistically call the "other body," that at times there come forth from the Senate bills that have a good many lights and lamps upon them that cost a lot of money. So I can tell you that, in light of your question, I will search that division with very great care and if it seems responsible and reasonable I'll support it; if it doesn't, I'll be against it. That's the most honest answer I can give you.

CHAIRMAN EVANS: That leaves considerable maneuvering room, Cecil. Governor Andrus.

GOVERNOR ANDRUS: Mr. Chairman, I would say yes, that there is plenty of room to maneuver. The amount of money was not much, \$225 million over a three-year period of time, and I guess perhaps I'd put it this way: Do you think the House would accept any amount that would be allocated back to the States for the studies that would bring about equalization of educational opportunity?

CONGRESSMAN BRADEMAS: Well, I'm somewhat sympathetic to that purpose, but I can tell you this, that I would be much more sympathetic to that kind of a move if I saw efforts being made in the States to move toward greater equalization with the use of state tax moneys. We hear a good deal about States' rights, particularly at meetings of this kind, and I was afflicted with the disease of a sense of States' responsibilities. I hope therefore that you will not think me out of line if I make that observation. You know, the Supreme Court decision

on the equalization matter did not forbid state governments from using state tax dollars to move toward equalizing educational opportunity; it only ruled that this was not a matter, at least so far as that Court decision was concerned, that was part of the Constitution under the equal rights, equal protection clause of the Constitution.

CHAIRMAN EVANS: I will take the Chairman's prerogative to ask Jim Martin of our staff to ensure that the Congressman does receive recent state activity in the field, because I think there has been significant movement right along that line. Minnesota and a number of other States have done so. I think it would be worthwhile to make sure that information is available because you are right, it is important that States move with their own tax money for equalization in the support of our common schools. Governor Rampton of Utah is next.

GOVERNOR CALVIN L. RAMPTON: I'd just like to say, Congressman Brademas, that most of the States are moving toward equalization, not because there was any court case but because we feel it is right. But I asked for permission to respond to your statement that general revenue sharing has not been used generally for social programs. I think you identified programs for the handicapped and programs for children as areas which have been neglected by general revenue sharing. I believe you cannot tell, by the accounting reports that are submitted by the States, the full effect of general revenue sharing simply because the general revenue sharing coming into the state budget in any area loosens up the entire budget. You still have certain categorical programs that are in effect, and many of them are in the social program field. You have a rule on general revenue sharing that we may not use those funds to match federal dollars on other categorical grants, so what we tend to do is to put the general revenue sharing money into areas where there are no categorical grants which, in turn, loosens up state dollars that we could use for state sharing in the welfare field.

CONGRESSMAN BRADEMÁS: If I could just make one observation quickly, Governor, so that the facts are clear. In observing that something in the neighborhood of 1 percent or less of general revenue sharing funds was being used for programs to benefit (a) children, (b) handicapped people, (c) elderly people, I was addressing myself to funds granted to local units of government and not to state governments.

GOVERNOR RAMPTON: May I respond to that. You worked with the committee I have chaired on early childhood education.

CONGRESSMAN BRADEMÁS: Yes.

GOVERNOR RAMPTON: In my State over the last three or four years we have, I would say, at least quadrupled the money that has gone into special education. Although I can't trace a dollar of general revenue sharing into those programs directly as an accounting procedure, I can say that the increase in funds there has been largely responsible, or has depended largely on general revenue sharing loosening up funds from other areas.

CONGRESSMAN BRADEMÁS: I wish there were more Cal Ramptons in

the Republic.

CHAIRMAN EVANS: In most States the basic or fundamental support of those areas is likely to come through our educational system and those do not generally flow through the various local governments but would come within the State's responsibility, in the State's use of revenue sharing moneys through their state educational systems and distribution to local school systems, and perhaps would show up much more vividly in an analysis of where state revenue sharing moneys go. Governor Noel.

GOVERNOR PHILIP W. NOEL: Mr. Chairman, I'd like to address the question that was raised by Congressman Brademas. I think Cal Rampton made a very lucid observation, a very timely observation. I would hope that no one in the Congress is utilizing reports that are lifted off reporting systems to account for the expenditure of federal revenue sharing funds. I worked with federal revenue sharing funds as the mayor of a city of 100,000, and now as a Governor, and you have to do some very sophisticated financial analysis if you are going to try to track those dollars. For example, we were prohibited from spending federal revenue sharing for educational programs when I was the mayor of a city.

You can't track the federal revenue sharing dollars to the programs that we put in for handicapped and underprivileged children, educational programs for retarded children, but it was because of federal revenue sharing that we were able to rearrange the priorities that we set on other local tax dollars, and it would be a tragedy if those in the Congress were to rely upon those reports, which have no meaning whatsoever in trying to ascertain how these moneys filtered down and affected some progressive programming in the area of social services. In my State we adopted the simplest system of accounting for the expenditure of those dollars. As a practical matter, in a very real way, we used the revenue sharing dollars very liberally for new programs and to help a great many people, so the Congressman's point, really, raises some doubt and fear in my mind as to how this issue will be debated in the Ninety-fourth Congress.

CONGRESSMAN BRADEMAS: If the Governor will allow me to respond, and I do so not at all combatively, but I hope constructively, it seems to me that here is a good example of an area where there ought to be a greater effort made on the part of us in Congress and you as Governors to come together and talk to one another and try to understand that we are all talking about apples as apples and oranges as oranges, otherwise there is, as the Governor has just suggested, a danger of misunderstanding that could cause difficulty where it is not necessary.

CHAIRMAN EVANS: I think this alone has made this session worthwhile. If we can ensure that this sort of thing does continue, I think it is very important. Governor Mandel of Maryland.

GOVERNOR MANDEL: I think this discussion vividly pinpoints the very problem that all of us have; that is, that Congress passes well-intentioned legislation that then goes into the hands of the bureaucracy to write rules and regulations. Lots of times the intentions of Congress are subverted to the point that we

have to take steps to try to utilize what we can in order to make use of what you intended us to receive. In our State on revenue sharing I might say to you, and I say it with all candor, we put every dollar into the bond annuity fund, so I wouldn't get involved with the Civil Service Department, I wouldn't get involved in writing all kinds of reports, I wouldn't have to worry whether or not our people are receiving federal dollars and may be violating the federal law; so when you get that report, it has absolutely nothing to do with the way that the revenue sharing money was spent, absolutely nothing. Again, the problem is that you pass laws which get into the hands of those who interpret them, who are going to be there after you and I are gone. We are stuck with trying to implement a law under rules and regulations that we just can't live with, so we have to do the best we can. There ought to be some way for the Congress to say—we do in our State—that no agency can pass a rule or regulation unless it is reviewed by a legislative committee to determine whether or not that regulation is within the intent of the law as enacted.

CHAIRMAN EVANS: Congressman Anderson.

CONGRESSMAN ANDERSON: Governor Mandel, one of the provisions of the Committee Jurisdiction Reform bill that, unfortunately, was shelved in the Democratic Caucus a few weeks ago would set up an oversight committee, a legislative oversight subcommittee, for every one of the 21 standing committees of the House. But even if that reform was adopted, and I think it is an excellent one, I think that the reason why revenue sharing is necessary and is not a sham, a fraud, a snare and a delusion is that Congress simply cannot, given all of the problems that it has to confront, exercise adequate oversight over 1,000 different categorical programs. To proliferate these programs, as inevitably you are going to have to do if you let revenue sharing fall between the cracks, I think is just going to call for more of this bureaucratic maladministration that you are complaining about. I think it is one of the soundest arguments for continuing general revenue sharing and special revenue sharing as well.

GOVERNOR MANDEL: Don't misunderstand my remarks, Mr. Congressman. I'm all for revenue sharing. I'm just saying that you shouldn't try to read reports and interpret how the money is being used because it is not in accordance with those reports.

CHAIRMAN EVANS: Governor Curtis of Maine.

GOVERNOR KENNETH M. CURTIS: I just wanted to comment on one or two of the things that have been said. As one who is leaving office, I certainly hope for the good of my State that general revenue sharing is continued. I think there is a lot of confusion about general revenue sharing, and I think it has been confused many times with special revenue sharing. It was my understanding initially that general revenue sharing was a means basically of trying to relieve the upward spiral of local property taxes all across the country and that it was no-strings-attached money coming to the States, and I think all of us here have accounted for it pretty much in the way it has been described by some of the

other Governors. We have accounted for it in the easiest possible way that we could with the least amount of paperwork, but, in doing that, we have freed up money, other money, to use in many of the areas that perhaps Congress would be more interested in.

I'd like to leave with Congressman Brademas a report I brought which made it possible for us to equalize the financing of public education in our State which we never could have done without some outside assistance and at the same time we have noticed a marked decrease in the acceleration of local property tax rates because of that. If you pull the plug on general revenue sharing in my State, the new Governor is going to get hit with the biggest tax bill that he has ever seen, and our school system and all of our programs would suffer drastically to have this money pulled out. On the subject of New Federalism, I don't think there is a Governor here who doesn't agree wholeheartedly with the concept. But I, for one, think that I am being used in my State by New Federalism because in many, many programs we are getting less federal dollars, and I have the honor of telling all of my constituents and all of the different special interests and program interests in the State that they are not going to get the money next year. And that is my responsibility, because when these groups go to Washington, D.C., they are told, "Well, you will have to go back and see the Governor because he has control of these funds now." So, I think, if we had the same amount of dollars with the same privileges, we could do a better job. We can't do a better job with a smaller percentage of dollars than has been done in the past.

Also, I'd like to comment briefly on what Congressman Wright said. In our own State we are not particularly disturbed with regulations that are written into the water pollution control laws. We are able to spend the money; it's a lot of work, but we can spend it and we know how to do it. What we are concerned with is that we have many communities lined up with their money, the State has its money raised, and we are simply waiting for the federal share that has been impounded. If we had that money, by 1975 we would be 90 percent along the way to cleaning up. Now we don't know when we will make it, so we are glad to do the paperwork if we can get the money. Lastly, I perhaps am confused about congressional action on the energy problem. I thought there was a bill, I think it was the Energy Emergency Act of 1973, passed by the Congress. If my history is correct, I think the President vetoed it, so I don't know who is at fault, so I'd hate to see Congress get blamed for all of it.

CHAIRMAN EVANS: We have time for just one more question, because the Congressmen do have to leave in order to catch a plane. Next on the list was Governor Bowen of Indiana.

GOVERNOR OTIS R. BOWEN: Thank you. We will shift the subject matter. I will have a quick comment, followed by a question which I would like to refer to anyone or each of the members of the panel. Indiana is one of the biggest donor States to the federal government. Per capita we rank fiftieth in the Nation on the number of federal tax dollars that we get back. Now, we are

trying hard to improve that and we don't mean, of course, to run to Washington with our hands out for every dollar and every program that is available, but we do want to evaluate them all. Our biggest complaint is the fact that the federal formula that provides the return of funds for state highway programs yields to Indiana only 41 cents on the dollar that our Hoosier citizens send in to Washington from the federal gas tax. Now, of course, this is unfair; it does hamper our road building, it does hamper our maintenance programs. What are the chances of passage of a bill that would guarantee the return of, say, 85 or 90 cents out of every dollar of our own tax money that we send in to Washington or, for that matter, repealing 2 or 3 cents out of the 4 cents federal tax and let the States reenact it for their own use?

CONGRESSMAN BRADEMAs: Governor Bowen, if I can respond to my own distinguished Governor, I'd say two things and then yield to Jim Wright. First of all, I think if you will look at the figures you will find that the amount of federal revenues coming back into Indiana is significantly higher in the congressional district that I happen to represent than elsewhere in the State. Second, I think you will find that, as a result of the Title I formula change, of which I am proud to have been the author, Indiana will receive substantially more moneys than was the case before, although I am told I'll need a passport to be allowed into the State of New York again, Governor Wilson. In respect to the highway money, I will yield to the top expert in Congress, Jim Wright.

CONGRESSMAN WRIGHT: Governor, the two biggest donor States judged on the ratio of the amount of highway taxes they pay, as against the amount of highway funds they get back are, first, California, and, second, Texas, my State. We have done this because there was a national priority for an Interstate system. When the Interstate system is completed, we will be confronted with a choice of either remitting a certain percentage of each State's taxes or simply doing away with that much tax and permitting the States to raise it on their own. That is a decision that will confront us in another two years, I would say.

CHAIRMAN EVANS: This has been a most instructive and interesting session. I know from the many pending questions of the Governors, which we simply could not get to, that we could have gone on for a significantly longer time. I think this session has done one very important thing for those of us representing the States and those of you representing Congress, and that is to point up the imperative nature of a continuing dialogue which I hope we can formalize in the course of the upcoming months.

May I express on behalf of all of my colleagues my gratitude to Senator Moss, Congressman Anderson, Congressman Brademas, Congressman Wright, and Congressman Rhodes for being with us this morning. I don't have any specific announcements. Miraculously we are ending this morning's session a little ahead of schedule and that means we should be able to report back promptly at 1:45 in this same room for what ought to be a very interesting session on national health care. The morning session is adjourned.

AFTERNOON SESSION

Monday, June 3

CHAIRMAN EVANS: Will everyone take their seats, please. The meeting will please come to order. This afternoon's session should prove to be a very interesting one, and to lead it and give us guidance I have asked Governor Cecil D. Andrus of Idaho, Chairman of our Human Resources Committee, to take over the Chair. Governor Andrus.

CHAIRMAN ANDRUS: Thank you very much, Mr. Chairman. Fellow Governors, Distinguished Guests, Ladies and Gentlemen: This afternoon we have, I think, a very unique opportunity to discuss national health insurance. In recent years few issues have sustained public attention as much as health care. Perhaps this is because no other topic affects the daily lives of so many people in America. I will put it two ways, if I may. Many people in America, whether we like to admit it or not, find themselves unable to have available to them adequate health care. For others, the option sometimes is a catastrophic loss that can destroy the financial stability of persons in America. So I think it behooves all of us in public service to look to a solution for these problems. We have a very distinguished panel of three men from whom you will hear very shortly. These three men, because of the positions they hold, have much to do with the direction that we may take in searching for a solution to these problems. We have as panel members this afternoon the Honorable Edward M. Kennedy, Senior Senator from the State of Massachusetts; the Secretary of HEW, the Honorable Caspar W. Weinberger; and Dr. Russell Roth, President of the American Medical Association. Then we will have responses from two of our colleagues: Governor Noel and Governor Melvin Evans.

If I may, gentlemen, point out that many bills on this subject have been in Congress for quite a few years. Hopefully we of the Governors' Conference will come out with a consensus during this meeting that will help us determine the future role that we will play. For your information, the National Governors' Conference five years ago went on record as favoring national health insurance. Nothing has been done since that time. That position paper, that policy statement, still holds, even though it is five years old. Hopefully we will have the opportunity this afternoon to look more in depth at these problems. In the area of ground rules we are going to ask our panel members to utilize 10 to 12

minutes with opening remarks. After the two Governors who are designated to respond have utilized their time, I will give the panelists an option to respond prior to questions from other Governors. I would like also to add that the Human Resources Committee will meet briefly this afternoon at 4 o'clock. With the sequence of Senator Kennedy, Secretary Weinberger, and Dr. Roth, we will start with the distinguished Senator, Senator Kennedy. Thank you very much for being with us, Senator.

SENATOR EDWARD M. KENNEDY: Thank you very much, Governor Andrus. Governor Evans, Members of the Governors' Conference: Let me say what a pleasure it is for me to be here. I come from Washington where there is a great deal of speculation about presidential politics, and it is a pleasure to get away from that city and be with a number of Governors who are not interested in national politics, like Governor Reagan and Governor Walker, Governor Gilligan, Governor Bumpers, and all of the others. First of all, let me express a warm sense of appreciation for the chance to be here and to commend your Conference for giving this issue the kind of attention and care which you are giving here this afternoon and which your Human Resources Committee has given over recent weeks and recent months. Unquestionably the people of this Nation, as shown by your concern and the increased interest in it throughout the country, are tired of talk and they want to have some action in the Congress and in the Senate of the United States. The proposals which are before the Congress have important roles for state leadership and also for local leadership, and I think it is enormously useful for us in the Congress to have the kind of input that we can gather here, with the expression of your concerns in the form of questions and, I am sure, followed by action by the members of this Conference in giving us the input which you think is so necessary to make for an effective health insurance program. So we are about to decide, hopefully, in this Congress on a health insurance program.

I think in recent times we have all heard the slogans of the past. Everyone in this room is aware of the slogans and the statements that have been made over the debate on health insurance, as well as over the period when the Congress was debating Medicare. We heard that any program that considered health insurance must be socialized medicine. We heard about the doctor-patient relationship. We heard, during the debate on Medicare, that this was going to interfere with the free-enterprise system. These were shibboleths of the past which are discarded, hopefully, with the passage of Medicare; sometimes all too often we hear the same statements made about the various proposals which are before the Congress at the present time. That is why I think this Conference is important, so we can deal effectively with what we are really attempting to do, each of us, with the various proposals that we are supporting.

First of all, I think it is important to note a growing consensus for a health care program. This can be seen by, I think, President Nixon's statement before the American people in his recent comments on his health program, and also by

the statement of purpose that Secretary Weinberger made before the Finance Committee. There is fundamental agreement on the benefit package that we are talking about. That does not vary substantially from the health benefit package that was included in our HMO legislation not long ago. I think there is substantial agreement also about the cost of the program. We are really not debating that at this particular time. Actually the moneys that are going to be expended, from no matter what source they come, involve figures of approximately \$40 billion. Also the Administration bill and the proposal which has been introduced by Chairman Mills and myself recognize that health insurance is going to have to be something other than just a cash register. What we really are going to need is better state and local planning. We are going to have to be sensitive to improving the quality of care controls, and we really have to enact a program that is going to have some meaningful cost controls for any program that the Congress may pass.

On these matters I would think there is substantial agreement, perhaps not in the best means of reaching those goals, but in the importance of them, and perhaps that distinguishes these bills to some extent from the proposal that will be made by the representative of the American Medical Association. Let me say, although I will make a brief comment on why I think the bill which has been introduced by Chairman Mills and myself is most effective in meeting these particular needs, there are parts of the Kennedy-Mills approach which are of concern to me, and that is the role of the deductibles and coinsurance. I favor a program, as I had introduced four and a half years ago, that would not include deductibles and coinsurance. Certainly they do keep some people away from the health care system, but it hasn't been shown that it keeps the right people away from the health care system. Too many instances of keeping people away are seen, people who ought to receive some kind of health care. So I am reluctant to see a feature of coinsurance and deductibles but, nonetheless, those particular provisions which are in the Kennedy-Mills program are more modest than those which are in the Administration's program.

I am also reluctant to see the role of the private insurance company being as significant as it is in the Kennedy-Mills program. I don't believe that we ought to permit profiteering on health care of the American people. We haven't accepted it in talking about the education of the young people of this Nation, and I think any fair review of the role of the private insurance companies shows that there is a fundamental impasse between the balance sheet and the profit sheet. If we look at even the figures that have been provided by Secretary Weinberger before the Finance Committee, it shows that in some private insurance company programs the insurance companies themselves retain up to 47 cents out of every premium dollar that is paid into it. So these two features are matters which are of concern, even though they are matters which have been effectively adjusted from the health security bill that was introduced some four and a half years ago.

Having stated that, I still maintain that the Kennedy-Mills bill is in the best

interest of the workers of this country. They will be limited to a 1 percent contribution based upon their salary up to \$20,000, which means at the outset that the employee will be paying not more than \$200. Generally speaking this is going to be a more modest expenditure than would come under the Administration's program. Secondly, there is going to be a more modest contribution in terms of those who are self-employed. Under the Administration's program, they are going to have to pay the full premium for the self-employed. Here it is limited to 2-1/2 percent up to the \$20,000 figure, a more modest contribution for those who are self-employed, particularly those in small industries. We have lower deductibles under our particular program. To reach the catastrophic level you only have to pay out some \$1,000 as compared to \$1,500 in the Administration's program. We also eliminate all deductibles for those under \$4,800. The Administration also has some adjustment in reducing deductibles, but ours is more comprehensive and more complete in those areas. Finally, with regard to the workers, the insurance follows the workers from job to job. This isn't really true with the Administration's program. They can receive the program during the first 60 days of new employment, but they are going to have to pay the full premium. This, I think, is an unacceptable burden, particularly to those who are going to be unemployed.

One of the real advantages of our program is that it follows the worker from job to job, even if he becomes unemployed. So for the interest of the workers, I think that our program has some advantages. Also our program is good for the doctors. I have stated at the time of the introduction of the legislation a Bill of Rights for doctors. The physician will be able under our program to choose where and how he is going to practice. He will be able to choose the patient or the patient will be able to choose the doctor, as he so desires, as he is able to do under our present system. It will be free from any ownership by the federal government, and it will provide freedom from any interference in community policy. Besides those basic kinds of freedoms, it will do something terribly important for the doctor, hopefully, and that is that it will eliminate the very substantial administrative burden that he has in filling out the various applications. The 900 insurance companies, with 8 or 10 different types of programs, are an absolute administrative nightmare for the doctors, as well as for the hospitals included. I submit that this is the best program for the States. No State would be paying for Medicaid services more than they paid for those covered in 1973. That is the base period that we build upon. This is distinguished from the Administration's program under which the States are going to be paying approximately 25 percent of the programs for those particular poor risks.

If we pass an extended-care program for senior citizens, for the elderly, there is a ceiling of approximately 10 percent for payment by the States for that particular program. But I think a fair analysis, a hard-nosed actuarial analysis of what the States would contribute under these various programs would show that there are significant advantages for our particular proposal. You say, how are we

able to do this? You seem to have pretty much the same benefit package and yet you are providing lower kinds of deductibles, you have a lower catastrophe threshold than does the Administration, you are able to provide some preventive services and maternity and child care that are not going to be covered by the deductibles and coinsurance. How are you able to do it? We are able to do it because we are not paying for the administrative expense of the private insurance companies, and we are able to save anywhere from 5 to 7 percent. If you figure that cost on approximately a \$45 billion program, you are able to save about a half to three billion dollars. Secondly, our drug program is not as generous as the Administration program. For sound quality-control reasons our program in the drug area would save about a billion dollars over the Administration's.

The one thing that I have seen as Chairman of the Health Committee is that there has been a proliferation of antibiotics and drugs generally. This is far too generous as we see it at the present time and we can save approximately a billion dollars in this area. With those \$3.5 billion plus we are able to make these kinds of adjustments which, I think, are so important and essential in providing quality health care. Finally, let me just say that I think this is a program which is fiscally sound. I think it can make an important and major difference in improving the quality of health care in this country for all Americans. I think we are going to have, for the first time, a guaranteed health program as a matter of right for all Americans, and I am certainly hopeful that during the period of these next few weeks and months, when Congress is focused on this particular proposal, we can work with the Administration and work with the Governors, work with the mayors and work with all Americans to make sure that we are able to achieve the kind of quality health program that the people of this country rightfully deserve.

CHAIRMAN ANDRUS: Thank you very much, Senator Kennedy. Now we will turn to the Secretary of Health, Education, and Welfare, the Honorable Caspar W. Weinberger. Mr. Secretary.

MR. CASPAR W. WEINBERGER: Thank you very much, Governor Andrus and Governor Evans. Senator Kennedy, Dr. Roth, Governors, and Guests: It is a great pleasure to be here and I appreciate very much the opportunity to discuss, in perhaps the best forum of all, these extremely important points about national health insurance. We are, indeed, in agreement on a number of issues with the Kennedy-Mills bill. For one thing, we are in agreement with some of those points because Congressman Mills has been bountiful in his support and has also signed our bill, and we are proportionately grateful for that. We also find, somewhat to my surprise today, that the Senator is in some disagreement with his own bill. If we are going to have a problem of working all that out again, it might make the ultimate compromise somewhat more difficult; but I gather that these are not serious differences, but more reminiscent backward looks at what might have been. In any event, we do think that the agreement that is expressed by the

Senator on a number of points is significant, and I can't emphasize too strongly the importance that we attach to the enactment of a comprehensive national health insurance bill this year.

There are some who say that what we should do is wait until we get what they describe as a better Congress. I would hesitate to be comparative about Congresses, but I think that the point of waiting for that purpose is a rather cruel hoax on the American people because there have been a lot of people who have been waiting for quite a long time for health insurance. We have been discussing this matter for something close to 10 years. If we wait to get something that will satisfy everyone and deny the enactment of anything until that time, then I think we are denying people very necessary health care that they should have. So we do have agreement on a number of points, and I think that's a very significant thing. We do have some disagreement on costs, and I hope to be able to elaborate a bit on that in the course of this presentation. We do think, however, that there is now an extremely good climate for a legislative enactment of which we can all be proud and which will serve a great need.

Some say you don't need anything, but we think, when you have 25 million Americans who have no health coverage at all, when you have tens of millions who are covered only for hospital services, and then not very adequately, and when most Americans are without protection against catastrophic illness, you do not have a system which will enable us to say that we don't need anything or that we can keep on waiting until something better happens. We do think, however, that in the course of pointing out some of these obvious gaps, there is an equal danger on the other side, and that is overlooking the strengths of the system we do have. I think without being in any way chauvinistic, but by being completely accurate, that we can say we have the best system of health care in the world, but it does have gaps in it. It would be foolish not to admit that, and it would be even worse not to try to close those gaps and cover them. That is essentially what we have in mind with our comprehensive health insurance plan which was introduced into the Congress in February. It has very broad benefits. It has the benefits that the Senator described. It has more; it has protection against such things as mental illness and alcoholism which are ordinarily specifically excluded from a great deal of existing insurance but, as you know perhaps better than any audience in the United States, which account for a very large part of the national illness and a very large part of the total cost of supplying health services to the country.

Regarding the prescription drug point the Senator mentioned; we think that, while there has been probably some over-prescription, that we have a good plan for reaching that and that is by reimbursing only the lowest cost for the equivalent available medication that the doctor orders. We also believe that you should cover such things as antibiotics and other drugs that the doctors order, but that you can control over-prescription by such means as reimbursement policies, which is what we have recommended. The basic preventive care that has

been discussed is essential, and we do have that covering all things, including complete dental services up to the age of 13. The main principle here, I think, is that all Americans should have access to affordable coverage, that catastrophic illness should clearly be included, and a very broad array of services such as outpatient and home health care should be included. You shouldn't put such a heavy emphasis, as Medicare and Medicaid did, on hospitalization to the point where we have had, I think, a very serious overutilization, not by the patients, because you all know we don't wander into a hospital when we want to. But because of the way the Medicare statute was designed, with all of that so-called free coverage after the first day, I think there has been a great deal of use of it when it wasn't necessary. We say that hospitalization should be covered when it is needed and there shouldn't be anything which induces the doctor to use it rather than some other less expensive, perhaps more effective, mode of care.

Our plan is based on the ability to pay. We have a sliding scale of contributions and deductibles, which we think is needed. We think the overuse of the system that has occurred very visibly in many European countries dictates the need for a deterrent against overutilization, but we think that that should be based on ability to pay. We believe we have set a sliding scale which encompasses that. This is one of the areas that is clearly open to negotiation, but we believe that we have in our plan not only an absolutely essential element of providing coinsurance and deductibles, but that we have set it at a proper level. However, we are perfectly willing to discuss it. We do think that you should rely on these great strengths of the private health system that I have mentioned a moment ago. There are weaknesses. It would be foolish not to recognize them, but there are enormous strengths, and it would be more than foolish to try to tear those down and substitute a whole new system of either financing or delivery.

We also have in our plan a provision which has been lifted rather bodily by the other bill, and I'm glad that it has, and the rumor that we are planning to sue for infringement is entirely erroneous. We are delighted that they have copied it. This is the health card, which would enable everybody to be identified as eligible to receive the benefits, identified with any special health problems he might have, blood types or allergies or so on. But also it would operate as a bank credit card and would mean that you could spread the payments that you have to make under any of the systems over a reasonable period of time, exactly as you do payments charged on other credit cards. That, I think, is an essential feature and I'm delighted that that is in both bills. The government under our plan would assure complete coverage for everyone, with nobody excluded. But there is a significant difference. This is the point at which I think we do have some differences on cost. The Senator's bill is financed by taxation and a tax increase in the payroll tax, which is already close to 12 percent and will have to increase under his bill by 4 percent. This would act as a further deterrent on employment, particularly low-paid employment which is the area that would hit the minorities the hardest.

Another significant difference is that our plan is financed not by that kind of taxation but by a voluntary payment by the employee. He does not have to be covered if he does not wish to do so, and that is a significant difference, because so far we have been unable to identify any tax that is voluntary. Also the fact that the Senator's plan would be administered by the Social Security system is put forth as a plus. We have some serious problems with that because the Social Security system now has something approaching 70,000 federal employees. The estimates that we have found for expanded staff range anywhere from 25,000 to 35,000 additional. With all of the fringe benefits and other elements that go into federal employment, that could be a very significant additional expense. So we think far better than to rely on an enormously expanded Social Security system, it would be better to rely on the proven strengths of administration in private health insurance.

Another point that was not mentioned, and should be, is the fact that this would be a new Social Security system under an independent three-man board. Some of you as Governors may have had experience in trying to deal with independent three-man or five-man or seven-man boards of experts in your own state governments. I know I had a little brush with that during the time that I worked in the California state government, and it is frequently not a happy experience. So we are not talking about maintaining the present Social Security system and adding this to it; we are talking about completely revamping and going back to an outmoded and discarded form of Social Security administration that was tried in the 1930s and properly discarded. The other point that I think should be made is that in the assisted plan, the plan that would take care of the low-income and the high health risk, there is a very substantial role, and properly so, for the States, as, indeed, there is in the employer plan and in the expansion and improvement of Medicare. It is important to emphasize that in all three of these plans the benefits are the same. There is identical health care of a quality, comprehensive kind for everyone, but there is a much greater role for the States, because under our program the States would assume major functions because we trust the States, we believe they are thoroughly competent to undertake these large and important tasks, and that is demonstrated by our feeling with respect to revenue sharing which, of course, is widely known to this audience.

So we would have a regulation of private health insurance carriers, including the bringing of charges. We would have the administration of the assisted plan done by the States. We would have States review new capital investments by hospitals and other providers to see if it is necessary. We would have the States set reimbursement rates, including prospective reimbursements for hospitals. All of these would be subject to general, broad federal guidelines, but we would feel much more comfortable about these functions if they were performed by the proven capability of the state governments. There would be a very substantial set of arguments, I'm sure, that the States weren't competent to do this. The simple fact of the matter is the States are far ahead of the federal government in many

of these areas and have already enacted in many cases legislation that would involve this kind of precise work. So we don't have any worry about trusting the States, and we feel that the state governments are fully capable of performing these tasks, not only equally as well, but we think far better than the federal government or than other agencies.

I have a little chart here that I'd like to show to you that indicates the fiscal impact of our assisted plan on the States. Essentially it points out that under the assisted plan the expenditures beginning in fiscal year 1975 would be \$6.8 billion, which is made up of the assisted health plan of \$4.2 billion, plus the continuation of the Medicaid programs that the States would still have, namely, long-term care, which would be \$2 billion. The remaining state services, assuming they would all want to be continued, at \$400 million, and remaining residual general assistance at \$200 million, for a total of \$6.8 billion outlays required by the assisted health plan. Offsetting that would be the current programs that you are now carrying in Medicaid and general assistance which total \$5.8 billion. You will immediately say, then, we have to find another billion dollars. We say no, that is not the case. What will happen is that you will have direct savings in most States from the hospital services and other things that you are providing that would be covered by the comprehensive health insurance plan that vary between \$1 and \$2 billion. That isn't a very precise estimate, but the net effect is that, even at the most conservative estimate, the States overall would come out even, without any additional expenditure required, but would substantially increase responsibilities and powers in this field. If, as we believe, the estimates do come out with a far greater savings from your direct hospital services and others that you provide, a great many States would have a very substantial net savings as a result of the adoption of this plan.

So all of these are reasons why we think our plan would be better for the people, because it would leave them without an enormous expansion of governmental services, without an increase in an already very high payroll tax, with far broader coverage than they have now, and with a cost-sharing and deductible feature that is scaled to income and ability to pay. We believe our plan will work out in a way that is absolutely essential if any of these programs are going to succeed, an effective partnership between the federal government, the state governments, and the private sector. It would not leave the private sector truncated nor would it attempt to substitute for that proven method of carrying out many of these duties a new federal government operation about which I personally, as one who has something to do with the existing operations, would have very considerable skepticism that we can perform as well as it is being performed now. There are gaps; they have to be closed. We submit that this is the best way to close them, that it would provide a method of working with you to carry out far more significant duties, would leave the strength of the private system established, and would enable you to realize some substantial savings in most cases. Thank you very much.

CHAIRMAN ANDRUS: Thank you very much, Mr. Secretary. Yes, I believe that the Governors around this table could point out several areas of administration within the federal bureaucracy that we would hope would work better, however it is done. Now, ladies and gentlemen, as our final panelist before we get to those colleagues of ours who will respond, I present to you Dr. Russell Roth, President of the American Medical Association.

DR. RUSSELL B. ROTH: Governor Evans, Governor Andrus, Distinguished Panelists, Governors and Friends: It is rather interesting to come before you in this order of events. It gives me a bit of a wry feeling that you have listened to the terms of two management plans in this area and that now as a representative of the practicing physicians of the Nation who will have to do the work under any plan that may be legislated upon us by Congress, in a sense I now stand before you representing the point of view of organized labor. Actually, the position of the American Medical Association has changed substantially over the years, because the impact of legislation on medicine has changed so substantially. In the last Congress there were in excess of 2,400 bills with some health care content. The present Congress, it seems to me, is likely to go beyond the 3,000 level. No legislator can possibly know the details of all of these bills; no physician can. One of the great roles that we find for ourselves in the public interest in the American Medical Association is to analyze these bills with the appropriate expertise of physicians, economists, legislators, and others, in addition to the bill for a kind of national health insurance which I shall discuss with you today, we have some 22 other bills in the medical care field which we have either joined in sponsorship with or are vigorously supporting. And we have to take recognition of what Secretary Weinberger has already intimated in respect to health care in this country. The fact is that more people are receiving more and better medical service from more and better trained physicians in more and better equipped facilities than ever before in history, and it scarcely seems as though these are the elements of crisis.

Government is relatively new in the medical care field. However, it has racked up some rather disappointing and expensive failures such as comprehensive health planning, regional medical programs, and Medicaid. Really, only Medicare seems to have developed some fair degree of respectability, having accomplished a moderate amount of good at a rather immoderate cost. We hope that we have learned something from our failures, and from the experimentation and failures of other nations around the world.

I think we need to look at the viewpoint of our constituents, the people who come to us as patients. What do they really feel about health care? Do they feel that there is a crisis? If one believes polls, and polling techniques have been pretty well refined in this country of ours, they don't. A recent Harris poll clearly identified inflation as national Problem No. 1. In the list of some 16, health care was fifteenth. A *New York Times* poll showed that most of the people they polled in the New York area were reasonably well satisfied. The

Washington Post did a similar poll in the Washington area. The most important factor that emerges from my point of view, of course, is that the people really want the medical profession left in charge of the planning, the organization, and the operation of their health care system, rather than a bureaucracy. Still a more recent poll has shown that the public has a high degree of confidence in physicians. One is tempted to feel that the health care crisis is more of a political crisis. Regarding the inflationary spiral, actually the costs of doing almost anything, state and local government, transportation, and food, have outstripped the cost of the physicians' component of medical care.

There has been a compelling desire on the part of organized labor to get health care benefits off the bargaining table and onto the back of employers or onto the back of government so that it may be replaced with items of higher visibility: take-home pay, increased seniority benefits, shorter working hours, better pensions, and things of that sort. So one can understand why there have been these drives for various kinds of government control and it is nice to know that there is one bill before Congress which is drafted, in essence, by the medical profession. We call it the *Medicredit* bill. It is in the current Congress in a slightly revised form, but it has been there over four years. It has more sponsors than all the rest of the health bills put together, I believe; at least it has 182 of them. What would it do? It would provide essentially the same scope of benefits for the people that the other bills under consideration would provide. Essentially this bill would provide 60 days of hospital care, physician services wherever rendered—home, office, hospital—outpatient hospital services, home health care, dental care for children, and then a catastrophic umbrella which would cut in and become operative, geared to ability to pay. So the net effect would be that no individual or family would need to spend more than 10 percent of his net taxable income in order to qualify and have the deductible cut in.

The financing would not go through the Social Security route, would not call for a 4 percent increase in the Social Security tax, would not complicate the employer-employee relationship in doing business, and would be maximally financed by private dollars. We would arrange this through a system of tax credits, which is responsible for the name of the program, the *Medicredit* bill. I will be glad to develop the ways in which this will operate, but briefly it would put within the reach of every person in the country a piece of paper that they could take to the insurance company or medical plan of their choice, whatever is operating in the State, approved by the State, and at rates approved by the State. This would not involve state money. It would give the State the maximum amount of control. It would keep the program administration far away from any federal bureaucracy, and we feel that it would be the most equitable way of financing the program.

We would agree with the two previous panelists that the benefits are negotiable. Now, let's be honest. More care for more people is going to cost more money. Ours has the peculiar appeal to the public, so we believe, of being the

only one that would offer them a tax cut. We believe that there is a maximum incentive to belong to this voluntary program because people do like to save in taxes; but it is going to cost money. The same benefits are going to cost essentially the same kind of money that the other programs cost and, therefore, we don't want to delude you into believing that we say there is something for nothing. We do feel that this program is equitable; it will do for the people the things that need to be done, taken in conjunction with other programs of providing answers to the manpower problems, the distributional problems which cannot be solved all in one piece of legislation.

We feel it will do the job and we believe that it is gaining visibility and credibility. Thank you.

CHAIRMAN ANDRUS: Thank you very much, Dr. Roth. Now before we proceed to two of our colleagues who will respond, I think as a moderator, using executive privilege here for a moment, I would advise the three panelists who have already so eloquently put forth the concepts of their individual preferences, that you prepare yourselves to respond to the questions that I am confident will come, that is, the recipe of implementation, the impact upon the States, the cost to the States, the services that will be available, and the people to whom these services will be available. Our first colleague is not only a Governor of a State, he is also a medical doctor, a man who is eminently qualified, I think, to respond to this subject matter. He is also a member of the Environmental, Occupational and Health Committee of the American Medical Association, and a fellow of the American College of Physicians. Governor Melvin H. Evans.

GOVERNOR MELVIN H. EVANS: Thank you. Governor Evans, Governor Andrus, Distinguished Panelists, Governors, Ladies and Gentlemen: I wasn't quite sure whether I was being asked to play the role of a simple commentator this afternoon or whether I should play the role of the devil's advocate. I think I would find either one quite interesting. After having listened to the three panelists present essentially three different points of view on what really is a very narrow subject, before getting into any details of those, I think we ought to ask ourselves several questions. First of all, why are we having this discussion on health insurance? Is there a need for it? I don't think this need has been spelled out as clearly as it should be. For one thing, we have been talking glibly about our good health here, and we do have good health to a certain extent, and I do not challenge the statement made by Dr. Roth as to the improvement in service. But, you know, when the weather bureau gives their report in the morning, it can either say partly sunny, which is optimistic, or partly cloudy, which is pessimistic. We can say that we have improved our health services, which is optimistic, or we can say that we really don't have as good health services as we should have, which is in this case really sticky.

How many of us know that this great country of ours is sixteenth among the nations of the world in life expectancy? That a 10-year-old girl can expect to die before 10-year-old girls of 12 other nations, and our 10-year-old boys can

expect to die before 10-year-old boys of 31 other nations? In maternal mortality, we are sixth, and this discrepancy has doubled since World War II. What about infant mortality? Here again we are thirteenth among the nations of the world. I could go on. We are twenty-first in heart disease and so forth. What does this say? It says to us that we have really a big need to do something about improving these. It can't be in the question of medical technology. We have the greatest physicians and surgeons in the world. We do as many organ transplants today as we did appendectomies a generation ago. So it must be in the delivery of the health care, the delivery of that technology. That is what we need.

What about the control? Another issue that we have here is who will control. You know, when we talk about these various things we see a difference of opinion. We have to realize that there is something under it, and basically many of these plans differ on who will control the medical care program and various things that go into it. It is big business now. There are 4 million people involved in medical care of one type or another and it is big business. So shall it be government or shall it be private? This is an issue which is fundamental. I shan't give you my opinion, it is probably of no more value than yours, but this is an issue that has to surface because it is one of the really fundamental issues. Another point which we must make very, very clear is the matter of political appeal. It wasn't purely by accident that Medicare dealt with the aged only. It was because of the fact that at that particular time it became popular to do something for the old people. We talk about our senior citizens, and the golden age, and so forth. One of the bills which is before Congress today includes maternal and child health. You know, nothing is more sacred and nothing is more difficult to be against than motherhood, so we are on safe political grounds if we do something for motherhood. So the political appeal is very important.

But perhaps the big issue that we are not facing up to realistically is cost. Anything that we do is going to cost money. I'd like to say this: With the present manpower available in the health field—and I know this is a controversial point, but I feel very strongly about it—any national program which does not simultaneously take into consideration a massive but intelligent expansion of medical training programs to produce more doctors is doomed to failure. The Medicare program, which put a slight increase on the health manpower needs, proved that. But let's go on to costs. It is going to cost money and if it is going to cost money we may reach the point where, regardless of who pays it, whether it is paid by the taxpayer or privately, it is going to cost more money. One of the things we have not done is to analyze the reasons for this increased cost in medical care. Until we do that, and cut out the frills, cut out unnecessary duplication of hospitals, each having complete facilities for open-heart surgery when, in reality, one might do the trick, cut out the need for expensive cobalt and all the other things we do to give one hospital prestige vis-a-vis another, we shall have extra and unnecessary cost.

As far as the proposals now under discussion, I think that during the after-

noon the relative merits of one will come out versus the other. We have the example of the Scandinavian countries that have very extensive medical care coverage. I happen to have had the pleasure of visiting Denmark and the other Scandinavian countries last year. On the one hand it was easy to recognize the glee with which people accepted medical care, and how proud and how glad they were that they could get it without what they considered any costs. On the other hand, I hadn't been there very long before I realized that their tax rates were almost confiscatory and they were complaining about that without necessarily seeing the connection. So the choice we may have, as we expand our medical care coverage, is to decide whether we are going to do it to the point where the taxes become confiscatory or whether we are going to jog along as we are now, telling ourselves that our health is really good, even though we have these horrible statistics which I quoted to you, and keep the costs down. I submit to you that another alternative might be some investigation of the ways of reducing the actual expenses, as I indicated, and perhaps that might result in a more realistic approach.

Now just a few comments on some of the statements. I'm a little confused over Senator Kennedy's conclusion that the administrative cost would not be significant because Social Security would handle it rather than the insurance companies or other programs that now have a certain percentage of administrative cost. It seems to me all this is doing is building up a large Social Security which has to be paid directly by the taxpayer or by some other source, because I rather doubt that they can handle the extra work without extra personnel. I would also suggest that we have not become too happy over the \$40 billion figure because, if Medicare is any proof, it will end up by being probably a whole lot more than that. I think we should also bear in mind that there are over 5,000 communities in the United States today without a single physician. I was rather interested in Dr. Roth's quotation of the *New York Times* poll and the poll taken in Washington, D.C. I just wonder if the fact that they were quite satisfied with medical care had anything to do with the fact that New York has 199 physicians per 100,000 people, the second highest State, and Washington, D.C., the other example you quoted, has 318 physicians per 100,000 people. I wonder whether the same poll taken in a rural area which has only 69 physicians per 100,000 people, I wonder if that same degree of satisfaction with medical care would be evident. I think I have talked enough. I'd like to be able to answer any more questions later. Thank you very much.

CHAIRMAN ANDRUS: Now, ladies and gentlemen, to wrap this up and to prepare yourselves for the question-and-answer period, I would like to call upon the distinguished Governor from Rhode Island, Governor Noel.

GOVERNOR NOEL: Thank you, Governor Andrus. Governor Evans, Distinguished Panelists, Fellow Governors, Ladies and Gentlemen: What Cecil Andrus really told me to do was to get the fight started. I'm supposed to wrap this up and get all of you in the mood to ask a lot of questions so that we can

get this discussion going. In spite of Dr. Roth's remarks, I don't think that the Congress of the United States should either act or fail to act on national health insurance or on any other major issue on the basis of the results of public opinion polls. That, I suggest, was the inference in that section of his remarks. I don't think any elected officers today are paying much attention to public opinion polls. There must be something to be said for the quality and the need for leadership in those that we elect to public office and, gentlemen, this Conference has been on record for five years now encouraging Congress to act in this area of vital concern.

There have been congressional proposals that have been debated in reference to national health insurance. What I will attempt to do is to generate some questions by giving my opinions in reference to those proposals now pending in Congress that seem to be receiving the most serious consideration. From the viewpoint of the citizen's ability to obtain comprehensive health benefits and from the viewpoint of the States' saving money, the original Kennedy-Griffiths bill is, in my opinion, the most attractive legislation. It provides for the most comprehensive benefits to our citizens, and it relieves the States of over \$4 billion in state expenditures. From the viewpoint of our National Governors' Conference policy position, it appears to me that we would have to rank in terms of desirability the bills in the following order: the Kennedy-Griffiths bill first, the Kennedy-Mills bill second, the Administration's bill third, the Long-Ribicoff bill fourth and, doctor, the AMA bill out of the contest. The Kennedy-Mills bill comes closest to meeting the standards of our past and proposed policy statements; although it still requires cost-sharing, it makes health finance primarily a federal responsibility and it takes state government out of the business of administration of health insurance plans for the low-income people.

The Administration bill would have 50 insurance programs run by the States for the poor, the working poor, and small business people. Moreover, it appears that from a cost-sharing approach the Kennedy bill may not cost us as much as the extra \$1 billion that the Administration would add to our budgets under that legislation. As for providing only one system for all people, the AMA and the Kennedy-Mills legislation would have only two systems, one for the aged and one for all of those under 65 years of age. The Administration bill would have three systems, one for the poor, one for the aged, and one for the working people of this Nation. From the viewpoint of providing universal coverage and comprehensive benefits, the Kennedy-Mills bill appears to provide the most benefits for the greatest number of people. The Administration bill allows coverage of working people to be on a voluntary, rather than a mandatory basis. The AMA bill is completely voluntary and it appears to provide the least comprehensive benefits. From the viewpoint of efficiency, the Kennedy-Mills bill, in my opinion, ranks first. It eliminates needless marketing costs and the underwriting costs that are attendant with the Administration bill through the private health

insurers of this Nation.

Both the AMA and the Administration bill would provide for guaranteed business for the health insurance underwriters and health insurance agents of this Nation. Any national health insurance program that is passed by the Congress must include financing for not only benefits, but for the additional health manpower and health facilities that are so necessary if we are going to provide those benefits. I think Governor Mel Evans spoke very eloquently on this point. Only the Kennedy bills measure up to this standard with a provision for health resource development funding. Not only does the Administration bill not contain provisions for health resource development, but the Administration has cut back by more than \$400 million existing health resource development funds. Both the Administration and the Kennedy bills provide some coordination with state planning and regulation. What are some of the changes that we as Governors should work to achieve in the formulation of this legislation before it becomes enacted into law?

None of the bills should penalize those States which have been the most generous in providing health benefits for the poor. The bills should be designed to, at the very least, put a ceiling on state Medicaid costs and should be designed to gradually phase out state cost-sharing. Federal cost-sharing must continue on residual services such as skilled nursing home care and mental health institutions. If those services are not continued on a cost-sharing basis, some States will end up with much higher costs under both the Kennedy-Mills proposal and the Administration bill. Another concern that we should address as Governors is to rid these proposals of complicated deductibles and coinsurance features which are in all of the proposals with the exception of the original Kennedy-Griffiths bill. The deductibles and coinsurance features should be limited. These only result in hardships for low-income persons, and such provisions further mean that many state income maintenance programs will have to pay more to cover these deductibles and coinsurance provisions. Most important, such provisions will result in many poor persons being discouraged from seeking needed preventive care because of the costs of those deductibles.

Whatever financing arrangements are used, those financing arrangements should be progressive and limit the use of flat-rate taxes and/or the use of high premium cost-sharing for low-income persons. Finally, whatever changes are made should be geared for a smooth administrative transition between the existing state and federal programs over a set period of time. Although I think there has been enough debate on national health insurance for Congress to act, some more fine tuning on cost-sharing and on administrative provisions should be undertaken by the Congress of the United States working with the cooperation and help of the Governors of this Nation. Gentlemen, have at it.

CHAIRMAN ANDRUS: Thank you very much, Governor Noel. First of all, as agreed upon, we will give the three panelists time to respond to the questions of the two Governors and we will get right to the questions on the floor. Do any

of you care to respond to the questions or accusations accumulated so far? Dr. Roth.

DR. ROTH: I would only like to make one comment. It respects something that Governor Mel Evans commented about. I think we have a great deal to learn about our problems as we look at statistics, but I think we need to be very careful in playing this kind of a statistical game. We will learn a great deal more by looking at our statistical base in this country: the differences between the infant mortality rates in the center city impoverished areas as against the affluent suburbs; the difference in survival rates, mortality rates in different parts of our country in respect to poverty levels, the environment, the racial makeup; all these sorts of things. Some of the very best statistics in our country are in States where the ratio of physicians to population is low. For instance, North Dakota has one of the best infant mortality sets of figures in the country, but they are well below the national average in the relationship of physicians to population.

CHAIRMAN ANDRUS: Thank you, Dr. Roth. Secretary Weinberger.

MR. WEINBERGER: I might take just a moment to comment on a couple of points. Dr. Roth has made an important point in connection with statistics. It is the same one we could use in connection with hospitals. Everybody knows hospitals are the most dangerous place to be because more people die there than anywhere else, and you can play with statistical games of that kind. I do want to challenge one of the points Dr. Roth has made, that is, that there would be a risk of inflationary pressures if we had a comprehensive national health insurance policy. We don't think that will be the case because there will be a substantial increase in medical manpower by the 1980s. The supply of physicians increased about 26 percent between 1960 and 1970 and it will increase another 33-1/2 percent by 1980. The supply of nurses will double between 1960 and 1980. The other reason why I don't think we will have inflationary dangers is because the two major plans, the Senator's and the Administration's plan, both include very effective, I believe, cost control. I think any national health insurance measure has to include cost controls.

I say that with a considerable degree of unhappiness, because I'm a free-market man and I don't like cost controls, but the simple fact of the matter is we don't have a free market in health care and I think we will absolutely have to have cost controls if we are going to have national health insurance, which I think we must have. Governor Noel, I think, was inadvertent in his statement that our bill would require a billion-dollar outlay by the States. At the very worst cost estimates it would come out even. We think with even conservative estimates the States will save close to a billion dollars as a whole when the assisted plan is fully in effect. I think the only other point that I would make would be that, if you do eliminate deductibles and cost-sharing, as was suggested by Governor Noel, you will have people who need care not getting it, you will have people who don't need care overloading the system, and you will have the

very unhappy spectacle of people who need health care standing in line behind people who seek it simply because it is all "free."

CHAIRMAN ANDRUS: Thank you very much. Turning now to Senator Kennedy. Senator, as you respond, I think the question that has been buzzing around here would be the fiscal impact on the States. Would you choose to comment on that, sir.

SENATOR KENNEDY: I believe that under our program as outlined there would be greater savings to the States than under the Administration's program. Now I'm willing to let the Governors examine the Library of Congress report that is being developed at the present time and which has extremely important and significant evidence. We could argue figures here, but I don't think there'd be a great variance between Secretary Weinberger and myself. I think a fair review of the figures that have been developed within HEW and by the actuaries that we have used, plus those that will be done in the Library of Congress, would provide that answer on savings to the States. Let me echo the point that Secretary Weinberger stated with regard to cost controls. Between our two bills, I'd like to think that ours is somewhat more strict than that which is offered by the Administration. Nonetheless, we both recognize the importance of cost controls, and both of the proposals also have important quality-of-control provisions. Neither of these is in the AMA program, and there is nothing in there to provide any limitation on the increase in fees, which I think any fair review of the consumer price index has shown have gone right up through the ceiling some time ago, in fairness to the physicians, but there is nothing in there that would prevent that kind of cost control.

Secondly, we build on the PSRO concept in terms of quality control, having doctors themselves review in these given areas as described in the PSROs, opportunity to review quality control. I think those are extremely important as you move towards health insurance. We are not just talking about a financing mechanism and, in fairness, we didn't have any review of what the cost is going to be to the taxpayer in terms of tax revenue loss and how we are going to raise that money. So on the point of cost control, I think the Governors will have a chance to examine those features with regard to both the Administration bill and our proposal. With regard to manpower, the Secretary has quoted various manpower provisions, and Dr. Roth has reviewed some of the maldistribution which we recognize and are trying to deal with in the various manpower programs. That relates to health insurance, but it also relates to the manpower programs we are going to be considering.

One of the tragedies has been that the majority of people who are being licensed are foreign trained. Basically I have nothing against foreign-trained physicians, but when you find that there are 25,000 young American men and women who are otherwise qualified to go to medical schools in this country, I think we ought to have a program that is going to permit those young people to go to medical school. I do not think that having a reverse brain drain, so to

speak, bringing these young people from foreign countries which are desperately in need of their skills, over any long period of time, is really in our national interest. I don't think we ought to talk about this kind of saving as being something which is acceptable for us here in the United States.

I'd like to say, with regard to the point raised about various costs under either program, the Library of Congress has just completed a study that was done for the Ways and Means Committee in which they have reviewed the Administration study and the various other materials and figures to find out whether they came to the same conclusion. To the extent that this can be made a part of your record, I will be glad to make it available so that anyone could judge. This Ways and Means Committee study points out, and I will just read the relevant parts: In 1972 the private insurers returned as benefits 87.3 percent of total premium. Then it breaks it down, but that's the average. Benefits returned as a percent of total costs of insurance under Medicare are 94.7 percent. Concerning the 7 percent savings that I mentioned during my opening comments, in terms of administrative costs, using the various figures that have been developed by the Administration study, we are trying to build not a new system but to build upon a system that is working and functioning and has public trust and confidence. With regard to that point, any bureaucracy is going to have to grow and become more efficient or be more inefficient. All any Governor has to do is talk to your hospital administrators about the paperwork that they are undertaking, or talk to many of your doctors who are dealing with 900 insurance companies and eight or 10 different kinds of programs. This will be effectively eliminated under the Administration's program, but I'd like to think that ours would provide even more savings.

Finally, with regard to the coinsurance and deductibles, I'd like to read from a Library of Congress study that was done in April. This reviewed some of the materials that have been developed by the Administration on coinsurance and deductibles. We have coinsurance and deductibles in our particular program except they are scaled down. There are none for anyone under \$4,800. It is scaled up gradually, and our deductibles are \$150 per person at the \$9,600 level. I have some very serious problems with coinsurance and deductibles myself. Let me read you how the researchers sum up the feeling of most respondents in this study: "We believe coinsurance and deductibles are without merit in affecting the use of medical care. We believe, further, that their popularity and continued interest in their use proceed from the fact that they are an easy answer." I submit the sooner we drop this notion the quicker we can all address our energies to the difficult tasks that we face. Coinsurance and deductibles are keeping people out of the system, but tragically they are keeping people out of the system who ought to be in the system. What we are hopeful of being able to develop under a health insurance program is a way to keep those out of the system who shouldn't be there taking up the doctor's time, but not keeping the people out of the system who ought to be there. Unfortunately, coinsurance and

deductibles are keeping both out. I think the real challenge is to deal with that particular problem.

CHAIRMAN ANDRUS: Thank you, Senator. Now, Governor Rampton from Utah. I would ask all of you to direct your questions, if you would, please, to one of the panel members.

GOVERNOR RAMPTON: I would doubt that any government program, be it a health program or in another field, has very much prospect of success if it is conceived and administered by people who really don't favor it but who merely seek to head off something that they regard as worse. Dr. Roth has described Medcredit for us. I'd like to know, doctor, do you and your colleagues in the medical profession favor or oppose Medcredit?

DR. ROTH: Governor, we have had the Medcredit bill in Congress, as I said, since the Ninety-first Congress and it was not just dreamed up in a hurry at that time. Some of us in the American Medical Association long ago felt that the profession should be willing to say what it was for and what principles it would like to see in the financing, the administration, and the benefit structure of any kind of health insurance. Medcredit was born in those days; it has been approved by our house of delegates and our board of trustees. Indeed, we are very strong in our belief that, as I intended to say, if national health insurance is the way we are to go, we feel that ours is, indeed, a superior approach, and we endorse it.

GOVERNOR RAMPTON: I take it you would prefer to have none of the programs if that option were available to you. Is that right?

DR. ROTH: I am sure there are many people who feel that way in and out of the profession, but the position which our association has taken is an endorsement of Medcredit as a kind of national health insurance.

CHAIRMAN ANDRUS: He said if one were going to happen, Governor Rampton. Governor Hathaway from Wyoming, then I have three or four on a list that I will follow as rapidly as possible.

GOVERNOR STANLEY K. HATHAWAY: This question is for Secretary Weinberger. I agree with Governor Mel Evans that one of the problems is delivery of health services, and we do have a shortage, Mr. Secretary, in rural States of M.D.s and nurses. We also have a shortage of general practitioners. It seems that everyone in the medical profession wants to specialize in this day and age. My question is, have you considered any incentives to move medical personnel into rural areas and have you considered the problem of the growing demise of the family practitioner and what to do about that?

MR. WEINBERGER: Yes, sir, we have considered those very valid points. We have two or three things that we think will help the imbalance that is certainly there. First of all, we believe that national health insurance will provide full reimbursement for both medical care and home health care, as well as hospitalization, and will provide some inducement to doctors, many of whom might well prefer rural settings to urban settings, to settle in those most under-

served medical areas in the country. Secondly, through scholarships, loans and grants, we are encouraging doctors who have the benefit of federal government assistance in their education to agree to take and serve a certain number of months in those underserved areas, and we think that that is very essential. We sent aloft just last week a satellite that will help greatly in the delivery of medical services to remote areas, some of them in the Rocky Mountain region, some in Alaska, some in Appalachia, so that you can have an exchange of medical records, you can have actual viewing of the patient in very remote areas by doctors in more settled areas of the country. Most of all, we think that if there is full reimbursement for all general medical needs throughout the country as a result of health insurance, then you will indeed get a greater flow of medical services to the remote areas.

Finally, we are working on a number of things that will reduce the need for a substantial increase in physicians. These are such things as physician-extenders, paramedical training, enabling nurses, nurses' aides and physician assistants to do many of the things that are presently done but need not be done by M.D.s themselves. We think all of these things will have a very important aspect in redressing the imbalance that you speak of. The educational incentives we are continuing. We don't think they should be increased, but we think they should be continued along with the emphasis on other things that we are proposing to help redress this imbalance. But you have raised some extremely important and very valid points.

CHAIRMAN ANDRUS: Next is Governor Carter of Georgia.

GOVERNOR JIMMY CARTER: One of the things that concerns me very much in this entire discussion is the actual prospect of success this year. I have been very much concerned about this problem since I come from a region which does not have adequate medical care. In the entire county where I farm there is no doctor, there is no dentist, there is no pharmacist. We have tried to approach the health care problem from two points of view. One is the provision of some catastrophic illness protection, and the second one is recognizing the high cost of comprehensive health care. I think most of us know that as children we faced diseases like whooping cough, polio, smallpox and others which have now been eliminated. The very people who do not have any health care, contrary to what Dr. Roth said, are the ones who have the least chance of attracting public attention to their plight and quite often can't go 15 or 20 miles to a location where a very fine doctor might be.

My own experience with the Administration represented by Mr. Weinberger is that quite often they, along with other groups, profess strong support for highly beneficial programs, and then when push comes to shove, in a somewhat surreptitious way, you find they are on the other side of the argument. I have no quarrel with individual medical doctors. I think as a group they are the most dedicated and perhaps compassionate group you could imagine. But once they organize, they change their character completely. They become the ones who

exemplify the most intense opposition to provision of adequate medical care for those who need it the most. In Georgia, for instance, they have constantly opposed any comprehensive use of paramedics and nurses to expand services to people where doctors are not available. They oppose proper mental health care, vocational rehabilitation, drug control, along with medicine, because they say that it is an encroachment on the prerogatives of physicians or medical doctors. In every instance, we have found that the organized lobbyists of the doctors do not represent the best interests of the patients whom the individual doctors care so much about. We need, I believe, some legislation passed this year, and I have observed with some concern the erosion of support for the Kennedy-Mills bill since it was first introduced. They have already had to compromise in the area of coinsurance and deductibles. Some of the original sponsors are now joining with Senator Long and Senator Ribicoff in the catastrophic health insurance field. To summarize, I would like to ask Senator Kennedy what his actual assessment is of the chances of passing either the Administration bill (with or without the Administration support) or the Kennedy-Mills bill, seeing that many of the original supporters have dropped their active support of it; or whether it would be better to go with the catastrophic insurance bill until we have a new and better Congress.

SENATOR KENNEDY: I think it is an uphill battle at best, Governor, but it is an effort that I am very hopeful can be mounted and that we will see the passage of a health insurance plan. I'd agree with you that it is an uphill battle. I agree with the Secretary, too, that this is really the time for it. I'm not one, although there have been supporters of the Kennedy-Griffiths bill who have said, well, let's wait until after this election or let's wait until after 1976. I think a hard assessment would show that the people who are in the key bill-writing positions, whether it is on the Finance Committee or the Ways and Means Committee, are going to stay there. I mean the hard, practical reality is that you will have Chairman Mills as Chairman of Ways and Means and Russell Long as Senate Finance Committee Chairman. I think a fair review of ranking members of both committees indicates there is not going to be any dramatic difference. So I would agree with the Secretary that I think it is a disservice for us to just delay it for the reasons that you have outlined, because good quality health care is being denied to many people in this country every day. I think we all have a responsibility to do something about it and do it very soon.

With regard to the areas of preventive care and maldistribution, which have been touched upon by Governor Carter and others, let me say that we had a good Family Physicians Act that was passed in 1970. We passed that bill 64 to 1 in the Senate of the United States, 346 to 2 in the House of Representatives. This was a measure which was actually pocket vetoed during the five-day Christmas period. I'm sure, if we had had a chance to vote on that measure, we would have overridden any kind of a veto. That particular measure now is before the Circuit Court of Appeals in the District of Columbia to try to indicate that the

pocket veto that was exercised at that time was not valid. Your point, I think, is valid with regard to the funding of what was Senator Magnuson's bill to provide the Health Service Corps. It has been underfunded. We are talking of figures of \$10 million to \$20 million in appropriations for the benefit of counties that are underserved. As a matter of fact, when they gave Health Service Corps members the ability to go into underserved areas, they required a very substantial payment. As was suggested in your remarks, in many instances those are the poorest counties that can't afford it.

Finally we are considering health manpower legislation, and one of the matters which will be considered by the Senate is whether we ought to require young people who receive the benefits of medical education to serve two years in an underserved area. This will be a hotly contested item before the Congress, but it isn't contested among the Students' Medical Association. As a matter of fact, they have endorsed it. They have said that every graduate of every medical school ought to serve two years in an underserved area which, I think, is an extraordinary kind of indication of the feeling of many young people in this country, their care and concern about this problem and wanting to go. Yet we couldn't get the AMA to go along with it. Finally, let me say that in our resource development fund, which is part of the Kennedy-Mills program, we provide \$400 million to experiment with States and with local communities in more effective ways of delivering health care, whether it be in the area of transportation or whether it be in other creative ways. Maybe it isn't an HMO, maybe it isn't a neighborhood health center, but maybe something in between; but it should reach out into Georgia and the rural communities of Wyoming and North Dakota and try to see if we can't work with local communities for more imaginative delivery of health care.

CHAIRMAN ANDRUS: The Senator from Connecticut, Senator Meskill.

GOVERNOR THOMAS J. MESKILL: You called me Senator.

CHAIRMAN ANDRUS: Senator—that's a degrading statement. I apologize. I was probably looking at Governor Bumpers when I said that. You have the floor.

GOVERNOR MESKILL: We were elected at the same time, but he's a little taller than I am. Mr. Chairman, I particularly like what Governor Mel Evans said in addressing this problem. Any program would be a failure if it did not do something concerning the delivery system of medical care. No matter how these programs are financed, how much money is saved by changes and how they are administered, we still need manpower with which to deliver these services. In Connecticut, even though we have doubled the number of medical schools in our State, we are not able to educate more than a fraction of the deserving young people who would like to get into medical school. Senator Kennedy made mention of the number of foreign nationals who are coming into this country for training, and I would suggest that most of them who are coming in are coming for internship and residency and not for their medical school training, although

some of them probably are coming in for that.

I'm a little concerned about the statement made about profit. The indication from the Senator's remarks was that somehow profit, or most of the profit, should be removed from the delivery of medical care. I would suggest that this is never going to happen if we are going to have quality medical care. To the extent that Medicare works well, it is due in large part to the fact that insurance companies are administering the programs under federal auspices. The companies in Connecticut employ a substantial number of our people. They are very stable employers, and I think that, if the group insurance companies are not going to be included in administering this program, we are going to lose some 35,000 jobs, which happens to be equivalent to the number that Secretary Weinberger said would be added to the Social Security payroll.

I, for one, if there are going to be 35,000 job shifts, would hate to see them leave Boston, Hartford, and New York and go to Washington. I'd prefer to see them taxpayers rather than taxeaters. I was going to ask the question Governor Carter asked about the chances of success this year, and even though Governor Noel is correct that Congress should not act according to the polls, as a former member of Congress and as a Congress-watcher for a long time, I know that public pressures do result in legislation. I would suggest if most of the polls show that the most important problems in the country are energy and inflation and Congress is having a difficult job wrestling with them, our chances of coming up with a solution on any medical plan this year are somewhat slight. I just have one final question for the Senator. I don't want to misunderstand what he said. Are you suggesting that we do something about our immigration policy and close the door to foreign nationals coming in for training?

SENATOR KENNEDY: I'm suggesting we train sufficient numbers here in the United States who are otherwise qualified. That, I think, would be the most important thing. I wouldn't set a restriction. I think an immigration policy ought to have two features: one, reunification of families; two, special considerations for special skills that can make an impact in terms of our economy or health or general welfare. As the floor manager of the 1965 Immigration Act, that's what it is based on at the present time and I think those are sound policy reasons. The fact remains, Governor, that the great majority of foreign-trained physicians are remaining in this country and the statistics reflect it.

Let me just say with regard to the profit factor, under our Kennedy-Mills program, we are accepting the same kind of a financing mechanism as was under Medicare. That's acceptable. You will find that, even though many of your large companies in Connecticut, as well as in Massachusetts, are running that program, it is principally for overhead. They find it attractive; they can develop a total balanced kind of an insurance policy and include health in it and they find it very attractive. It is primarily as an intermediary. We have built on that system. I am not trying to tear that down. It's what we are building on under our particular program, and I think it is worthwhile to build on it. So, actually, I think the

people in your State will certainly have an opportunity, because they have some of the best and most efficient insurance programs in the country. I think they are going to benefit under this particular program rather than be adversely impacted.

CHAIRMAN ANDRUS: Senator Mandel—I am doing it again. Governor, my apologies.

GOVERNOR MANDEL: Cecil, are you running? You have Senator on your mind.

CHAIRMAN ANDRUS: I should make a public statement. Saturday morning at 9 a.m. I filed for reelection as Governor of the State of Idaho.

GOVERNOR MANDEL: I just wanted to ease the minds of everybody in your State. It has been touched on a couple of times but I'd like to ask a question and try to get the answer. If this program passes at this session, as I understand it, it is to be implemented in 1976. Under either one of the two bills, either the Administration bill or Senator Kennedy's bill, are we prepared to implement this program without getting into administrative nightmares and ending up with another welfare mess on our hands or any other kind of mess that we have gotten into when we rush into programs without being administratively prepared to handle them? This is the thing that really frightens me, and I'd like to know from both the Secretary and the Senator whether we are really prepared to start administering this program in 1976.

MR. WEINBERGER: Governor Mandel, as far as the Administration bill is concerned, the tasks that the States would have to perform under the assisted health insurance plan would be set out by them in plans which we would have an opportunity to review and go over and make any suggestions that seem to be needed. The question as to whether or not you are ready to handle it obviously is a question that only each individual Governor could answer. But as far as the duties or their complexities or the extent of them, yes, I don't have any doubt that States in the submission of their plans and in building on the organizations that they have in most cases already developed, and we think in many cases are superior to the federal government, could be made ready by 1976. The assisted health plan contemplates substantial duties being performed by the States but, as I said, many of the States are already performing those duties, and it would involve simply modeling on those States for preparing plans with which we would be fully prepared and expect to help.

GOVERNOR MANDEL: May I respond before Senator Kennedy answers. I'm not talking about just our preparing a plan for you. I think we could do that. We did it for EPA on our air pollution problems. Of course the plan that we gave them was impossible to carry out, because we told them that we'd buy 1,200 more buses and there aren't that many manufactured. Now, we can file a plan and our plan may require that we have so many nurses, so many doctors, so many other professionals. They are not available. The plan will say that this is what we need and you will approve it. Will we have what we need?

MR. WEINBERGER: Governor, I don't think you fully understand the Administration plan, because States would not be required to employ nurses or doctors.

GOVERNOR MANDEL: I didn't say employ them. Somebody has to take care of the people.

MR. WEINBERGER: The insurance coverage that we are talking about would cover the needs of the various people, and those needs, we believe, could be satisfied by something in the neighborhood of a \$6 billion, \$7 billion, or \$8 billion increase in the total amount of health care services that are being delivered. We think they would be distributed far better with the empty hospital beds that are now there, with the additions to the nursing and medical and dental professions that we see coming, with a pursuance and continuation of the present policies, so that there will be no problems at all about the supply of facilities. There would be some tasks that the States would have to get ready to do under our plan, and we believe that there would be very little difficulty about that because so many of the States are doing these things so very well now.

SENATOR KENNEDY: I think I am in substantial agreement with what the Secretary has stated. Obviously if we pass this bill late in 1975 it is going to be more difficult in terms of any type of implementation, although there are many features, and in some States, depending on how it comes out, they are going to have to modify or adjust perhaps what the Secretary has talked to. I think the Governors are much more able to comment upon this. My own feeling is that we should be building upon the Social Security system. We are not going to resolve all the problems of maldistribution, obviously, overnight. But in this respect I don't think you are going to have a cataclysmic kind of alteration or change. With regard to phasing in, I don't think that a congressional-administrative point of disagreement would be unresolvable. Obviously, I think the input of the Governors on how best to do the job would be very welcome. I'd certainly welcome it and that's why I think this Conference is important. You can outline to the Finance Committee or the Ways and Means Committee the kind of administrative problems you see within any of these particular areas, and I think it would be enormously useful and very helpful. I'd certainly welcome whatever suggestions you'd make.

CHAIRMAN ANDRUS: I would point out that the National Governors' Conference has been asked to testify before the Ways and Means Committee with regard to national health insurance on, I believe, June 21 of this year. Governor West, South Carolina. If we could, let's hurry along, Governors, because the list is long and I'd like to get to all of you.

GOVERNOR JOHN C. WEST: I'm not willing to dismiss as lightly as Dr. Roth did the startling statistics by Governor Mel Evans, namely, life expectancy, the rankings, and so on. I point out, Dr. Roth, that half of the countries who are ahead of us today in health indices were behind us in the 1950s using the same ways of measuring health levels. In that connection, I'd like to ask you, sir, why

does the American Medical Association so adamantly oppose any substantial increase in the training of physicians, and what do you propose to do about the maldistribution which all of us recognize?

DR. ROTH: Thank you, Governor. I'm delighted to pitch into that one, because I think that somehow or other there is a preconception, almost impossible to break down, that the American Medical Association has practiced professional birth control. It has not been true since the days of the Carnegie Commission report when, indeed, we did work, after the turn of the century, in the running out of business of a bunch of diploma mills that didn't establish standards for medical education. Since that time we have very consistently worked in the development of more new schools and in the increase of physician size. I am well aware that there was during the depths of the Depression one editorial published in the *Journal of the American Medical Association* which intimated that, since we had unemployed physicians driving taxicabs and so on, maybe we were educating too many doctors. That, however, was never a point of AMA policy. We have, if my recollection is correct, increased the number of medical schools since the end of World War II from 74 to a current 114, with another half dozen or so on the drawing boards. The American Medical Association does not own, operate, or control the admissions policies of any medical school, but we work closely with the American Association of Medical Colleges in this respect. The number of physicians providing patient care last year rose from 292,210 to 295,257. In general, we are producing physicians very rapidly. We have to recognize that there is a substantial component from foreign medical graduates and, as was indicated, very few of them go to medical school in this country.

The best we can do for the American public under the circumstances where our government permits these physicians to come in is to try to impose some kind of regulations or standards to measure their capacity, the adequacy of their education. So we have set up the Educational Commission for Foreign Medical Graduates. This does not keep them from practicing. Some States do not require licensure. However, if these individuals are to get advanced training in internships and in residencies, which we thoroughly recommend, then we determine or help to determine their qualifications to do this. The problem of distribution is worldwide. When a physician graduates in Russia, he is sent for a period of two years into an area where the government thinks he ought to be. This has not solved their problem because this is not indentured servitude. They soon head back for Moscow, Kiev, and so on. This approach is one that Senator Kennedy has mentioned, and I think there is some question as to its acceptability in this country, but it is a matter of debate and individual opinion.

What we are trying to do is reduce the downgrading of family practice, because in our academic communities most of the professors seem to put all of the glamour in becoming a surgeon or a superspecialist and the student has been given the idea that there was something demeaning about going into general

practice, which is certainly not true. So we in the American Medical Association, in conjunction with the American Academy of Family Physicians, have developed residency training programs in family practice. There has been an encouraging sign-up. Another thing that we are doing in joint studies with the medical colleges is to identify those applicants for medical school who might at the time of their graduation be willing to go into family practice and to take care of folks out where they are needed, instead of becoming superspecialists. There hasn't been much yield from this yet. It's a kind of motivational study which is most difficult. But I think these are areas where federal legislation will not come up with the answer. The answers are very difficult to provide. If you want to remember back and say we were against everything, as was said a few moments ago, I guess there is no way I can stop you.

CHAIRMAN ANDRUS: Doctor, I'd like to get back on the medical insurance issue, if I may. I hate to be the one that stops anybody, but we have to keep going. Governor West.

GOVERNOR WEST: Just a moment, Doctor. The reason that I made the statement I did is because your predecessor less than 60 days ago made the keynote address to the South Carolina Medical Association in Myrtle Beach in which he said that there would be a surplus of physicians by 1980. The result was that the South Carolina Medical Association passed a resolution opposing the development of a second medical school which I have been working for for two years.

CHAIRMAN ANDRUS: See, Doctor, we are grinding an axe there, too. Moving along, if I may, Governor Reagan of California.

GOVERNOR REAGAN: I'd like to make a couple of statements and I do have two questions that I will throw open to the entire panel. First of all, who has asked for this nationalized health insurance? I have found no evidence whatsoever that there is such a great public demand. A year or so ago in California—we have a problem of catastrophic illness, everyone does, it runs in California about 10,000 people a year who suffer either an injury or an ailment that is catastrophic, goes on for years, and costs an average of \$25,000 a year—we proposed a plan that for \$36 a year would insure every family against such catastrophic costs, no matter how high they went. We not only didn't receive a single letter with regard to this, it never even was introduced in the Legislature. We couldn't get anybody to give it a hearing in a committee. Today 182 million Americans are insured in some kind of health insurance, 3 million get their care through the military, 19 million are on Medicaid, and 20 million get their care each year through Medicare. This adds up to more than there are people in the United States, but that is because some of them overlap, some have insurance plus one of these government programs. With regard to foreign doctors, in England alone where they have had nationalized health for a long time, a third of the young graduating doctors every year leave England because they don't want to practice under that system. Obviously America is their No. 1 choice if

they can get in here. We are told about the paperwork that would accrue if private insurance handles this. We already have a great deal of private insurance. The greatest complaint we get in California is from those doctors who are handling Medicaid patients, that the paperwork is forced on them. We hear from the countries in most of the world where they have socialized medicine that the paperwork takes more time than the treating of the patients.

The second point that I would like to make is that way too many of our social reforms seem to deal with the hypothetical. We dream up an idea and we think this would accomplish some specific good, and so we should try it. But here in the medical field we have classic examples for comparison. Within our own country we have private practice of medicine, we have a great deal of government practice, and in every instance the government practice comes out less efficient and more costly than private practice. But in the rest of the world, where most of the countries have nationalized health programs, we find, again, not only do the doctors want to leave, we find in such enlightened countries as England that a woman must have a baby at the hand of a midwife, not a doctor, unless it is a first child or the doctor can testify there is going to be a problem. We find waiting lists for even semi-emergency type operations of eight to nine months. Here in this country we have more doctors in relation to population than any other country in the world; we have more hospitals. In California we have had to set up a commission to restrict the building of hospitals because they are filled to only about two-thirds capacity. This is part of the inflated cost. The patients in those hospitals are having to pay the prorated costs of vacant rooms.

Government medicine, Medicare, and Medicaid, have caused some of the inflation in the health field because, by setting limits on what they can pay and by sending them to the hospitals, our Medicaid patients stay two and a half times longer than the private patient, but at a lower price. The private patient must then pay to compensate for this forced-down price the government is charging. We find that Medicaid patients in California utilize medical services at a rate that costs three times as much as the private patient. I just wonder, with all of this to compare to, whether we have ever made a real investigation to see how unsuccessful government medicine has been in the rest of the world? If I have to pick between any of the three plans, I'll stick with the Medigap plan, but I'm not sure that even that is required in this country at this time. There is a maldistribution, yes, as we just heard, every place in the world. On the other hand, here in California we have some communities that have been solving their problem by subsidizing and sending a young man to medical school on a contract basis that he will come back to them after they pay for his education. I think there are gaps to be filled. Catastrophic insurance is one of them. But has anyone made a study, on the evidence, of the foreign country plans as compared to the medical care that we can get in the United States? I know that when an American goes abroad he has to get punctured about 15 times to guarantee his

health while he is there, but I understand that people who come to America from other countries don't have to get punctured with shots to come here. We must be doing something right.

CHAIRMAN ANDRUS: Now on the questions that the Governor posed, I will give our panelists an opportunity to respond to the Governor from California. Mr. Secretary.

MR. WEINBERGER: Actually, the Governor's question is who is for it and I don't think we will know that until we get some action in Congress and see whether there is sufficient public opinion mobilized to secure passage of the bill this year. The need that we see is based on the fact that, while a great many Americans do have the insurance coverage that the Governor correctly mentioned, and a great many more are covered by various governmental or military plans, there are 25 million Americans who have no coverage at all, and a lot of the coverage is either quite shallow or is unbalanced in favor of hospitalization and eliminates a great many other things. The overuse that does occur in some of the other countries is, I think, because there is the so-called first-dollar coverage and as far as the foreign medical graduates, I think two things should be said about that. One is that a very large percentage of them are American citizens who go abroad for their training and come back and no immigration policy is going to or should stop that. The other thing we have to recognize is that, if these doctors are qualified, I would not think that anything but bigotry would keep them out of this country if they wish to come here. This is still a very attractive place to live.

I agree with the Governor that we don't want government medicine and that is why we have avoided it completely in our bill. What we have provided only is the requirement that employers offer to employees, to take or reject as they wish, a far more comprehensive kind of insurance coverage than is presently carried by most Americans. We do believe that this would cover these gaps not only of the people who do not have it, but also the people who have protection only against a very small number of ills.

Our plan wouldn't produce government medicine. Our plan would simply produce the closing of gaps by building on the strengths of the existing private system. That, I think, is the best of both worlds. I think it is an essential thing to do. It would not cause additional governmental expenditures that could not be met within our tax revenues, and it would not cause an expansion of the governmental system or governmental services. It would provide governmental auspices and general sorts of guidelines for the kind of insurance, but, once that is settled, you would then have the benefits of competition among the insurance companies and a reliance on use of the private system. Our plan would not require the employment or the government sponsorship of a single additional doctor or health care specialist of any kind. It would require and would result in strengthening the private system. So I agree fully with the Governor, but I do think that there is a need, and whether or not enough people are asking for it is something

that only time can tell.

CHAIRMAN ANDRUS: Senator Kennedy.

SENATOR KENNEDY: I don't have anything.

CHAIRMAN ANDRUS: Dr. Roth.

DR. ROTH: I'd just like to point out that Secretary Weinberger's predecessor not too terribly long ago was talking about the happy day when a Health Maintenance Organization option would be available to 90 percent of the population, hopefully by 1980. Curiously enough, there is one community near my home, it is in Rochester, New York, where there are three HMOs that went into operation approximately a year ago, and who has wanted it? In the first year of its availability, 7,300 people have signed up, out of a population of about three quarters of a million. So it is roughly 1 percent of the people who have seized on this option. So there is no sense in offering to the public medical services of which they will not avail themselves.

CHAIRMAN ANDRUS: Thank you, Doctor. The Chairman of our Conference tells me that time is up. I still have other Governors on the list. Gentlemen, can you do it in one minute apiece, some kind of remarks there? Governor Noel.

GOVERNOR NOEL: I'd like to respond to some of the comments that have been made during the discussion. First, responding to Governor Reagan's observations, I point out that in our small State, after an exhaustive study of our health delivery system, we found that over 60,000 people in Rhode Island were not covered by any kind of health insurance. That is in a State that has long been in the vanguard of progressive health programs. So we found that there is a need. We also found, regarding the observations about polling, that the people who were not covered by any kind of health insurance and the people who were being denied adequate health coverage were the people you can't reach through the Harris Poll or other polls. One final point, in reference to the HMOs, we have a very successful HMO in our State and you have to wait for more than one year before people can avail themselves of that alternative kind of health protection service because many of the existing union contracts have mandated other kinds of health insurance coverage. Until you can get them out from under those provisions, the HMOs are slow to develop. Our experience has been that, once they do develop, they are very successful and very helpful to the people who participate.

CHAIRMAN ANDRUS: Governor Evans of the Virgin Islands.

GOVERNOR MELVIN H. EVANS: I just have two comments to make. One has to do with the health manpower discussion. At the present time there is a real danger that we may swing too far to the extreme of having so-called ancillary or paramedical assistants. It is very necessary; it is necessary to extend the doctor's coverage, but there should be a limit to the ratio. Also, I'd like to clarify the clarification about the statistics, because I think it honestly goes to the point I was trying to make. Even when we consider the ethnic composition of our country and compare it to monolithic or homogenous societies, even

when we take out the white section of our community, we find it compares unfavorably with places like Sweden and Denmark and so forth. So that's not the reason. Finally, the fact that we have a much lower ratio, a much lower figure where we involve the other ethnic groups, is proof positive that the health delivery to these groups is what causes deterioration in our statistics. I'd like to end on that point.

CHAIRMAN ANDRUS: Again, I apologize to my colleagues who had their hands in the air when time ran out. I would like to take this opportunity, on behalf of the National Governors' Conference, to thank you, Senator Kennedy, Secretary Weinberger, Dr. Roth, for being with us today and giving of your time. I turn it back now to our Chairman, Governor Evans of the State of Washington.

CHAIRMAN EVANS: There are one or two announcements before we adjourn this afternoon's session. Let me add my thanks to Senator Kennedy, to Dr. Roth, and to Secretary Weinberger for an interesting and fascinating discussion. I'm sure all of the questions weren't answered, but many of the problems were laid out in front of us.

I know that many of us, especially the Governors who have served for some length of time, remember the quiet charm and the professional competence of one of the newsmen who has covered this Conference for perhaps as long as anyone else. I was exceedingly sorry to hear, as I am sure you will be, that Bruce Biossat passed away in his sleep last week and will no longer be here, except in spirit, with the National Governors' Conference. I will ask Charlie Byrley to prepare a note to his wife and hope that those of you who knew him well will want to join with me in sending a note of condolence to Mrs. Biossat.

One final announcement. This room will be secured after the conclusion of this afternoon's session so you may leave any of your materials here until tomorrow morning's session. This Monday afternoon session is adjourned.

TUESDAY SESSION

June 4

CHAIRMAN EVANS: Let me repeat one announcement before we move into the first of our two morning sessions which should be of considerable interest, I think, to all Governors. The continued meetings of our committees mean that the Executive Committee simply cannot review and pass along the end results until after this morning's session. As you know, our Rules of Procedure call for the results of those resolutions to be distributed to each Governor at today's session. That obviously is not possible. Therefore, I suggest that, unless there is objection, the Executive Committee will meet immediately after this morning's session. The end result of the Executive Committee's effort will be placed in each one of your hotel boxes this afternoon so there will be ample opportunity for each Governor to review the resolutions which will be considered tomorrow morning. Hearing no objection, that is the way we will do it.

The first session this morning deals with the "State of the States: Intergovernmental Perspectives." I have had the privilege this past year of serving on the Advisory Commission on Intergovernmental Relations, and I have found it to be an exciting and very worthwhile opportunity. The distinguished people who are represented on that Commission represent their levels of government extremely well. The sessions are not conducted either by rote or by mere tradition, but each one is a lively session, aimed at producing something for the betterment of a government at all levels. Perhaps the most significant and sophisticated concept developed by the framers of our Constitution was that of federalism itself. It was a new idea first born in our colonial days of political necessity, but one which has endured. It endured because it bridged the concepts of sovereignty and union, and because it proved to be a pretty effective instrument for governing a nation as diverse as ours. Nearly 200 years later shared sovereignty has proved to be an essential mechanism for dealing with the social problems of a continental nation with more than 200 million people. Our session this morning will focus on that mechanism and how it is functioning in contemporary society. We are fortunate to have as our guest panelists three men who understand the problems well and whose profession it is to translate that concept of federalism into governmental reality. I will introduce each one of them now and then will call on each for a short opening statement, followed by participation of the Governors.

First, the Chairman of the Advisory Commission on Intergovernmental Relations. This man represents a body whose mandate it is to point the way toward improved relationships between the federal, state, and local governments. He has served on the City Council in Chicago, as Deputy Director of what is now the Federal Office of Management and Budget, and as a Presidential Advisor on Intergovernmental Affairs. I would like to introduce to you the Chairman of that Commission, Mr. Robert Merriam. Next, a member of the Advisory Commission on Intergovernmental Relations, who brings a strong local perspective to the discussion. He is serving an unprecedented third term as Supervisor of St. Louis County in Missouri; his background includes two terms in the Missouri Legislature; and he is currently Chairman of the St. Louis Metropolitan Area Task Force, a bi-state organization created to devise ways and means of strengthening regional government. I would like to introduce to you Mr. Lawrence Roos. Our third panelist is well known to this audience. He has been a consistent visitor to our Conferences and is very close to each one of us. He is Assistant to the President for Domestic Affairs, serves as Director of the Domestic Council and is responsible for development and coordination of the President's domestic policies. In addition, he handles the important job of liaison with state and local governmental officials. I would like to introduce to you Mr. Ken Cole. Now to briefly open the discussion, first may I call on Mr. Robert Merriam.

MR. ROBERT E. MERRIAM: Thank you very much, Governor Evans. Governors, Guests: A few brief words of form, and then a few moments of substance, if I might, simply to help open this discussion. First of all, the Advisory Commission was created by the Congress in 1959 as a permanent body, the first since our constitutional convention itself, to review the workings of our federal system and to make recommendations with reference to needed improvements. The body was considered to be not just a presidential or a congressional entity, but with responsibility to both of them and to the state and local governments who comprise a portion of its membership. The original legislation was initiated by Senator Muskie and Congressman Fountain. Both were original members of the Commission and have remained members ever since. There are 26 members of the Commission. Three are appointed by the President of the Senate and three by the Speaker of the House. Twenty are appointed by the President. Six of those 20 are direct appointments by the President: the three private members, of which I am one, and the three members of the federal executive establishment. The other 14 members, representing state and local government, are nominated or appointed by the President on recommendation from various organizations, including, of course, the Governors' Conference itself. Governor Evans, Governor Bumpers, Governor Kneip, and Governor Ray are the current representatives of this organization with our Commission.

We have a 37-member staff, with approximately a \$1 million budget, heavily financed at the moment through congressional appropriations, but very specifically authorizing and, in effect, requesting state and local participation. Many of

you have in past years made contributions to the Commission either from contingency funds or through direct appropriations. The staff, headed by the Executive Director, is a combination of a research group and an implementation arm. The purpose is to develop new or sharpen old concepts on intergovernmental relations, ranging from operations of the various grant programs to the broad question of the reallocation of fiscal resources between federal, state, and local governments. The revenue sharing concept was heavily developed by the Commission staff along with others, of course. The Commission has urged that there be a rather massive reallocation of fiscal input including the suggestion, which is beginning to be implemented, of federal assumption of welfare costs and state assumption of substantially all or much of the cost of local public education. The Commission has recently completed a massive study of the whole question of governments in metropolitan urban areas. We have completed, at the request of the President, a study of school financing which considers the question of whether there should be relief of the property tax in this area; and we are in the process of concluding a study requested directly by the Congress which deals with state taxation of interstate banking transactions. This study will be completed shortly and a report will be made to the Congress on that very complex and confusing subject.

The staff of the Commission prepares recommendations to members of the Commission based on subject matters assigned by the Commission itself. The Commission insists upon and has from the outset carried through with the concept that the decisions and the recommendations are those of the Commission itself, to the point that staff provides alternate and opposing recommendations to the Commission for its consideration. In short, there is in place a mechanism for the formal exchange of intergovernmental activities among all levels of government, well staffed and reasonably well financed. Very frankly, I think we can answer some of the questions which were being discussed yesterday with reference to the interchange of ideas and the exchange of thoughts between various levels of government. This is by way of a very quick background of a very unique institution which, incidentally, has had three chairmen in its existence. The first was Frank Bane, the distinguished predecessor of Brevard Cihfield as Executive Director of the Council of State Governments, the second chairman was Governor Bryant of Florida, and I have been privileged for the last five years to be the third chairman of this body. Turning from the structure of the Commission to some of the problems we are wrestling with at the moment and that you are wrestling with, let me throw out the following challenges for possible discussion.

One of the problems which all of us face is what will be the precise role of the States and how will they react to various parts of the intergovernmental puzzle? To what extent will the States take the initiative in meeting challenges which from time to time the Congress throws down to you? Let me give you a couple of very quick examples. In the area of revenue sharing there is a provision

in the legislation which allows any State that so desires to alter the formula for distribution within that State. I hear from time to time complaints about the allocation. There is a remedy. It is a difficult one and it is perhaps politically an unpalatable one, but there is a remedy in the legislation which no State has yet seen fit to adopt. Second, there is a provision in the revenue sharing legislation for a State to piggyback on the federal income tax, again a provision which no State has chosen to utilize, and again, perhaps, with good and sufficient reason. But I cite to you some examples of Congress throwing down the gauntlet to the States, which to date have not yet been picked up. Governor Evans mentioned yesterday that at least one federal agency has said that all revenue sharing moneys are subject to the Hatch Act. This is a matter now being debated in the federal executive establishment. It is an example of the kind of federal intrusions that take place. It was also suggested here yesterday, and with some reason, that all of the reporting requirements for revenue sharing were meaningless. I would have to say, on behalf of a Commission which was officially requested by the President to monitor the operations of revenue sharing, that I tend to agree with that observation which you made.

A question which is often asked of the Commission is what the States are really doing in the area of property tax reform: what about the question of exemptions and their abuse; what about the question of assessment procedures and the adoption of improved methods of property tax assessment; what about the States granting to local governments additional taxing powers? Our Commission has just gone on record, in a yet unpublished report, suggesting that the States ought to increase the opportunity of local governments to levy local sales and income taxes should they so desire, not to mandate it but to at least enable it. We have also gone on record as urging the States to pass enabling legislation that will allow local governments to modernize and to consolidate without each time having to go before the Legislature for authorization. And we have very strongly urged that the States consider improving the mechanism whereby, in multicounty urban areas, important areawide services can be delivered more efficiently. These are but some of the issues the Advisory Commission is confronting, some of which we believe you as a group and as individual Governors must consider. They are not at the top of most of your priority lists and yet they are very urgent in the working of our intergovernmental system. In conclusion, we have put on your desks a little green pamphlet which describes the Advisory Commission, and I recommend it for your perusal, and also a copy of our annual report called "Federalism in '73: The System under Stress." I would hope you will read those. The Commission is your organization and we welcome your support and input. Thank you.

CHAIRMAN EVANS: And now representing local government, a person who I believe has discovered the benefits of coordination and consolidation, Lawrence Roos.

MR. LAWRENCE ROOS: Thank you, Governor. I very much appreciate

the opportunity of being a spokesman for the cities and counties at this meeting. I am going to, with your indulgence, let it all hang out this morning because I think there are some important things that must be said regarding state-local relationships which can no longer be glossed over for cosmetic purposes. As one who has served as the chief executive of a county of more than a million people, I believe that I can accurately describe some of the very severe problems that we at the urban local level face. Without the assistance of you Governors, we'll be unable to cope with most of the emerging problems such as mass transit, crime, drug abuse, and solid waste disposal. You know that all of them extend beyond the jurisdictional capacity of cities and counties, and that they involve in a very real way a strengthening of aid from above as well as intergovernmental cooperation between the fragmented units of local government if we are to come to grips with them.

Since the very founding of our Republic, States and localities have been meant to function as legal, fiscal, and political partners. Yet, in all candor, more often than not that relationship has resembled a partnership gone bankrupt rather than a creative partnership of States and localities. In too many instances the States, as legal parents of their localities, still treat cities and counties like illegitimate offspring. In terms of decision-making authority, the localities, especially counties, are hampered by restrictive state shackles. While local government has been assigned the job of solving problems at the local level, we are frequently called upon to do the job without being given either the power or the political strength to get the job done. Fiscally, as you know, we are given that most unpopular and unresponsive source of revenue, the property tax, to finance our efforts. Severe restraints are placed on our use of any other sources of revenue-raising. In short, state-local relationships in most parts of our Nation still resemble a conflict between adversaries rather than a coalition of allies. I would be remiss and I would not be accurately reflecting the facts of life if I didn't recognize that in recent years States have improved and have expanded their attention to their cities and counties. For many years the State of Missouri was an excellent example of state disinterest and neglect, but Governor Bond has taken the lead in attending to and supporting our efforts to work with our partners in the State of Illinois on bi-state problems. He has set up a very sophisticated Department of Community Affairs, which enables the state government to focus its attention intelligently and in an orderly fashion on local matters. He is listening to the fiscal needs of the local communities, and it is really like a breath of fresh air in this one State, and I am sure many of you are doing a much better job of helping us than you have in the past.

Yet, I think we have a long way to go before we really get the job done. Let me briefly cite a few specific examples of where I believe States have failed to work with local governments as full partners. On the jurisdictional front, most States continue to tolerate governmental fragmentation at the grassroots level and many of you impede, rather than encourage, action which could lead toward

the reorganization of local governments into more effective service delivery agencies. Statutory restrictions, combined with severe state fiscal constraints on local governments, have encouraged the rapid growth of a confusing and almost impossibly fragmented maze of special service districts. There are now some 24,000 of these districts nationally and these, as you know, duplicate and conflict with the traditional functions of general purpose city and county units of government. It has been state inaction that has forced a majority of our counties to continue to serve primarily as administrative appendages of state government rather than being freed, through the grant of full home-rule authority, to serve their citizens to their full potential. Very few of your States have taken the leadership to establish and support meaningful substate regional planning and implementing bodies which are capable of performing functions extending beyond the jurisdiction and the capacity of individual units of local government. How many States have done anything to sort out and to clearly define proper city and proper county functions in order to eliminate the perennial source of interjurisdictional bickering? Too few States have accepted responsibility for construction and operation of regional correctional facilities in urban areas, assumption of broadened health and hospital responsibilities at the local level, performance of supportive law enforcement services, granting of financial and technical assistance in the development of urban mass transit systems, and the assumption of a greater share, if not all the cost, of public education. Gentlemen, these are proper state functions and without them the federal system will not be able to function effectively. In order that we may have an opportunity to discuss these matters, I'll close by urging you as the leaders of our great States to get into this act. Whether or not the traditional foundation of our federal system which exists at the city and the county and the state level will survive is, in my judgment, in the hands of those of you who are in this room this morning. Thank you.

CHAIRMAN EVANS: And now speaking from the federal level, Ken Cole.

MR. KENNETH R. COLE, JR.: Thank you very much, Governor Evans. Other Governors, Distinguished Guests: Before I left Washington the President asked me to extend to each of you his greetings, his best wishes and his hopes that this meeting will be a successful one. I think at this point I would like to try to clear up what seems to be a misunderstanding with regard to the A-70 program before we go on with the meeting this morning. I think you have all been made aware during yesterday's meetings of a letter from the Director of the Office of Management and Budget to the Congress, stating the Administration's intention to go back to the drawing boards, so to speak, on A-70. He indicated in that letter that we were not at this particular time going to take any action. I want to assure you this morning that we do not intend to take any action. We are going to continue our studies, but I want to assure you also that the President is aware of your concerns and that nothing will go forward on this level in an administrative way without your concurrence and without the approval of

the President. I want to make my other remarks very brief so that we can get on with your questions, which, I think, in view of the remarks of Mr. Merriam and Mr. Roos, should be stimulating. Yesterday evening, since arriving here, I had a chance to review your booklet "The State of the States," and it seems to me that this booklet is tangible evidence that state and local governments can effectively meet the challenges of the 1970s and beyond. It is proof that the New Federalism that President Nixon has been trying to bring about for the past five years is working and is working better than the Washington-knows-best kind of government we have had for the previous 40.

Revenue sharing has been the key to your current success, but we can go further, and we must if you are to succeed in returning power and authority to state and locally elected officials who are closest to the problems and closest to the people whom government must serve. We must also do all we can to insure that this principle of federal assistance and state-local decision-making authority prevails across the domestic spectrum. In addition to general revenue sharing, we have implemented special revenue-sharing type programs in the manpower and law enforcement areas and, Congress willing, we can do the same this year in the areas of education, community development, and transportation. Achieving a New Federalism should not be a partisan issue, and it doesn't seem to me to be so, at least on the basis of the remarks I heard during the Governors' stint on "Meet the Press" this past Sunday. Democrat and Republican Governors alike shared in the belief that the time has come to make a change in the thrust of our government. The time has come to return the responsibility for state and local decisions to state and locally elected officials who are closer to the people and closer to the problems and closer to the solutions than any of us in Washington can ever be.

So we share a common goal, but achieving it will not be easy. You heard yesterday from some who do not share this goal, some who believe that Washington still knows best. These are the people who are fighting the continuation of general revenue sharing, who are fighting special revenue sharing and the block grant approach, and who are promoting the idea of a veto-proof Congress so that the views of a federal "Big Daddy" can prevail and continue for another 40 years. A continuation of this approach may solve Washington's appetite for more and more power, but it will never solve the problems of our people in this last quarter of the twentieth century. Progress can only come from sharing of power among federal, state, and local governments, and the involvement of the people in the private sector. The first step is the full implementation of the New Federalism, and the returning of power to state and local governments. The President and all of us in this Administration share this goal with you and we look forward to working with you in making it a reality. Thank you.

CHAIRMAN EVANS: Here is the opportunity for Governors to participate and to ask questions of these distinguished panelists. And I am sure, with the welcome announcement of Ken Cole, that there may even be some questions

that will further clarify that announcement. Governor Noel.

GOVERNOR NOEL: It is really not a question, it is more of a comment addressed to Ken Cole, and he can respond if he would like to. I would first like to publicly acknowledge the great help that the State of Rhode Island has received from Ken and his very able staff, Jim Falk and others, who are here attending our Conference. They have been very helpful to us in dealing especially with the problems that we have had in Rhode Island that came out of another section of the federal establishment. My only observation on special revenue sharing is this. I think most Governors applaud the concept of trying to replace categorical grant programs, which are fraught with inefficiencies and all kinds of other problems, with block grant revenue sharing. I think the big problem has been the failure of the Administration and Congress to provide for a systematic and smooth transition and, therefore, although Governors support the program conceptually, they have trouble relating that conceptual support to practical support. Of course the President's impoundment policies, coming at a time when we were being expected to support the transition of New Federalism, caused many of us to doubt whether we should continue with our support, because while waiting for the new programs to come on line there were so many significant millions of dollars being held back and drawn down by other policies, by impoundment and otherwise. I know that many of my colleagues began to lose faith and felt that it looked good on paper but it was starting to hurt in actuality. If we are going to go on with the New Federalism, the only way that I and others will be able to support it will be if we can now clearly see that there is a significant system for making the transition so that we won't be hurt in the interim.

MR. COLE: We were caught in the beginning, of course, with the need to balance what we thought was the citizen's desire to make sure that his tax dollars were spent as well as they possibly could be and the transition to special revenue sharing, and we had an obligation in both instances. Hence the impoundment so that we weren't spending tax money on programs that we felt didn't work. Hence at the same time the attempt to move to special revenue sharing, and we realize that the timing of the two was perhaps not all that it ought to have been. I would suggest that over the course of the last year and a half there have been adjustments made, not across the board, but in many areas to take care of some of the Governors' problems. We don't always meet everything that you ask, but we do try to take these things into account. I would also urge that all people at the federal, state and local levels, who believe in this concept of returning decision-making authority to levels of government closer to the people, seek to generate what I would call a more responsive government. It is not enough to just be lured by the dollar, although I know that is awfully important, but it is not the only thing here. There is the principle at stake as to who really is going to be in charge, who is going to be running these programs. The question is, who makes the decisions. If there isn't sufficient support for the principle,

you won't ever have to worry about whether or not you are making the decisions, because I can guarantee you you won't be. They will still be made in Washington. If we are to succeed, everybody has to give some; you all have to give, too.

GOVERNOR NOEL: One last comment. I personally believe that we can get along very well with fewer federal dollars under the New Federalism approach, because we could make the shorter dollar go further with more effective programs and less federal bureaucratic involvement. But when you tried to make the transition, the kinds of drawdowns in federal dollars were so significant that our social service delivery systems were being badly damaged. This caused me, for one, to feel that the transitional problems were so severe that we had better switch our support back to the categorical grant programs, even though that was a short-term interest-taking precedence over perhaps what would be better for us in the long term.

MR. COLE: We perhaps, Governor, have a problem with the numbers in the sense that we have to deal with all of them on a national basis, but you get to deal with it in very specific terms as it affects your State. But if you look at the numbers across the board over the last five years, as we do on a national scale in total dollar amounts, in every year the percentage of the federal budget going to state and local governments has gone up. And there are certainly some specific problems, I don't deny them at all. But the fact is that the numbers indicate to us that there is sufficient money available and that this money is going to be around and going to be available to solve the problems while we are in the transition phase. So I'm afraid our problem is one of a differing over specifics. We are still trying to cope and still eager to hear from you. If we can help, we will, and if we can't you will at least have an answer from us.

CHAIRMAN EVANS: Governor Shapp.

GOVERNOR SHAPP: I would just like to get some clarification specifically on A-70 and specifically again with Section 5(c), which is my major complaint to A-70. You said a few moments ago that you are going to go back to the drawing board, at this time you do not intend to take action. Now, I hate to be so direct, but I have had so many experiences in trying to get things straightened out between Harrisburg and Washington that I would just like to ask you a few questions. The first one is, are you just waiting until this Conference is over, is that your point-in-time reference?

MR. COLE: No. I am not waiting until the Conference is over, Governor. It will be a little bit longer than that. That leads to your next question, right?

GOVERNOR SHAPP: You said nothing will go forward on such a proposal without our concurrence. I take that to mean that no such proposal will be adopted by you and issued by you if the Governors' Conference is opposed to this proposal.

MR. COLE: I would say that as long as I sit here we are going to try to work this thing out with you. Now, I don't believe anything is going to go

forward that a majority of you don't agree with. That's not every last man, don't get me wrong. But if we can't come up with something that the majority of you agree with, I don't believe we are going to do it.

GOVERNOR SHAPP: O.K. Let me shift to Phase 2 of my questions, then.

CHAIRMAN EVANS: If I may take the chairman's prerogative and insert one question right there. Ken, should we take that to indicate that through the formal structure of our National Governors' Conference there will be continuing dialogue and the gaining of either that acceptance, approval, or rejection of new proposals that go in the same vein?

MR. COLE: Absolutely, and I think the letter from Roy Ash indicates that this is the kind of dialogue that will take place and we intend to stay on top of it and make sure it does.

GOVERNOR SHAPP: In other words, unless a majority of the Governors agree with it, it is not going to go forward. Let me go to the part of your remarks, Ken, where you said that you are eliminating this attitude of Washington-knows-best. I wish this were true, but, unfortunately, it is not true. I will speak now just for my State but I think what I am going to say has happened in other States as well. We get holdbacks in funds in one program after another unless we do as Washington tells us to do, even though some of the regulations that you issue are not law, they are just bureaucratic decisions. We have been faced from time to time in the past few years with holdbacks in funds on welfare unless we reform some of our programs to meet the criteria set up by HEW.

I have before me right now a telegram I am preparing to send to Secretary Brennan, and Washington is disagreeing with a plan that we have set up for using our funds for vocational education and stating they are going to hold back all the funds for this new vocational program unless we do it their way. We have valid reasons for trying to split our funds in the State in accord with the legislation, and Washington is not accepting our program. We have had holdbacks in funds for nursing homes, for day care, for corrections, for law enforcement and for one program after another. It is just a case of one holdback after another on the basis that Washington does seem to know best and we have to go to the mat each time. I think this is something perhaps that you ought to take a look at. I would be glad to come down and go over it with you specifically on these programs and see if we can't eliminate this attitude.

MR. COLE: Sometimes bureaucracies are hard to change, as you Governors well know. You have bureaucracies in your own State and they get things going their own way and it is difficult to turn them around. Some of the laws that you have mentioned are laws that we are trying to change and are trying to build more flexibility into them. LEAA is just one of them where we do have a block grant, where the Administration has proposed for the last four years that the law be amended to provide for flexibility for the States and, in fact, the Congress has refused to do it. Now, within the confines of what Congress does we are kind of

stuck, which gets back to my point about the veto-proof Congress. If you think we have a hard time this year, wait until next, if that's the kind of Congress we wind up with.

GOVERNOR SHAPP: Let's take the issue of impoundment. Here Congress has authorized funds and we get ourselves in a situation where we need these funds and yet the Administration impounds these funds, and it is in one area after another. Isn't that an attitude of Washington-knows-best?

MR. COLE: There are two questions here. The first question is whether Congress is authorizing the funds or appropriating the funds. If they are authorizing funds, it is a very rare instance where the Congress appropriates the same amount of funds that they authorize. That's a little shell game that gets played up there. But it is very rare that, in fact, they do appropriate as much as has been authorized. Then within the context of whether or not we are impounding the moneys, I am not sure which moneys we are still impounding at this particular point in time, except for maybe some in the highway area, which we are trying to work out with the Congress right now so that some of those can be freed up.

CHAIRMAN EVANS: Governor Bond.

GOVERNOR BOND: I would like to change the direction of questioning just a moment to Supervisor Roos. Larry, I would certainly agree with you that there is more that the States can and must be doing for the cities and for the county governments. One of the problems we run into is the fact that the federal government has set up a course of dealing directly with the major cities which makes it difficult for us to get the attention of the cities. Would you recommend changing the relationship so that all of the federal dealings with local jurisdictions would have to go through the State?

MR. ROOS: Yes, sir, I certainly would. I think the reason that this phenomenon of the federal government going directly to cities and urban communities arose from the weakness and the lack of interest at the state level traditionally. And here again, in the case of your own administration where you have an enlightened group, where you have an interest and have demonstrated an interest in your localities, I think we at the local level are more than anxious to see this channel follow the traditional lines from the feds down to the States and through the States to the localities rather than on a direct federal-local arrangement. We are doing something next Friday in the St. Louis metropolitan area which may be of interest to all of you. We have for the first time in my recollection a full-day meeting set up where the Federal Regional Council representatives are going to meet with the officials of local governments, the officials of the state governments (in this case Illinois and Missouri), and also the officials of regional planning bodies. We are going to sit around a table and spend the day in an informal atmosphere trying to clarify where we have disagreements, where we don't have the responsiveness from above that we would like to seek. I think if such meetings were held throughout this country, instead of putting our good

friend Ken Cole on the griddle, and if we dealt with these regional people and with our state people in a frank manner, all of us could establish channels of communication that would be helpful from top to bottom.

CHAIRMAN EVANS: Bob Merriam has a comment.

MR. MERRIAM: I just want to supplement to this extent, Governor. Our observation was that when you have some 1,500 categorical grant programs, and I might say parenthetically nobody really knows exactly how many there are, you really come close to a breakdown in the whole business of supervision of where the moneys are going, and you have all the kinds of problems that Governor Shapp was referring to. The difficulty is that decision-making then is not at the congressional level; they lost it even though they didn't know it. It isn't at the federal executive level because they had lost it, and it isn't at your level because, in my opinion, you had lost it. It was between a functional man in the federal bureaucracy and a functional man at the state level. These are the people who are really making the decisions, and the elected officials, both legislative and executive, are left out of it. I think that is a problem we ought to confront very directly.

CHAIRMAN EVANS: Governor Curtis.

GOVERNOR CURTIS: I would like to ask Ken Cole to comment. I believe you stated that you weren't quite sure what funds were still being impounded. I would like to again make the pitch that I have been making for quite some time about the release of funds for municipal water pollution control projects. This has really been posing a tremendous hardship on the States in trying to move ahead with the job that we commenced some time ago. We went out and raised money at the state level, the state matching share, and we got our municipalities interested. We were fully cooperating to the point that they passed bond issues and raised their share, and then we have been placed in the position of having to delay because we can't get the federal funds. With costs nearly doubling every eight to 10 years, it is just hard to see how this makes good economic sense not to proceed as fast as the municipalities and the States are ready to in cleaning up their own waters. If the federal government would only let us prefund. It would save the States and municipalities money if they went out and borrowed the money and built a project and then waited to get reimbursed by the federal government. I know the inflationary argument, but in a State like Maine where we have a high unemployment rate it just makes no sense whatsoever for us to be denied by the federal government the opportunity to proceed at our own pace. I would like to call attention to the fact that funds are still being held up. You know, if those funds would just be released, I think this would do more for New Federalism than anything I can think of.

MR. COLE: Governor, you made note of the inflationary argument. That is certainly one of them. That is the major one that we are combatting sometimes when we control outlays from the federal budget. That is certainly an instance in this particular case. That doesn't make your life any easier, I guess, but I would

submit that the people of Maine are less happy with each passing day as their cost of living goes up and hopefully we can take the actions that are necessary to hold that down. The other thing is that our analysis has shown, and it deals with the country as a whole, that the expenditure level that has been authorized is about what can be responsibly spent. And we have the duty also to be the custodian of the taxpayers' dollar, and so that is the way we approach it and I guess it is one of those things where we don't quite meet.

CHAIRMAN EVANS: I wonder, Ken, if the national analysis that you mention has been cross-checked with this Governors' Conference or some other body to insure that the survey is accurate. Perhaps Maine and Washington are only two States across the country but I know our citizens have voted a \$200 million bond issue at the state level, and local communities have money in hand and available and the only thing holding us back is the impoundment of funds at the federal level.

MR. COLE: I know the study that was done. It was done by the federal government, and I suppose in that sense you could call it biased, although I don't believe that it is.

CHAIRMAN EVANS: Do you want to continue, Governor Curtis?

GOVERNOR CURTIS: We all share the concern, I think, for the taxpayers, what inflation is costing them and what it is costing in regard to the cost of living today. But I would again like to make the point that in the long run it still is going to cost the taxpayers much more by the increased cost of the treatment plants, to say nothing of the tremendous damage that is being done to fisheries, to recreation, and other economic factors through the pollution that still exists.

CHAIRMAN EVANS: Next is Governor Williams of Arizona.

GOVERNOR JACK WILLIAMS: I simply want to say that elected officials are working together well in Arizona. We have had meetings with our federal representatives several times. We have had regional meetings in our own State. We have a system now where the county supervisor, the city councilman, the people who are out on the ground are given a chance to review what is proposed, come back and give their input. We have started out following A-95 very carefully. It has worked extraordinarily well in Arizona.

CHAIRMAN EVANS: Mr. Roos.

MR. ROOS: May I just observe that I think there are four States that have set up state advisory commissions on intergovernmental relations which, in effect, formalized this type of relationship to which the Governor alludes. This is something that certainly doesn't require a great deal of political risk and, I think, has worked well in these four States. Maybe some of the others would be interested in emulating that.

CHAIRMAN EVANS: Governor Mandel, Maryland.

GOVERNOR MANDEL: I would just like to address this to Mr. Roos, regarding the meeting that he spoke about. We have had two of them. I spent the whole day at the first one and I didn't go to the second one for the simple

reason that we had all our people there with all the regional people. You can't get any answers, and you can talk about all the problems and they will be glad to note them down and they will be glad to tell you that they recognize there are problems. But as soon as you try to find out what the answer is to that problem from the federal level, it either has to go back to the Washington office, to the Philadelphia office, to some other office to get the answers. So after a day's meeting with all of our local people, state people, county people, the second time we tried to have the meeting I just felt I could spend my time getting answers in other places.

MR. ROOS: Well, Governor, I hope that our experience doesn't reflect what yours has been, although it may, but it seems to me that if our federal officials in a local region and our state officials and our regional officials and our local officials can't sit down together and work these things out, then I think there is only one solution, and that is the further intrusion of the federal establishment in our States and localities. I think it is the only way it can be done. Maybe it will fail.

GOVERNOR MANDEL: I do not suggest that you not have the meeting, I am not suggesting that it isn't good, and I am not suggesting that it isn't a good way to talk about problems. But if you are looking for answers, then you are in a different ball game.

CHAIRMAN EVANS: Next, Governor Rampton of Utah.

GOVERNOR RAMPTON: I would like to pursue a little further with Mr. Cole, if I could, the question of grants for water and sewers. As I understand it, HUD did have an appropriation covering both water and sewer grants. That has been impounded. The EPA has money available for sewer grants. At least in my State, and I believe in other States, you are allowing the States to set priorities. But the only thing we have to help us now with the water situation is Farm Home Administration loans, which are not always satisfactory. It would help us a great deal in the State of Utah if the EPA grants could be made available for either water or sewer, because we have some water problems that I would give precedence over the sewer problems. Is there any reason why the EPA grants can't cover both fields?

MR. COLE: Governor, I can't answer your question without looking into it, but I will get back to you. I don't know what the answer is off the top of my head. I am not sure that there is any reason, but let me look at it specifically.

CHAIRMAN EVANS: Governor Exon of Nebraska.

GOVERNOR J. JAMES EXON: Mr. Cole, could you answer the question of whether or not the Administration has taken a position on continuing the Highway Trust Fund after its scheduled expiration and, if so, have you come to any kind of conclusion as to how that money will be reappropriated back to the States?

MR. COLE: Governor, we are trying to get a bill through the Congress called the Unified Transportation Assistance Act, which would provide trans-

portation moneys to States to utilize as they see fit to meet their priorities, be it highway construction, be it mass transit, buses, subways, that kind of thing. That is our long-range approach to transportation, to give each Governor the option of what he wants to put his transportation moneys against. The plans right now call for phasing out the Highway Trust Fund. Whether or not money that now accrues therefrom would be utilized at a later date for the Unified Transportation Assistance Act is something we haven't really addressed yet. We would be interested, however, in your thoughts on it.

MR. ROOS: May I once again as the voice of the localities urge you Governors please to at least study the needs of our urban areas for a diversion of some of the highway funds for mass transit purposes because here again in many States there has been strong resistance to tampering in any way with the traditional allocation of these funds for highway purposes. Here again at the urban level we have a tremendous need for something of an innovative nature in terms of rapid transit to relieve our traffic problems, and the States can be very helpful. I think the federal government has taken an enlightened view of this, but the Congress certainly is doing less than its share in diverting some of these very much needed funds into rapid transit.

MR. COLE: The legislation that I referred to, the Unified Transportation Assistance Act, does provide for this. It is not faring all that well in the Congress right at the present time, so I would urge you to make your views known there as well.

CHAIRMAN EVANS: Governor Carter of Georgia.

GOVERNOR CARTER: Mr. Chairman, I just want to comment on a partisan phrase that Mr. Cole seems to use every couple of paragraphs, a veto-proof Congress. I really don't think that any self-respecting congressman, either Democrat or Republican, would be bound by the votes of a party caucus in preference to the needs and information of his people back home. We have 85 percent Democrats in the Georgia Legislature in both houses, and I want to assure the group that it is not a veto-proof Legislature. I think this is something that is continually injected into the discussion by the Republican group, perhaps without intention, but it ought to be recognized as a partisan phrase.

MR. COLE: Governor, I don't mean to use it as a partisan phrase and I am highly embarrassed that you would regard it as such. I think a veto-proof Congress, whether you are Republican or Democrat, upsets the balance of power that needs to be continued between the executive and legislative branches. I just think it is the wrong way to go about doing business, the same kind of power that people are attacking now that apparently exists or allegedly exists in the Congress for right or for wrong. I just don't think that is the way the country ought to be run. So it is not a partisan matter as much as it is one, I suppose, of philosophy.

CHAIRMAN EVANS: Governor Holshouser.

GOVERNOR JAMES E. HOLSHOUSER, JR.: I am sure that was just an

inadvertent slip on Ken's part. He probably just picked up the language from Mr. Brademas yesterday.

CHAIRMAN EVANS: That took care of Governor Wilson, too.

GOVERNOR MALCOLM WILSON: That's right.

CHAIRMAN EVANS: Governor Ford.

GOVERNOR WENDELL H. FORD: I might just add a little bit to Governor Carter's statement. It seems that the veto-proof Congress has been used extensively since yesterday and the veto-proof Congress is being used this morning in a press conference from the other party. I think it is being used to scare the public. I think it is a rude intrusion on my party. I think you are painting with a broad brush on the integrity of the Congress. I think, Mr. Chairman, that we are here to deal with issues that are basic to serving the people of our States and let's eliminate this injection of the veto-proof Congress. If it is going to be Democratic in November, you are going to have to live with it and I don't think you want to start off on the wrong foot.

CHAIRMAN EVANS: The Chairman notes his thought that the origination of the phrase was from the AFL-CIO, and if someone would like to introduce a motion to censure that organization . . .

GOVERNOR FORD: Apparently the Republicans like it.

CHAIRMAN EVANS: It fails for lack of a motion. Governor Reagan of California.

GOVERNOR REAGAN: Now that we have settled the matter and our Democratic colleagues have assured us this is nonpartisan, for whatever it is worth, we have had an experience in California, and one that I think is working rather well now, although there are some people disgruntled with it. We, too, face the problem there that the one tax that is not based on ability to pay and the tax that is hardest to bear is the property tax, particularly on the homeowner. We have a single property tax in California; in other words, we don't have different classes with different rates of property taxes. We evolved a plan first of having the State take over a broad general tax, and giving the homeowner a certain amount of exemption in computing his property tax. Now, the first was a very modest beginning, but we found out that the property taxpayer never got the relief because the instant we did this with no control, local government automatically, and without exception, raised the property tax up to the exact amount that the State was reimbursing local government, so that local government got the subsidy from the State plus the same amount of property tax from the people.

We went another round and this time made it a rather sizable exemption for every homeowner and supplanted this with a penny of statewide sales tax, which goes to local government totally. But this time, for whatever it is worth and whatever anyone wants to take out of this, we put a limitation in the program that local government cannot raise the rate of property tax in view of this substitute without getting a vote of the people in the property tax districts.

They would have to vote to raise their own. We did not interfere with local government's ability in an inflationary world to raise the assessed valuation, but we felt that there would be reasonable restraint on that; they would have to stay within the fair market value. Some are a little disgruntled. They would like to have it both ways. But this has worked and it has taken a burden, a sizable burden, of a billion dollars in our State off the backs of homeowners and supplanted it with a statewide sales tax.

MR. ROOS: Mr. Chairman, may I just respond by asking the distinguished Governor Reagan please to wire me collect if any people ever vote to increase their property taxes. Has that happened? I mean that really was less than largess on the part of the state government if it was subjected to a popular referendum. Have any of these areas voted a tax increase?

GOVERNOR REAGAN: As a matter of fact, I haven't seen that there has even been any attempt on the part of anyone, nor has there been a request of local governments so far that they should do this. We have provided certain flexibilities in there, but, on the other hand, if the State is to assume a billion dollars added to its budget and take on itself the responsibility of raising a tax which is in toto going to be given back to local government for the purpose of easing the burden on the homeowner, we felt the homeowner was entitled to a certain protection to see that he didn't wind up paying both taxes, the new state tax and continuing to pay an ever-increasing property tax, and so far it is working very well.

MR. MERRIAM: Governor Reagan, this was one of the reasons that the Advisory Commission just at its last meeting recommended that the States authorize, not direct but authorize, the local governments to impose, at their discretion, local sales or income taxes so that they would have an alternate source when the property tax burden was relieved. One of the problems has been that local governments have been restricted in what taxes they could impose.

GOVERNOR REAGAN: I left out one very significant thing that I should add here in fairness. The State recognized that in the past there have been state governments, and our own included, that have continued to mandate programs on local government just as the federal government mandates them on the States at present, and we also included in this that the State could no longer mandate a service on local government unless the State picked up the cost.

CHAIRMAN EVANS: Governor Vanderhoof of Colorado.

GOVERNOR JOHN D. VANDERHOOF: Mr. Roos, I don't know what happens in California, but we have a similar provision, a limitation in our massive financing of public education, that they can only raise the percentage per classroom unit or individual student 6 percent a year without a vote of the people. And, strangely enough, in every election that has been held since then when they wanted to raise above the 6 percent, the people have passed it. I think there have been somewhere in the neighborhood of 30 separate elections held. One of the problems that you will run into with this is the rapidly escalating costs. We are

now in a bind when almost all 180 school districts in the State will have to go to election and if they don't pass them, we may be in a catastrophic situation because of the inflation factor.

MR. ROOS: Mr. Chairman, would it be out of order to ask for a show of hands of how many of the Governors would welcome an arrangement whereby, if the federal government were to assume the total cost of welfare within the 50 States, the state governments, in turn, would accept the responsibility for financing public education in the States. This would free up local sources of funds for general purpose governments to provide the services at the local level? Does that make any sense to any of you?

CHAIRMAN EVANS: Many States have moved in that direction, some much more rapidly than others. I have tried for nine years and I haven't been as successful as Governor Anderson and some of the others who have already achieved that. Given that, it might be of interest just to see a show of hands. How many generally agree with that as a direction, at least, of the States? A good share. Governor Noel, did you have a question? You were next on the list.

GOVERNOR NOEL: I just wanted to go back to Larry Roos and pick up one statement he made in his opening remarks where he was urging that the States cooperate to turn the corner on the fragmentation of government at the local level. It must be very different in your State, Larry, because in my State it is the State that tries to urge merger of small units of local government. We try to urge regional cooperation for common solution to regional problems, but it is the provincial resistance at the local level, politicians who feel that their jobs are threatened, who prevent those kinds of progressive changes from taking place. I was surprised to hear you imply that it is some lack of cooperation at the state level that results in this proliferation of many units of local government. I wish you would speak to that point one more time.

MR. ROOS: Yes, sir. I think we at the local level must plead guilty to the fact that many units of local government do resist consolidation, merger, or any improvement of this jurisdictional relationship. On the other hand, several States, California notably, have established at the state level things called local boundary commissions where representatives of various levels of government meet and in matters of annexation, consolidation, and considering new incorporations of municipalities, they do arrive at at least advisory points of view. This has been a tenet for some years of the Advisory Commission on Intergovernmental Relations, and what I meant was that through the establishment at the state level, recommended maybe by Governors or by state legislators or boundary commissions, of state intergovernmental relations commissions, that we might at least take the first step toward setting up some orderly process to consider these things. I agree with you, there is terrible resistance at the local level. But I also see this resistance, this inflexibility, as leading ultimately to the breakdown of our system of local government unless something is done to improve it.

MR. MERRIAM: I would just add, Governor, that particularly in a metropolitan area, an urbanized area, where you have more than one county there just is no mechanism today for the delivery of areawide services and if the State doesn't provide a vehicle for local governments and really require them and force them to get together, it isn't going to happen, and then the result will be that either the federal government will set up its own regional programs, and it now has about 150 different regional programs with different boundaries, or the State itself will take over these services. I don't think you would want that, and certainly the Advisory Commission would not recommend it. You have to set up a vehicle whereby there can be the delivery of areawide services, and it doesn't exist in most States.

GOVERNOR NOEL: I would just respond by saying in our State we have 39 municipal bodies of government. We organized them into one agency, and that agency makes recommendations. But, to take a phrase from my southern colleagues, when push comes to shove, when you try to actually merge those units of local government into more viable entities, then the local provincial political resistance becomes insurmountable. The amalgamation or merger concept has been with us for over 50 years, but with the exception of Dade County and maybe Toronto in Canada, I don't know of other places where we have been able to accomplish reduction in a significant way of local units of government within States. Now, maybe there are some recent successes, but I am not familiar with them.

MR. ROOS: Perhaps as an alternative method to the regional mechanisms there might be an agency whereby they can coordinate on matters that extend beyond their individual abilities. We have a bi-state situation with Governor Walker's State and Governor Bond's State in the St. Louis metropolitan area, and these two gentlemen have shown a willingness to sit down together to work out a bi-state regional mechanism which will extend across the Mississippi River. It involves two States and a heck of a lot of local governments. I think without merging or without eliminating local governments, you can set up systems of governments that are regional in nature and still permit the local units of government to exist as individuals, independent jurisdictions.

CHAIRMAN EVANS: We are approaching the end of the time for this session. Are there any further questions? If not, we thank our distinguished panel, Ken Cole, Chairman of the Domestic Affairs Council, Lawrence Roos of St. Louis, and Bob Merriam, the Chairman of the Advisory Commission on Intergovernmental Relations, for being with us this morning.

We are now ready to move into the second half of this morning's program, so will the Governors who will participate please move forward. This part of the program will be chaired by Governor Lucey of Wisconsin. Before Governor Lucey takes over the Chair, let me make an announcement again to insure that the Executive Committee understands it and that all others who have an interest in individual resolutions understand it. The Executive Committee will meet

immediately upon recess today, and it is important that the members of the Executive Committee take part. We expect to conclude our business promptly, and if everyone gets there on time we can do just that. All of the resolutions should be submitted to Mr. Byrley or to the staff prior to the end of this morning's session. Governor Lucey.

CHAIRMAN PATRICK J. LUCEY: I think all of you are aware that this period is devoted to discussion of ethics and state government. In 1974 there is no issue more on the minds of the American people than the credibility of our government. The oldest democratic experiment in modern history is beginning to show its age. Men elected to solve problems have, in some instances, themselves become problems. Institutions that once breathed with life have become choked in the polluted air of scandal, dishonesty, and bureaucratic inertia. Watergate has given a focus to many of the public frustrations of the past decade, but the problem is not just Watergate. Nor can the cancer be isolated in one political party, or at one level of government. As Governors, as elected officials, as politicians, as American citizens, each of us has a personal stake in restoring the confidence of the American people in our institutions and in our system of government. We have here this morning four panelists. Two are Governors and two are guests of the Conference. And we also have two Governors who will open the response to the remarks from the panelists.

I would like at this time to introduce the first of the four panelists. I would like to introduce my good friend and neighbor, Governor Milliken of Michigan. Recently Governor Milliken spoke in Detroit at a prayer breakfast, as all of us are requested to do from time to time, and I would like to quote just one short sentence from Governor Milliken's comments on that occasion. He said, "When the final transcript is read, nothing will be deleted." And I might add that at that time there will be no claim of executive privilege that will be accepted. Governor Milliken and I have sponsored a resolution which is before you, and while it will not be voted upon at this time, I am happy that all of you have seen the resolution as we are conducting the morning discussion. That resolution covers four very important points. It deals with closing loopholes in campaign finance regulation, it provides stringent ethics codes for government officials, it provides for open meetings of all public decision-making bodies, and it calls for the registration and full disclosure of lobbying activities by all special interests. I think the fact that Governor Milliken is the co-author of that resolution indicates the strong position he has taken on this issue that is now before us. With that, I would like to present Governor Milliken of Michigan.

GOVERNOR WILLIAM G. MILLIKEN: Thank you very much, Governor Lucey. Distinguished Members of the Panel, My Fellow Governors, Ladies and Gentlemen: I think it is true to say that at no time in the history of this country has there been such a loss of confidence and faith in our democratic institutions and in elected public officials and the whole process of government. On his way to prison, one of the Watergate principals said he was on that road because he

had lost his "ethical compass." I believe one of the primary tasks facing all of us in public life today is to assure that there is an ethical compass not only for the Nation, but for each of our States. We are in a time of peril for the Nation, but with a unique opportunity for the States. The peril springs from a long train of abuses of power by a handful of men, abuses the likes of which we have seldom seen in our Republic. The States, one of the great sustaining forces of this Nation, can do very much to help restore that confidence. Our democracy cannot function without the confidence of the governed any more than we can function without the consent of the governed. One of the most encouraging events in our Nation is the movement in the States toward ethics and election reform. In some States, including, I regret to say, my own, the movement is slow, but reform, nevertheless, is coming. The States are devising means of protecting against the abuses of the few; abuses which erode public confidence, subvert the electoral process, and stain the very fabric of democracy.

The abuses of Watergate have cast a shadow across this land that has turned public opinion against public officials at all levels. The best way to erase it is with the bright light of public scrutiny. As John Gardner has said, we cannot adequately solve our society's major problems until we repair the instruments of self-government, which means building a political and governmental process that is open, accountable, and unbought. As Mr. Gardner has noted, everyone recognizes the corrupting power of money, but few grasp the power of secrecy to corrupt politics and government. Those of us who choose public life must recognize it is a goldfish bowl, and we have a responsibility to help assure a clear view from the outside. Certainly, Governor Lucey and Governor Askew are doing this in their States. In Michigan we are making progress. I have asked our Legislature to make adoption of campaign finance and other reform measures second to none on our list of priorities for 1974. We have adopted a Code of Ethics for state employees and gubernatorial appointees. Both houses of our Legislature have passed versions of legislation requiring full disclosure of all political contributions before and after every election. Also pending is legislation on personal financial disclosure, political fund-raisers, shortening the fall campaign, lobby reform, voter registration reform, and open meetings legislation.

I believe that one of the best safeguards against conflict of interest, or even the appearance of conflict, is disclosure of financial holdings and sources of income by candidates and elected officials, beginning with their filing as a candidate, and periodically during their service in office. I think it is important to emphasize that disclosure should be designed as a deterrent to conflict of interest and not a means of deterring people who have been successful from running or holding public office.

In addition to disclosure, codes of ethics should be enacted to provide specific guidelines for conduct. In Michigan we have enacted a Code of Ethics and created a Board of Ethics to supervise that code. I have some copies of the Michigan code here with me if any Governors would like to see one. There also is

a need for disclosure of lobbying activity. We certainly don't want to curb the constitutional right of petition, but we do need to have registration and full disclosure of lobbying activities by all special interest groups. I also favor periodic reporting by registrants that itemize expenditures and clearly identify beneficiaries of gifts. Mr. Chairman, these are just a few of the items that I believe this National Governors' Conference should support as part of an ethical compass for all levels of government, and, Mr. Chairman, I reiterate the comment you made with reference to the resolution which you and I have introduced and express my hope that this Conference, prior to its adjournment, will, in fact, officially adopt this resolution.

CHAIRMAN LUCEY: Thank you, Governor Milliken. Now I would like to introduce the Governor of Florida. Florida has enacted new campaign finance legislation which includes disclosure of campaign contributions and expenditure limits and an independent elections commission. I also understand, according to Common Cause, that this is the best campaign finance law in the country. But I further understand that even while Governor Askew was a legislative leader, the Florida Legislature enacted one of the toughest, most comprehensive open meetings laws in the country with enforcement teeth in it. So I think Governor Askew is eminently qualified to address us today on this subject of ethics and state government. Governor Askew.

GOVERNOR REUBIN O'D. ASKEW: Thank you, Governor Lucey. Members of the Panel, especially our Distinguished Guests, Mr. Spivak and Mr. Gardner, Fellow Governors, Ladies and Gentlemen: Let me say that I fully support the resolution proposed, on ethics in government, by the distinguished Governor from Michigan and the distinguished Governor from Wisconsin. I am happy to spend just a few moments on this subject, and I have really been asked to describe Florida's experience in this field. In 1948 a handful of interests got together to elect a Florida Governor, and between them they reportedly put up several hundred thousand dollars to finance the campaign. Later disclosure of these contributions caused such a stir in state politics that in 1951 the Legislature enacted this Nation's first substantial campaign disclosure law. Since then, Florida's "who-gave-it, who-got-it" election code has served as a model for other States recognizing the public's right to know where a candidate's money is coming from and how it is being spent. Only in 1971, two decades after Florida acted, did our federal government adopt a truly meaningful campaign reporting law. More limited than Florida's, it nevertheless has contributed significantly to the people's knowledge of how their political process is working. While it failed to prevent the abuses we have come to know as Watergate, it has helped make Watergate public. Moreover, it has spurred serious efforts to change the long-existing system in which the big money of special interests is too often traded for the protection or favor of government.

We are still seeking a better way in my State as well as in our Nation's capital. However, with the help of a traditionally aggressive press corps, Florida

has made significant progress in the area of campaign reform and government ethics. Before adjourning last Friday night, the Florida Legislature created a nine-member Ethics Commission to police our conflict-of-interest laws, including a requirement for both candidates and officeholders and appointees at every level of Florida government to disclose their major financial interests. The new commission joins two similarly independent groups, the Florida Elections Commission and the Judicial Qualifications Commission, in monitoring and enforcing standards for seeking and serving in public office. The Elections Commission was created last year, finally putting enforcement teeth behind the 1951 campaign reporting law. The Governor selects six members and appoints a chairman from three nominees recommended by the first six. In this particular commission it was my privilege to appoint a former distinguished Chief Justice of the Florida Supreme Court, Stephen O'Connell, in order to start this Elections Commission off on the right foot. The commission is convened by the Secretary of State or on its own initiative to investigate all available evidence concerning alleged violations of the election law. If the commission finds probable cause, the Attorney General is charged with initiating legal proceedings with both civil and criminal remedies being available.

We have also placed reasonable ceilings on campaign spending in Florida. Gubernatorial candidates can spend up to \$250,000 in each primary and \$350,000 in the general election. Individual contributions are limited to \$3,000 in each statewide election, and all cash contributions of over \$100 are required to be fully identified as to source. Contributors must be identified by occupation as well as by residence. Reports of contributions and expenditures are filed weekly and publicly with the Secretary of State. As an incumbent seeking reelection this year, I have decided to limit contributions to my campaign to \$100 instead of the \$3,000 applicable by law. I am doing so with the full recognition that incumbency works to my advantage but, more importantly, with acute awareness of the inherent problems of accepting larger contributions while still in office. I know that such restrictions cannot be the answer for everyone. I know also, however, that we must seek answers individually and collectively to the overriding challenge of our time, that of freeing our political processes from undue influence, strengthening our standards of conduct in public office, and winning once more the trust and confidence of our people. For the people are demanding no less today, no less than Thomas Jefferson defined nearly two centuries ago when he said, "The whole of government consists in the art of being honest."

CHAIRMAN LUCEY: Thank you, Governor Askew. Now we will hear from one of our distinguished guest panelists, Mr. Lawrence Spivak, who is well known to all of you as the producer and a regular panelist on "Meet the Press," which has just celebrated its twenty-seventh year on NBC television. "Meet the Press" and Lawrence Spivak have been awarded nearly every major honor conferred in the field of journalism. So I think it is particularly appropriate that Mr.

Spivak should be invited here this morning to discuss the question of openness in government. Mr. Spivak.

MR. LAWRENCE E. SPIVAK: I am pleased and flattered to be on this panel today with these distinguished Governors and my distinguished long-time friend, John Gardner. I wonder, however, whether I really belong here. Never having run for office nor served in government, my observations and suggestions are necessarily from the outside looking in. I am hoping, however, that a former President of Harvard was right when he said, "It is possible to make a reasoned guess on the basis of insufficient information." I have a few modest suggestions to make related directly or indirectly to ethics in state government, some of which, or all of which, you may have tried and discarded, and some of which may already be in force in your State. I will present them for what they are worth. First, I think there ought to be a personal, written code of ethics for all elective offices. The code should deal with personal standards that cannot be legislated. I am convinced that there is considerable value in a canon that sets the highest possible standards, and in keeping these standards constantly before those who run for office, those who are elected to office, and the voting public that makes the choice. Public service must be held high as a public trust and those who cannot meet or are unwilling to accept the ethical demands placed upon such a trust should look elsewhere for employment. Despite the fact that the Ten Commandments are constantly broken, they have served us well in important ways down through the centuries, and I think a personal written code for ethical conduct can do the same. The code is not intended to replace laws pertaining to corrupting factors in politics and government.

Second, I would like to see an Inspector-General agency, a State General Accounting Office, set up in every State as an independent office, to oversee the expenditure of public money in order to make sure that the State gets honest value for every taxpayer's dollar spent. This watchdog agency might also be used to check on programs so that those which have outlived their usefulness can be discarded. Because of the Watergate scandals, we are particularly concerned today with campaign spending for elective office and the evil effects of collecting and spending large sums of money for primaries and elections. We shouldn't lose sight of the fact, however, that campaign spending is still in the million-dollar category and is only a drop in the bucket compared to the billions of dollars now spent each year by state and local governments. More has to be done to check on these billions because they offer endless temptation for corruption and immoral waste. If a State now has no independent Inspector-General type of organization, I think it should have; in fact, I think it must have.

Third, I would like to see in every State an independent office of complaint. As a child brought up in the City of New York, I frequently heard the expression, "Don't fight City Hall," and the meaning of that, my elders told me, was "stop wasting your time because nobody is paying attention." The expression "Don't fight City Hall" may be old-hat now, but most citizens still believe that

they can't easily, if at all, get a sympathetic ear for a legitimate grievance from their public officials. A complaint department could be one answer to the ever-growing demand that government become more responsive. I am certain that such a department would receive many stupid, many crazy complaints, but it would also receive many valid complaints, once the average citizen is convinced that someone is paying attention. An honest, intelligent complaint department would bring government closer to the people, would help discover corruption, and would help make government departments more responsible as well as more responsive. From my personal business experience, I know that a complaint department can at times save a business by revealing corruption and inefficiency as well as unfairness, provided that the complaints get to the right people. Complaints shouldn't go, in the first instance, to people who may be the cause of them and who may therefore ignore them.

Finally, I would like to see a citizens' group set up in each State to keep a careful scorecard on campaign promises made by or for men who run for office. The words "campaign promises" have long had a special meaning for most of us. They are believed to be promises easily made during the heat of an election campaign, and to be forgotten immediately after election to office. It would be useful to follow the advice of Al Smith, former Governor of New York, to "look at the record," to compare the performance with the campaign promise. The press, of course, does this on many occasions, particularly when a man runs for reelection; but I think it ought to be done more frequently and while a campaign promiser is still in office. I know that a man seeking office often makes campaign promises in good faith, but once elected finds it impossible to make good on them. In such cases, I'd like to see him go directly to the public and state frankly why the promises can't be kept. I think it would be good for him and for the public to explain why he failed to redeem a promise, and I am certain that would count as a plus for him in the box score. I would like to conclude with this general observation which I heard often from the Baltimore sage, H. L. Mencken, during the time I worked with him. He used to say that the body politic is like the human body. Both are beset with a multitude of basic diseases, and the best that can be hoped for, and the most that should be promised, is to keep the patient comfortable.

CHAIRMAN LUCEY: Thank you, Mr. Spivak. Now I will call on the anchor man of our panel, John W. Gardner, certainly a man who comes to us with outstanding credentials for this discussion. He has a long record of accomplishments both in and out of government service. He was President of the Carnegie Foundation, Secretary of Health, Education, and Welfare under President Johnson, Chairman of the National Urban Coalition, and is now Chairman of the highly regarded public interest group, Common Cause. In 1964 Mr. Gardner was awarded the Presidential Medal of Freedom, the highest civil honor offered to any citizen of the United States. Mr. Gardner this morning will give an overall perspective as to reform efforts at the state and at the federal levels, what

has been done to date and what needs to be done. John Gardner.

MR. JOHN W. GARDNER: Thank you, Mr. Chairman. In the past two years public opinion polls have shown over and over again the deep disillusionment of the American people, who have lost confidence in their political institutions and in their political leaders. No one doubts that we must restore the confidence of citizens in their institutions, and the only possible way to do that is to make those institutions worthy of confidence. Unfortunately the corruption, the abuse of power, and the failures of accountability that have undermined public confidence in government are rooted deeply in present political and governmental practices. Uprooting them will be uncomfortable and inconvenient for a lot of politicians, a lot of bureaucrats, and some of the deeply entrenched special interests. Will political leaders have the courage and wisdom to take the necessary steps, even when those steps are uncomfortable or inconvenient? I don't need to tell you that the response to that question from the federal level has been discouraging in the extreme. The Executive Branch has been totally unresponsive, and the Congress almost equally so. Members of the House of Representatives and those Senators who are running for reelection this year will come before the voters almost empty-handed. When the citizen asks "What did you do to prevent future Watergates?" "What did you do to give us open and accountable government?," most members of Congress will have to say, if they are honest, "We did as little as we could get away with." And candid reporting requires that we place the responsibility for that squarely on the Democratic leadership, particularly in the House of Representatives, a leadership that includes Wilbur Mills and Wayne Hays.

The most interesting fact of political life today is that the States have been far more responsive than has the Congress to citizen concerns for a housecleaning in politics. Let me comment briefly on that extraordinary development. The two chief obstacles to responsive, accountable government are money and secrecy—the scandalous capacity of money to buy political outcomes and the bad habit of doing the public's business behind closed doors. Common Cause has identified several measures that are absolutely fundamental if we are to deal with those obstacles. I would emphasize that these are very concrete and practical measures. First, campaign finance reform. Senator Russell Long said on the floor of the Senate that a campaign gift is "bread cast upon the waters to be returned a thousandfold." He has also said that there is a hairline difference between a campaign gift and a bribe. Campaign reform should include establishment of a mixed system of private and public financing for candidates for state office. The proposals developed by Governor Lucey and Governor Milliken on this issue seem to be most commendable. Second, lobbying disclosure. Lobbying is a legitimate activity protected in the First Amendment, but it should be totally open to public view. Citizens have a right to know what special interests are spending how much money to influence their public officials. If the light of day is made to shine on lobbying activities, some of the present flimflam will evapo-

rate. Third, conflict-of-interest disclosure. Citizens have a right to know whether their public servants have a personal financial stake in the very matters on which they are acting officially. There are conflicts of interest that are not easily preventable, but disclosure is a healthy first step. Fourth, open meetings. Citizens associate secrecy with national security, but most secrecy in politics and government has nothing to do with national security. It infects government at all levels and is found in matters such as taxation, agriculture, commerce, in fact, anything the politician or bureaucrat doesn't want to deal with in the light of day. Open meetings and freedom of information laws are essential to end this kind of secrecy.

In the past two years a wave of reform bills with respect to the above-listed issues has swept the States. The wave started in the 1972 elections when two States, the States of Washington and Colorado, passed comprehensive "open government" initiatives. These two initiatives won 70 percent and 65 percent of the vote. After that, the Legislatures in other States moved quite rapidly. In the last 18 months at least 40 States have enacted significant statutes aimed at dealing with one or another of the money and secrecy issues. Approximately 67 such laws have been passed, several dealing with more than one aspect of the money and secrecy problem. Common Cause has sought to persuade the national media to pay attention to this remarkable achievement, but it bears the fatal burden of being good news. Governors have played distinguished roles in advancing the cause of responsive, accountable government. As important actors in the federal system they have provided state leadership at a time when leadership has been almost totally absent at the national level. Governor Evans, for example, has placed his fullest support behind the tough new Washington State open government laws, including funding the enforcement commission out of executive contingency moneys when the Legislature refused to act. Under the leadership of Governor Askew, Florida has continued and extended its very distinguished leadership among the States. Other Governors, such as Governor Sargent, Governor Milliken, Governor Walker, Governor Gilligan, have issued executive orders concerning the various money and secrecy issues when their respective Legislatures have delayed or blocked or refused action.

Recognizing the important role that positive executive leadership can play, let me pose some concrete challenges to the States, and specifically to you as their Governors. First, the eight States that have not passed significant legislation on any of these issues which are central to responsive and accountable government should do so at once. Governors in these States should carry the challenge to their State Legislatures with all possible vigor. In some cases I know you are doing so. The eight States whose Legislatures have proven backward in this respect are Delaware, Illinois, Michigan, Mississippi, New Hampshire, Pennsylvania, South Carolina, and Virginia. Second, the 40 States that have enacted reform legislation should improve, strengthen, and enforce their new statutes. Where Governors are so empowered, they should use executive orders to cover

areas where some Legislatures are reluctant to tread; for example, lobbying and personal financial disclosure as they apply to the executive branch. Third, Governors should, of course, set high personal standards of accountability and openness. They should voluntarily disclose their personal finances, economic interests, and business relationships. Fourth, Governors should act on their own initiative to provide greater citizen access to the executive branch. Governor Milliken did not make excuses for his subordinates when a *Detroit Free Press* spotcheck found state agencies reluctant to provide citizens with information about meetings that were statutorily open. After checking the matter, he publicly reprimanded the offenders, ordered all agencies to comply with the spirit and the letter of the law, and renewed his support for tougher open government legislation.

Ask yourself how open are the decision-making processes in your executive branch, in your executive departments and commissions and agencies? How is citizen understanding and input encouraged? What effective use is made of citizen complaint centers, toll-free information telephone lines, state ombudsmen, or state-supported consumer advocates? In New Jersey, for example, a Department of Public Advocate has been created as a principal department in the executive branch. This office includes divisions for citizen complaints, rate counsel, inmate advocacy, mental health advocacy, and public interest advocacy. The department is charged with defending any public cause in such administrative or court proceedings as it deems will best serve the public interest. Fifth, Governors should appoint public interest representatives to official regulatory boards and commissions, and work to amend or repeal laws that preclude this. Special interests should no longer regulate themselves. When important areas of legislation must be studied in depth, public interest representatives should be included, as Governor McCall provided in creating his Task Force on Ethics legislation.

Finally, Governors should actively support measures to improve the functioning of the State Legislature. Legislatures must be adequately staffed, they must be adequately paid, and they must spend as much time in session as is necessary in order to perform a genuine policy-making and oversight function. Nothing else will permit the States to be the "laboratories of democracy" so essential to a healthy federal system. Accomplishing these six steps can do much to rebuild citizen confidence in state government and to make state government an effective partner in the federal system. The Governors should demonstrate their commitment in this direction by taking formal, affirmative action on the Milliken-Lucey Ethics Resolution pending before this session. In state elections across the country this fall, these are the kinds of issues that Common Cause members will place before statewide and state legislative candidates, as well as before the media and before the voters. Common Cause will campaign in 1974 on the issues. And when elected state leaders fail to respond adequately to the need for public access and accountability, Common Cause will utilize their other

available means as we have in the case of California Ballot Proposition 9, a comprehensive open government initiative which is being voted on today. By 1975 Common Cause will have active programs in every State, proposing, supporting, and prodding. We hope that state leadership will strive to capitalize on the momentum it has shown in the last 18 months. It is a very impressive thing. We hope that you will enhance this record of achievement in the areas of access and accountability. We stand ready to cooperate with you towards that end. Thank you very much.

CHAIRMAN LUCEY: Thank you, Mr. Gardner. Now we have the second half of this discussion where we call upon a couple of the Governors to make formal responses to the panelists and then we will give all the rest of you a shot at it. I think this is the kind of issue no elected official really can speak out against. It has become the kind of issue that is insulated, kind of like motherhood or the flag. But I do think it is important that not only should government be open and honest, but it is also important that government work. I would like to throw out a few suggestions along that line so that we don't just sit here and compete in trying to demonstrate each one is more holy than the previous speaker. What should a public official's right of privacy be? What are the partisan implications of the various campaign finance reform proposals? What is the cost of requiring full disclosure of unpaid appointees to various task forces and citizen boards? At what point do contribution and expenditure limits thwart the candidacy of maverick candidates and insure the reelection of the incumbent? When does the involvement of interest groups continue to be helpful and at what point is it a hindrance to good government? Should important public interest groups, such as the press, who also have a role in influencing public policy be called upon to adopt the same standards of public disclosure that they are so willing to impose on elected officials?

These are some of the questions that I would hope would come forward for discussion during the next hour. At this time I would like to call upon Marvin Mandel of Maryland, who is one of the two Governors who have been designated to open the response of the Governors to the panelists. Governor Mandel is from a State that, according to Common Cause, has a new financial disclosure bill on the statute books, has adopted strengthening amendments in the area of campaign finance reform, and Common Cause mentions that as a legacy of Spiro Agnew it is the first State to adopt a law which will require price comparisons in the selection of architects and engineers. I would like at this point to present to you the Governor of Maryland, Governor Mandel.

GOVERNOR MANDEL: Thank you, Governor. I was very interested in listening to each one of the speakers, and also to read the resolution that Governor Lucey and others are sponsoring. I listened to all of the various laws and steps that are necessary to open up government. We adopted an open meetings law in 1953. Every one of these items that are mentioned in the resolution, every one of the recommendations made by each of the panelists is law in our

State. Many of them have been law for a number of years. I couldn't agree more with all of the panelists that more has to be done, but I think I am going to say some things that are on the minds of some of the Governors here, at the risk of being criticized very severely, I guess, by some of my friends.

I don't know any Governor around this table who hasn't made strenuous efforts to make sure that he does the things that are necessary to open up his government, to make the campaigns the way they should be. But, you know, we have a system in this country that is just about 200 years old. That political system in that 200 years made us the greatest nation on the earth. With this system, sure, there have been abuses and there now are abuses and we should correct those abuses, but in correcting them do we use some of the very tactics that help cause the abuses? Do we accept stories from "informed" sources, not identifying anybody who is making any accusations or charges? Or do we accept guilt by association by saying that just because a Governor in a State can't get through his Legislature what we think should be the law, then that Governor is guilty of not trying to help correct any abuses that have been occurring? I know, again, I will be accused of perhaps speaking my mind, but I think I am speaking the minds of a lot of Governors. We have worked awfully hard to try to correct abuses around the States and I think Common Cause has recognized that by the fact that more than 40 States have adopted measures to correct these abuses. But shouldn't we get the benefit of having done some of that work? Instead, if a friend or associate somehow gets in trouble somewhere, there are stories all over the place that "informed" sources close to the Governor have said this or that, without identifying who they are. Later on, if it turns out they are wrong, nothing is ever done about it.

What are we doing about the corrupters—the people who have done the corrupting? You know what we are doing. We are giving them immunity and saying, fellows, you come back another day after we get rid of this bad guy and then go on and continue corrupting. If one of the big corporations is fined in court \$500 for violating the election laws, that is the whole essence of his penalty. What is being done about the corrupters? That is where the basic problem is. Without the corrupters there isn't too much corruption, but the corrupters go on and on. We read every day about giant corporations who have done this and done that. What really are they penalized? But if you get some little fellow who commits some indiscretion, the whole world falls in on him. What are we doing about the corrupters? Are we going to do anything or just let them go on their merry way? No one seems to want to focus on that problem. I think this is where the ethics of government really can be abused.

Lobbying laws—we have had a strong lobbying law in Maryland for many years. Everyone has to report. Campaign financing—we have had a campaign financing law for years. You talk about contributions, in our State no individual can contribute over \$2,500 to a whole campaign, and everything has to be reported. We have had all these laws. We need some help in getting at the

corrupters, by not letting these fellows off with a pat on the back. They should not be allowed to do it again another day. I think we have to focus in on both aspects of this problem. Change our laws, yes, but let's do something about the people who are primarily responsible for abusing them. Thank you.

CHAIRMAN LUCEY: Thank you, Governor Mandel. Now we will call on the Governor of Oregon, a State that has already passed a comprehensive package of reform bills, including open meetings legislation, lobby disclosure, and campaign finance disclosure. Governor Tom McCall.

GOVERNOR MCCALL: Thank you, Governor Lucey. In Oregon we react fiercely to the smallest peccadillo. We have not breathed the consuming smoke of scandal. I therefore heartily and warmly associate myself with the remarks of John Gardner and with this joint resolution proposed by Governor Milliken and Governor Lucey, and also associate myself with the plea of Governor Mandel. I might go just a bit beyond. As you said, Pat, we have signed at least five bills asserting public rights. Our open meetings bill is so open that even our staff meetings in the Governor's office are covered by the press. Finally, the press withdrew voluntarily recently. There was an inhibitory influence there as if they were intruding, as one said, on a romantic tryst, so they don't show up at every staff meeting. Then we have the open public records law, a very good one. If there is any doubt as to whether a meeting or a public record in Oregon ought to be opened, then that meeting or that record is opened. We have the regulation of lobbyists, a new set of reporting requirements. I would add to that list, I think, a shield law for the press, because no matter how open we are, government is skewed if it is reported by a harassed press.

I think probably every State has an administrative procedures act by which state agencies promulgate rules and regulations having the effect of law. I would urge that every State reevaluate these administrative procedures to insure that they go beyond bare constitutional minimum requirements, and I hope that Common Cause looks over the shoulders of the States on that one, too. We also, as Lawrence Spivak suggested, have an ombudsman. We were the first State to have one. We have an assistant ombudsman as well and now a nursing home ombudsman. Notably absent from the list, as you count on your fingers, is a conflict of interest law, and here is where the Governor of Oregon was literally "bodacious," to use the term that "Snuffy Smith" uses in the comic strip, because on last July 23 he vetoed a conflict-of-interest bill that was proposed by no less an organization than Common Cause. That is why he is here today as sort of a devil's advocate. It was a bill that contained a meritorious concept, but the execution was abusive, and we concluded it reached too deeply into the personal lives of the hundreds and hundreds of people we ask to serve on our boards and commissions under the Oregon system and absolutely without pay, asking that they literally undress themselves and members of their families before the public.

The bill included elected county officials but didn't include city officials

who were elected, some of whom receive \$25,000 and \$30,000 a year in our State. Members of school boards were excluded and members of planning commissions were excluded. We thought the bill was unconstitutional so we immediately conferred upon that veto with the President of the Senate and the Speaker of the House and set up a special select committee to review the bill, the existing statutes, and what was done in other States so we could come up with an alternative to the bill I vetoed. The committee would be small, and it did include, as John Gardner indicated, representatives of Common Cause. I would say that we have come up with a very logical bill. We don't know what the fate of that bill is because it is going to be voted on in the general election in Oregon on November 8. It is a three-tiered bill. It has a stringent ethical code for government officials, clearly defining conflict of interest, assuring appropriate and timely disclosure of personal finances by public officials and candidates, and setting up an independent enforcement procedure. I want you to know, though, that we wore a hair shirt because there were many bleeding hearts, so-called, who wrote letters to the editor ad infinitum saying what a spook I was, that I had larceny in my soul, and so on, until we came out with this new alternate plan. I would like to have you know how reasonable, John, your people are. The chief sponsor in the Legislature of the Common Cause bill I vetoed held a news conference and came out as a sponsor of the revised bill. The moral of all this is that, although this legislation is right, it is not enough, as Marv Mandel said, just to be on the side of the angels, because all of us Governors are on that side. In addition, we have to make sure we are not stampeded by an intense, emotional climate into complying with mere form, in this vital sensitive area, at the expense of real substance that stands for the true public interest. Thank you.

CHAIRMAN LUCEY: Thank you, Tom McCall. The Chair now recognizes Governor Jack Williams of Arizona.

GOVERNOR WILLIAMS: Thank you very much, gentlemen. Arizona has passed tough legislation in all four areas. I let them become law without signing them because I have a deep concern that no law will magically give birth to ethical men. Let me caution you, as Governor Mandel did and as I believe Tom McCall did, that the thrust of many of the so-called honesty-in-government bills is based upon the presumption of guilt rather than innocence. This is repugnant to the whole American system of justice. To force a political candidate to take a bath in public is to further restrict those entering public life. We will create a political climate where only professional politicians can ever hope or want to serve. We can no longer have a Cincinnatus who will leave his plow or business to serve and then to return voluntarily. Of course I believe all decisions taken by public bodies should be voted upon in public, but to open all meetings and caucuses to certain venal groups who are found in the general body politic is wrong, and they are the ones against whom public officials must forever be on guard. In the last analysis a free press can expose, a loyal opposition can denounce, political enemies in one's own party can either deride or damn with

faint praise. We have more safeguards protecting the free political system in this country than anywhere else in the world, more than in banking or conglomerates or labor unions. Yet we are pronounced suspect before the fact. Many of the items are necessary, but let us be careful to use an old phrase that has been bandied about time and time again, let's don't throw the baby out with the bath water.

CHAIRMAN LUCEY: I will now call on Governor Cecil Andrus of Idaho.

GOVERNOR ANDRUS: Mr. Chairman, a question for Mr. Gardner, if I may. When you gave the list of the infamous eight States it should have been nine, mine should have been included, I am sorry to report. The Legislature did not act. We have initiative, and I won't bore you on how holy we are being now. I think Governor McCall expressed that very clearly. But I would like to know what your feeling is, sir, as to the level you should come down to in this disclosure. I helped draft the initiative that we are now circulating to get this on the ballot. The Legislature wouldn't act, so I am confident the people will. But to what level do we come down to in your opinion? Because of the matters we have discussed here, it is difficult sometimes to get a person to serve on a school board, a water master, this type of a thing. Mr. Spivak mentioned, and I agree with him, that if you can't stand the heat you should get out of the kitchen, don't take the job. But sometimes we have difficulty in small governmental bodies getting people to serve. So to what level do you think we should take that disclosure? Just elected full-time salaried officials, members of the Legislature, or should we go through the school board list? What is your opinion?

MR. GARDNER: The way the funds are now flowing through state and local governments, often bodies relatively low on the scale are disposing of rather substantial funds and, in my judgment, the individuals involved in them should make personal financial disclosure. Now, if it is a body which is not, in fact, making any decisions which affect tax funds, that's another question, and this we would simply have to sit down and work out in each State.

CHAIRMAN LUCEY: I think the other part of that question had to do with citizen boards where they are simply serving as volunteers.

MR. GARDNER: I would include that. I don't think the pay is the essential thing. I think many boards that are serving in a voluntary capacity are, in fact, making decisions that the taxpayer ought to know about because they affect him very, very closely.

CHAIRMAN LUCEY: The Chair now recognizes Governor Dan Walker of Illinois.

GOVERNOR DAN WALKER: John, I would like to thank you for recognizing also that in Illinois we have a balky Legislature in this area of campaign disclosure. I think it is a very wonderful thing that the leaders of this discussion are causing us to face up to this issue of disclosure of personal income, assets, and finances. I think it is good to get that one out on the table. I would like to see it go one step further. I think that kind of disclosure should include personal

income tax returns, particularly those of elected officials. I know very well that in Illinois the impact on the public of the disclosure of President Nixon's tax returns was even greater than some of the other disclosures with respect to Watergate.

I am well aware of the right to privacy, and I listened carefully to what Governor Williams said, but I just think the times are such that we have to be willing to give that up. I think it is worth recognizing, too, that much of this can be done by executive order. I have done it in Illinois by executive order, and, for your information, I have required all of my appointees to any board or commission, and there are literally hundreds of them, to disclose their personal income tax returns. Out of hundreds of people whom I have named, including a lot of well-to-do people, only two individuals have said that they would rather not serve if they have to live up to that requirement. I don't think it is a meaningful deterrent to public service. I know a number of Governors here have gone this voluntary route. There has been a lot of talk of legislation, but the combination of executive order by Governors and then just personally stepping out and doing it yourself, as I have and some other Governors have done, can really make some progress.

CHAIRMAN LUCEY: Thank you. Governor Milliken had a question.

GOVERNOR MILLIKEN: Mr. Chairman, I have a point of information I would like to address to Governor Evans of Washington. I am not familiar with the bill which apparently passed here but which, when it became operative, apparently resulted in a very widespread series of resignations in the State. Could you comment on that and the nature of the bill which led to those resignations?

GOVERNOR DANIEL J. EVANS: I'm sorry, I had to step out of the room for a moment on an important matter of this Conference which will come up tomorrow, but it involved calling the Attorney General so I didn't hear a lot of the discussion. Our law was not a law that the Legislature passed. The Legislature could not bring itself to pass a law as strict and as complete as many citizens felt it should be, and as a result we went to an initiative petition. The signatures were gathered and the resulting proposal passed, as I remember, with over 70 percent of the vote. It has essentially three elements. One is an open government element which requires open meetings and open disclosure of records, except where there is an obvious requirement for privacy of records, such as medical records. Second is a campaign disclosure law which calls for total disclosure from dollar one on a regular basis through election. And the final disclosure element requires those who hold public office to disclose their resources, their property, their income, not precisely but within categories, and they have a number of different categories, you know, below \$1,000, between \$1,000 and \$5,000, and up. It was predicted that hundreds of local officials would resign as a result of that act. It was projected that there were letters from literally hundreds of school board members who would retire. The act went into effect and only a handful of people ultimately retired.

I might share with you one story of something I wish I had done, but it was related to me by my staff as a suggestion after the fact. In one small community in eastern Washington the mayor and all members of the city council did, in fact, resign, leaving that small community with no government at all. Under our laws the Governor then has the responsibility of appointing a majority of the city council so that they, in turn, can appoint others and appoint a mayor. We did that, and literally I asked someone to just go down the street until they found people who would be willing to serve. But the staff suggested afterwards that what I should have done, in fact, was to visit the local high school, gather all those seniors 18 years of age and above, have them nominate three of their colleagues who would agree to serve as members of the city council, and if the adults and the parents in that town were unwilling to run the town, let their children do it.

CHAIRMAN LUCEY: Thank you. I will now call on Governor Milt Shapp of Pennsylvania.

GOVERNOR SHAPP: Mr. Gardner and the rest of the panel, I appreciate the content of your statements, but, Mr. Gardner, since Pennsylvania made the bad list of your eight, I thought I should make some comments and also I would like to expand a bit on some of the points that Marv Mandel hit just a moment ago. Our Legislature hasn't acted but that has not stopped our State from going forward in many ways. In fact, it was in March 1971, just a couple months after I had assumed office, that I made complete financial disclosure of all my own personal holdings, and required this of all my cabinet officers and everybody I appointed to boards and commissions. This has to be updated every six months, and it is made public to the press. Then we have had, in Pennsylvania, investigating committees appointed by the Legislature. I told them early in the game you don't have to issue subpoenas, any records that you want from government you ask and you shall receive, and this has been standard practice. We do not invoke the doctrine of separation of powers or executive privilege. In fact, during investigation of our liquor control board, at my request I appeared before the investigating committee and spent three hours testifying before them on various things.

We have established a commission on ethics. Anybody in the State who has any complaint regarding the activities of any state employee or any member of the administration can file a complaint and the commission hears it. We have an advocate from our office who appears before the Public Utilities Commission and others to represent the public. I think perhaps it is time, also, to be having a code of ethics of the press on how the news is reported. Despite the fact that every six months since I have been in office my cabinet officers and myself and members of my administration in top positions have been filing financial information, any time a political opponent makes an attack upon me or our top officials, the attack hits the front page in headlines as if it was brand new news and by innuendo that something seems to be wrong. I issued income tax data on

myself for the last four years. I also stated that for one year there was still a review pending by IRS. A headline in several of the newspapers, including one of the major newspapers in the State said, "Shapp Income Tax Under Investigation by IRS." You have to read to paragraph 17 to find out I had made the statement and this was a technical point that I described. But the headline did the damage. So I say there should be some code of ethics on the part of the press.

Despite the fact that I have repeatedly told investigating committees in our State it is not necessary to subpoena any documents, all you have to do is ask and you shall receive, the committees, for their political hay, will subpoena records. And every time a record is subpoenaed it makes the front pages of the newspapers, giving the indication through the headlines that there is something wrong. Each time we have to reply that it wasn't necessary, here are the records, just ask for them. Through innuendo the press, to a great extent, is creating the climate that exists in this country. I say that the success of the *Washington Post* and *New York Times* in their Watergate investigations has made it mandatory for many of the major newspapers in the country to hire investigative reporters who must come up with scandals at every turn. Some are real, some are imaginary, and some are based upon innuendo. I think the press should also take a look at some of the functions that they are performing and see whether or not they are not adding to this climate. I would like to end on a bit of levity, if I may. Mr. Gardner, you talked about lobbyists and the possible impact they may have on what is happening in our States, so I would like to dedicate this little poem to your statement: Because green stuff used by lobbyists may assist in passing laws that beset us, perhaps the secret to get good government is to boycott lettuce.

CHAIRMAN LUCEY: The Chair will now recognize Governor Byrne of New Jersey.

GOVERNOR BRENDAN T. BYRNE: Thank you, Pat. New Jersey has in the past not had the greatest reputation with respect to the integrity of the political process. It's probably in our State that the story originated about the break-in in the courthouse where all that was stolen was next year's election returns. Or the story about the fellow who was sick on election day so they sent him three absentee ballots. In any event, in the last few months I think we have made some progress in our State. We have a public financing bill, we have a disclosure bill, we have a campaign contribution limitation of \$600 to a gubernatorial campaign. What I really wanted to know from the panel is if anybody on the panel really thinks that you can have a realistic limitation on campaign contributions without some form of public financing.

CHAIRMAN LUCEY: Who would like to respond?

MR. GARDNER: I would be glad to give the Common Cause position on that. In my judgment, the ultimate solution is some measure of public financing, one or another of the formulas, perhaps the public-private mix that is in the Senate bill. But I think the measures of campaign finance reform short of that tend ultimately to paint candidates into a corner and paint the challengers in a

corner much more quickly.

CHAIRMAN LUCEY: Governor Mandel.

GOVERNOR MANDEL: I think public financing seems to have become a separate issue. If you just look at public campaign financing as one issue, I think you are really ignoring the problem. As far as contributions, for example, the public financing law that passed in our State would allow me to spend more money, public money I must say, for my campaign than has ever been spent in the State before. There are other aspects of this that public financing should be a part of, but standing alone is not going to be successful. It has to be a total package of campaign actions. I think there are many other considerations we ignore. For example, and I have made this suggestion over and over again and I know it falls on deaf ears, but 70 percent of our campaign costs could be eliminated if the media would make free time available to the candidates. If television would give each candidate an hour or two hours to use as he wants and not have to pay for it, and if the newspapers would do the same, you would eliminate 70 percent of your campaign costs. But every time you make that suggestion it falls on deaf ears.

CHAIRMAN LUCEY: Thank you. Does anyone else want to respond to Governor Byrne? Governor Askew.

GOVERNOR ASKEW: I would like to say that public financing works better, as Governor Mandel points out, when you have a limitation on spending, particularly as it affects the media. For instance, in Florida it all has to be paid by voucher and you can easily check it. If you cannot deal in large amounts of cash, if you keep it to checks or a form accompanying the cash, then I think you can successfully limit it. In the final analysis it is going to be the integrity of the candidate and the tone that he sets that makes the difference.

CHAIRMAN LUCEY: Governor Godwin of Virginia had a question.

GOVERNOR MILLS E. GODWIN, JR.: Mr. Chairman, my comments will be directed, first of all, to the comment already made that put Virginia in the category of the eight States which have done very little, nothing, in this regard. I would challenge that statement on the basis that we do have a very strong conflict-of-interest statute. We do have a disclosure statute that pertains to candidates for some of our state offices, for all of the major ones. I also challenge on the grounds that Virginia, the first of all the States, has had a long line of integrity in public office. This is not to suggest that further reforms and further legislation may not be needed, but I do think it all ought to be kept in proper perspective. Somewhere the basic issue that I think comes out of the more recent happenings in Washington is the question of where the public's right to know ends and the public servant's right to privacy begins, because there must, in the very nature of things, be some answers to this problem. I think there are too many of our critics who operate on the assumption that we are all guilty until we are proven innocent, all of us who are public figures. This is basically the picture that the people in organizations paint, who have appointed themselves as guardians of what they think public morality ought to be; and

they are asking us to prove ourselves innocent before we can be even entrusted with public office.

I listened to the distinguished former Secretary with great interest awhile ago. His Common Cause group registered as lobbyists before our General Assembly in the last session. We have a very strict law that requires the reporting of all activities of the lobbyists who register during the legislative session. The 30-day reporting limit had passed and Common Cause had not reported. So it is a question sometimes of whose axe is being used and whose ox is being gored in the process. I think, really, we have here a situation where more does need to be done. But we ought not to overlook the fact that there is not necessarily anything wrong in those States which have been singled out as not measuring up to expectations of certain individuals and certain groups. I would certainly take strong exception so far as the Commonwealth of Virginia is concerned.

GOVERNOR WEST: I want to associate myself with the remarks of my friend from Virginia. I am sorry the ex-Secretary isn't here because I wanted to know the basis of that list being compiled with South Carolina on it. We have an open meetings law, an ombudsman. While it is true we have not gone the full disclosure route, perhaps the reason is that we have been remarkably free from any suggestion of influence or any improprieties in state government and the public demand has not been there for it.

CHAIRMAN LUCEY: Thank you, Governor West of South Carolina. I will now call on Governor Hathaway of Wyoming.

GOVERNOR HATHAWAY: As one who is leaving public office broke at the end of this year, and hopefully with an administration with no scandal, I would like to comment on the proposed resolution. I think it is a very good one, but I think it is quite misleading. It says that this distrust of government results from a decade of public decision-making which has abused and misused the political process. I submit that we have had a hundred years of political sin in this country and that it is not going to be eradicated overnight. Also, it is not going to be eradicated, as some believe, by the impeachment of the President of the United States. I would hope that the committee would consent to making that language more than a decade, because I think it is very misleading. I also suggest that we not all cloak ourselves in self-righteousness and in some hypocrisy.

CHAIRMAN LUCEY: Governor Kneip of South Dakota.

GOVERNOR RICHARD F. KNEIP: Mr. Chairman, mine is more than just a question. It would be, in part, an observation. I was particularly appreciative of the remarks by Governor Williams and Governor Mandel. I don't know if anyone can answer my question, but I guess I would like to ask Mr. Spivak what can be done about the suggestive statements made by agencies of the federal government, or candidates who just decide they are going to suggest something and the press picks it up and the damage gets done. There are good people around this room today who have had deep and great problems with those

suggestive statements as made. Is there any answer to that, Mr. Spivak? What attention has the panel given to that particular part of it?

MR. SPIVAK: If what you are saying is that the press has been negligent in correcting misstatements of facts, I'm afraid I must agree with you. Some of the newspapers, the *New York Times* and the *Washington Post*, for example, now run a small column of correction. I think where a newspaper or a television reporter has made a misstatement of fact that he ought to clarify it, if he learns that he was wrong. He ought to say so, not merely in the same way, but in a more important way. I believe there is a legitimate complaint. I find, however, that usually the complaints that men in elective office make are not about factual matters but about opinions that people have. Now, I don't think you can do anything about that. I think that an editorialist or a columnist has a perfect right to whatever opinion he may have of you or of me and to express it. I don't think the man who reports the news has the right to inject opinion into his news column. And I do think a man who reports the news, and who has made a misstatement of fact, ought to be called for that. I think maybe you Governors ought to be doing something about that, set up some group, some committee, to which you can complain and let the committee complain as quickly as possible to whoever has made the mistake. Reporters are human. I think most newspapers have been trying as hard as they can to get more responsible reporters, more informed reporters, and more accurate reporters.

CHAIRMAN LUCEY: Governor Wallace is not here to offer this question, but a note was handed to me, Mr. Spivak, asking whether or not you would be willing to comment on a law that was passed in Alabama that requires the press to disclose.

MR. SPIVAK: I think that probably most members of the press, after they had disclosed the seat of their pants, wouldn't have very much more to disclose.

CHAIRMAN LUCEY: What about publishers and owners of television stations that do editorialize?

MR. SPIVAK: I don't think those people deal with public money; I think they deal with their own money. Where they show their prejudice constantly, I think it is pretty well revealed, and I don't know what their disclosures would mean. I have no objection to it. I would have no objection to disclosing whatever interests I have. As a matter of fact, the network asks us every six months or so to report any conflicting interests that we may have with the job that we are doing, and I never have had any objection to making a statement to that effect. I just don't know what you would do about that. You fellows are lawmakers. Why don't you try passing a law to make the newspapers reveal it. See if you can get by the Supreme Court, see if you can do it without interfering with freedom of the press. I don't think you can. I thought the discussion here was not so much about the ethics of the press. The press itself ought to discuss its ethics. I thought it was ethics of the elective offices, and I don't think it does too much good to say, "Sure, what about you?"

CHAIRMAN LUCEY: The Chair will now recognize Governor Jimmy Carter of Georgia.

GOVERNOR CARTER: Mr. Chairman, I was going to ask Mr. John Gardner a question. I happen to be a member of Common Cause and have been for awhile. There is one policy that he and I discussed earlier concerning pooling of contributions and their expenditures. In the case of some employees through their union, and in the case of environmental groups and teachers, they give contributions over a period of time and later on the decisions are made on a local basis as far as the support of a candidate is concerned. It seems to me that this is a completely proper thing, but I think Common Cause as an organization has expressed some concern about pooling. Sometimes the citizens in a State are concerned about what they will learn when they look inside the mechanism of government. This year we passed in Georgia a very severe disclosure bill. Immediately after the Legislature went home I traveled around the State appearing on call-in radio shows in the rural areas and one man took me to task for having supported the disclosure law. He told me his grandfather always said that there were two things nobody ever ought to watch being made, one was potted meat and the other was laws. I think this is something we might remember.

CHAIRMAN LUCEY: The Chair will now recognize Governor Phil Noel of Rhode Island.

GOVERNOR NOEL: I would like to make a couple of observations and ask a question of Dan Evans. We in our State very recently enacted electronic roll call voting. We have created an independent office of auditor general, and we have passed in this last session some campaign finance disclosure legislation. The General Assembly did not concur with the more stringent version that I submitted, but saw fit to modify the act as it related to them. I would like to point out that the salary of my General Assembly was fixed 100 years ago by the state constitution at \$300, and on five or six occasions we have sought to amend the constitution so we could pay these people a sum that is more commensurate with the vast amount of time they now must use to discharge their responsibility. On each of these occasions the people rejected any attempt to raise their pay. When the General Assembly was looking at my campaign reform proposal that related to their elections, they felt that it had to be modified because they didn't want to be in a position of making an honest mistake that would jeopardize their right to practice law, or their right to be licensed by the insurance commission, or whatever their private vocation was, and that's kind of a paradox. You know, if you submit the question to the people who want these reforms, then the people should also stand up to their responsibility to pay public officials what they really deserve.

I was interested to hear Governor Evans say that the reforms in his State were made by initiative. Did the people, when they started this initiative, indicate any strong support for public financing? My guess is that they didn't. In my State the people want to clean up the whole system but they don't want it

cleaned up with their money. As a politician who is going to go before the voters in November, my position is that public financing is good but we will submit the question to the people by referendum. I think in my State it will be overwhelmingly defeated because the people are interested in these reforms but not if it is going to cost them any tax dollars. Dan, did those initiatives address the question of public financing?

GOVERNOR DANIEL J. EVANS: No. they did not. And I might say that the initiative, for those States that don't have it, is a sharp but two-edged sword. It can do great good if you happen to be on the wielding side; it can result in heads rolling if you are on the other side. They chose not to have public financing of campaigns. Personally, I feel that if you can really get people interested as much as they should be in the electoral process, a very small dollar contribution by every citizen would be more than ample to handle all levels of political campaigns. It is merely the apathy and the unwillingness of most people to participate that has led to too large donations by the very few. I rather tend to agree with you that if that issue had been put in our initiative, or if it had been put separately, it might very well have been turned down.

GOVERNOR NOEL: I have one further question. As I understood the explanation of your system, the people voted for the disclosure of the names and addresses of all contributors, even those who contributed a dollar.

GOVERNOR DANIEL J. EVANS: That is correct, any money at all.

GOVERNOR NOEL: For my own edification, maybe some of my colleagues can give me some guidance on this issue, but if you have to disclose your name and address and it is published in the paper when you contribute a dollar, why don't we ask all the people of this Nation to disclose for whom they vote for each public office? When you get down to those levels, if you contribute a dollar and they are going to publish your name in the paper, it's obvious if you contributed a dollar to a candidate you are going to vote for him, so you are really getting to the point where you have violated the sanctity of the ballot box and I just can't buy it. If you want to say, as we did in our State, that there has to be disclosure of the names and addresses of those who contribute \$200, maybe there is some rationale, but if it is going to be a dollar you might as well require that everybody in the country disclose how they cast their ballots. This is very alien to the system that was devised by our forebears.

CHAIRMAN LUCEY: It might also get to the point where you couldn't afford the bookkeeping.

GOVERNOR DANIEL J. EVANS: In my own campaign we had over 13,000 separate contributors, and we just went through the process. The choice was made, and the difficulty, I guess, in any kind of campaign reporting system is that if you set a minimum limit, whether it is \$25, \$100, or anything else, it becomes very difficult then to avoid creating a loophole through which you can funnel large amounts of money just by chopping it into pieces small enough to fit that particular limitation. Our law has proven, however, that it doesn't neces-

sarily indicate preference to have total reporting. In many political races, campaign donations appear on both sides, so they showed no preference at all, they merely donated to both candidates.

GOVERNOR NOEL: Governor, I would like to close with just one further observation. I think it is good that all the States are moving in the direction of these reforms, but I hope that these initiatives on the parts of Governors and legislators and Congressmen don't delude the people into believing that these reforms are going to insure honesty in public office. In my opinion, after having served some 16 years in public office, whether or not you have honesty in public service will depend upon the integrity of the individual in every case, regardless of what kind of new reforms you legislate. And the people of the Nation should not be deluded into thinking that these reforms are going to mandate or guarantee that you are going to have integrity in government.

CHAIRMAN LUCEY: Earlier this morning, when John Gardner was pointing out that the States had responded to this post-Watergate morality much more promptly and more effectively than the Congress, the thought crossed my mind that we ought to perhaps send the Congress a message or a messenger. With that by way of preface, I would like to recognize the Governor of Arkansas, Dale Bumpers.

GOVERNOR DALE BUMPERS: That was not the platform on which I ran in Arkansas. I want to start off by saying to Phil that my salary was set at \$10,000 a year a hundred years ago and it still is. I tell the story of my first paycheck. I left it on the desk for a couple of days, and the maid saw it and thought it was hers and quit. Governor Lucey, really, what I have to say is in the form of a comment and not a question to any of the panelists. I have a philosophy that, among other functions government should be performing, one is to control excesses. Through the history of this country the pendulum has swung back and forth on many issues. It is now swinging very strongly in reaction to the excesses we have seen revealed in the past year. It would be very easy to allow the pendulum to swing too far and for the reaction to be too severe.

I have never seen a definition of conflict of interest, but I know one when I see it. Most of us deal with citizen Legislatures. We have bankers, insurance men, lawyers, schoolteachers, ad infinitum, in our Legislature. They work for \$2,500 per biennium, plus an expense account, which was recently ruled unconstitutional by our Supreme Court. These men vote in every session of the Legislature on every conceivable kind of legislation that affects their particular trade or craft. So obviously the things we are talking about this morning have to be dealt with, at least for the time being, on a case-by-case, state-by-state basis. In the final analysis I simply want to echo what Phil Noel said, and that is, no matter how much legislation we pass, no matter how pure our motives and how noble our ideas, we are still going to be back to the essential problem of character judgment which the people will ultimately have to make. Because, as he said, all the laws in the world are not going to place basic values, basic honesty in people

who didn't get it a lot earlier in life.

CHAIRMAN LUCEY: Thank you. Now, Governor Dunn of Tennessee.

GOVERNOR WINFIELD DUNN: Thank you. I simply want to support strongly what Governor Noel said about this business of revealing campaign contributions. I think the sanctity of the voting booth is very clearly paralleled with the sanctity of giving of your own substance in order to support someone you wish to see in public service. I would urge in the spirit of what Governor Bumpers said that we not overreact, although I certainly agree that there has to be a point at which some judgment is made about where influence really begins. The other comment I want to make has to do with the business of using the taxpayer's dollar to finance political campaigns. In my brief political experience I have watched countless people become totally immersed in the idea that they could make a difference in what kind of government they had, and they did this on their own and in a free spirit. I think it would be a tragedy for us to turn to tax dollars as the means by which we at any level of government seek to cover the expense of people going into public service.

CHAIRMAN LUCEY: The Chairman tells me we are running out of time, but I will recognize Governor Exon and then Governor Williams and we will not be able to take any more questions. Governor Exon.

GOVERNOR EXON: This is a very brief question that I would like to have any of the panel comment on. We are going to be voting on this resolution, I suppose, in the next few minutes.

CHAIRMAN LUCEY: No; it will come up tomorrow during the business session.

GOVERNOR EXON: If tomorrow I vote for this, I have a particular question. Before the discussion here today I did not realize that we were talking about going down into school board races, mayor races, city councilman races in each of the towns of Nebraska. Is that the intent, in addition to full disclosure of those of us who are Governors and others who have high public office?

CHAIRMAN LUCEY: The Chair will recognize Governor Milliken.

GOVERNOR MILLIKEN: Governor Exon, I don't think the language necessarily is that restrictive. I think you can interpret it pretty much as you feel you should, based upon the situation in your State. Obviously it could go that far or it could go much less far, so I don't think it is restrictive language which binds you to a complete coverage of every elective public position.

CHAIRMAN LUCEY: Governor Williams.

GOVERNOR WILLIAMS: I would like to comment simply on public financing of campaigns, echoing what the great Governor of the State of Tennessee said a moment ago, that we hope it doesn't go that way, and also indicating that there are some countries that use this system where the government not only pays for the election but selects the winning candidate.

CHAIRMAN LUCEY: At this time I will turn the Chair over to our host and Chairman of the National Governors' Conference, Dan Evans.

CHAIRMAN EVANS: On behalf of all gathered here, let me extend our thanks to Governor Lucey as the Moderator, to Lawrence Spivak, to John Gardner, and to Governors Milliken, Askew, Mandel, and McCall for an interesting and fascinating discussion. There is little question in my mind that the States have moved more rapidly than other levels in this field, and I think it was pretty explicitly pointed out this morning. I have just a couple of announcements before we adjourn. Please take all of your materials with you on adjournment of this session. The meeting room will be cleared in preparation for tonight's dinner. All resolutions hopefully will be in your hotel mailboxes by 4 o'clock this afternoon. Once again, the Executive Committee will meet immediately on adjournment in the Queen's Room. It will be a brief meeting, made briefer by your promptness in attendance. Are there announcements by any other committees? If not, this morning session is adjourned.

State Dinner

The Annual State Dinner of the National Governors' Conference was held in the Grand and Spanish Ballrooms of the Olympic Hotel on Tuesday evening, June 4. Governor Daniel J. Evans of Washington presided as Conference Chairman. All of the Governors and their ladies were introduced to the assemblage as they entered the Spanish Ballroom couple by couple, and this was repeated in the Grand Ballroom.

The invocation was offered by the Reverend Dale E. Turner, Pastor of the University Congregational Church, Seattle, Washington, and the U.S. Marine Corps Color Guard presented the colors. Following the National Anthem, the State Dinner was conducted with special musical numbers throughout. Chairman and Mrs. Evans provided welcoming remarks to the Governors, First Ladies and other guests of the Conference.

WEDNESDAY SESSION

June 5

CHAIRMAN EVANS: Will the Governors and guests please take their seats so we can begin this last plenary session of the Sixty-sixth National Governors' Conference. I notice coming into the room, accompanied by Colonial Militia, are the Governors of our 13 original States who have been meeting this morning to plan some of their States' participation in the celebration of our upcoming Bicentennial. Before we begin the session, I would like to call on Governor Shapp, as a representative of these 13 Governors, to tell us briefly what they have been doing and to offer an invitation. They are accompanied, incidentally, by persons dressed in colonial costume from Mount Vernon, Washington, a city about 60 miles north of Seattle that has a very active interest in the Bicentennial program. From the name of their city you can easily understand why they have special interest.

GOVERNOR SHAPP: Thank you, Dan. On September 5, 1974, we will celebrate the two hundredth anniversary of the convening of the first Continental Congress in Carpenters' Hall, Philadelphia. I have invited the 13 original Governors—the Governors representing the 13 original States. Some of them look like they might fit the first description. We will meet in Carpenters' Hall to celebrate the Bicentennial occasion, and we will deal with some of the modern problems. All Governors from all of the States are also invited to attend. Bring your delegations to meet with us as we kick off with the two hundredth celebration of the first Continental Congress in Philadelphia, where it all began.

CHAIRMAN EVANS: Thank you, Governor. Governor Godwin asked for a special announcement to remind people that the original Mount Vernon was and is in the State of Virginia. Now, for the beginning of this final session of our Governors' Conference, may I call on the Reverend Monsignor John P. Doogan, Chancellor of the Catholic Archdiocese of Seattle, for the invocation.

MONSIGNOR JOHN P. DOOGAN: In the Name of the Father and of the Son and of the Holy Spirit. Almighty and merciful Father, mindful that in times past we have merited Your judgment, "This people honors Me with their lips but their heart is far from Me," we now humbly beg for Your Divine Presence in this assembly. In each State of our confused Nation these are the men who have the human authority to dissipate evil and advance goodness. Let each Governor receive from Your loving hands those gifts of wisdom and courage which are

necessary to lead people who are disillusioned and discouraged. Do not allow this moment of prayer to become a mere gesture, but rather let it be the means whereby each man, in his own way, turns to You for those special gifts which are necessary if the administration of state affairs is to be based on unselfish devotion to the welfare of the people. Sustain these Governors with Your protecting hand so that they and their families may safely return to their homes.

In a special way, we ask Your continued blessings on His Excellency, the Governor of this sovereign State of Washington, at whose invitation they have come to this Queen City of the Northwest. Be with him as he continues to be concerned and sensitive to all that is good in our behalf. Because our needs are so great and our ability so limited, we now pray as You taught us to pray. Our Father, who art in heaven, hallowed be Thy name. Thy kingdom come, Thy will be done, on earth as it is in heaven. Give us this day our daily bread and forgive us our trespasses, as we forgive those who trespass against us, and lead us not into temptation but deliver us from evil. For Thine is the kingdom, the power, and the glory, forever. Amen.

CHAIRMAN EVANS: It is now time to move directly into the final session of this Governors' Conference, entitled "States and Their Future Agenda." I think this is a suitable topic for this last session of a Conference which has dealt with intergovernmental relationships, the renaissance and rebuilding of state initiative and state government itself. I am delighted with the three distinguished Americans who are here this morning to set the tone. It is apparent from yesterday's session that federalism is an evolving and maturing concept. In the years and the decades ahead we can expect even greater change. There are no seers on our panel, but to the extent we can divine the future by examining the past and the present, we are ably represented. Hopefully, we can discern some trends and threads to guide us in our long-range planning. How will state government relate to local government? What is the future of multistate regionalism? Will the relative role of the federal government diminish? What new roles will States adopt? What kinds of new services will be needed?

To help us sort out these and other issues, we have a distinguished panel. If I were to summarize the biography of Elliot Richardson we would have no time left for discussion on the topic before us. Suffice it to say he has held at least seven major federal positions, including three Cabinet posts, one of them twice, and two major elective offices in Massachusetts. He is currently a fellow at the Woodrow Wilson International Center for Scholars, where he has undertaken a major study on the responsibility and responsiveness of subnational government in the context of the American federal system. We welcome Elliot Richardson to this program this morning. Our second panelist is always welcome as a former colleague, particularly when he has so much to contribute: a former Governor of North Carolina, a legislator, author, scholar, and currently President of Duke University, he brings unique insights to our subject. His book, *Storm over the States* was the product of a two-year study of the problems and functions of

state and local governments, with recommendations leading to a more creative federalism. I am delighted to welcome back Governor Terry Sanford of North Carolina. Our third panelist this morning is a professor of political science and Director of the Center for the Study of Federalism at Temple University. He is the author of many books on American government, including *American Federalism: A View from the States*. He is a consultant to the Advisory Commission on Intergovernmental Relations and has lectured at numerous colleges and universities here and abroad. We are most pleased to have with us Dr. Daniel Elazar. We are delighted to hear first from Elliot Richardson.

MR. ELLIOT RICHARDSON: Thank you very much, Governor Evans. Your Excellencies, Governor Sanford, Professor Elazar, Ladies and Gentlemen: I feel greatly privileged to be called upon to address this august assemblage, and I feel equally tempted to abuse the privilege by talking at too great length, especially when the subject is so challenging and provocative, so I shall try my utmost to be succinct, while also trying to cover a fair amount of ground in a very few minutes. First of all, it seems to me highly fitting that this Governors' Conference is being held in the State of Washington because I think it may well turn out, in retrospect, to have marked the point at which the balance shifted from Washington East to Washington West. It may, in other words, turn out, in retrospect, that Watergate was a watershed and that it was the point when the flow of power began to be a flow back toward the States and through the States to local communities and to individuals. Certainly the States have never been more vital and vigorous in dealing with their problems and at this very time, as your report on the State of the States makes clear. As to that, I could only wish that more members of the congressional authorizing committee would read it. All too many of them travel back and forth in a tunnel from their offices in Washington to their congressional districts and they just do not know how much is going on in your States and how imaginative and effective it really is in addressing the significant problems of today and the foreseeable future. As to the agenda for that future, obviously one can't talk about what needs to be done without making clear some premises. So I want to list the points from which I begin and then identify some of the key tasks to be accomplished.

First of all, most simply and obviously, we need constantly to remind ourselves that government, the economy and all of our social institutions exist for people, not the other way around. That really is, of course, what this country is about, the opportunity for people to become whatever they are capable of becoming and to create the climate, the conditions, the environment, the opportunities in which they can do this. Secondly, if you project visible trends that have been under way for a long time, and which have been exerting a multiplier effect among themselves, there will have been at some point, by the end of this century, an almost complete submergence of people by the institutions of the government and all the other apparatus that have been created in order to enable our society to cope with its problems. We will have brought

about a society that no longer creates an opportunity for fulfillment on the part of individuals, but which keeps them alive in more or less adequate degrees of satisfaction as part of a grey, featureless, homogenized society.

When I left HEW there were 315 programs funneling federal funds in one way or another into human services, mostly through state governments, but bringing about a transfer of resources at enormous cost and aggravation—and even more seriously, at the cost of having brought about a profoundly anti-democratic situation. I had an actual head-by-head count made of the number of individual people who at any time deal with the \$111 billion, or roughly one third of the entire federal budget, that goes into HEW. There are only 24 people who from the very beginning of the development of that budget until its final signature by the President as an appropriations bill ever look at it as a whole. Right there, I think, is demonstrated how far we have already gone in destroying a process which was intended to give individual citizens an effective opportunity for a choice. Now, if we are to prevent the submergence of the individual; if, in other words, we are to turn around the visible trends, it follows that there has to be a dispersion of power and the creation of greater responsibility and greater capability to meet that responsibility at the state and local levels, and there has to be a greater chance for individual citizens to have a voice and to exert an impact. Finally, just as there needs to be a dispersion of power and responsibility from Washington to the States, the States, in turn, will need to devote their own attention to how most effectively to bring localities into the act.

Now, if this is the broad definition of the task to be accomplished, the question then is, how do we go at it? The first step clearly, it seems to me, is one which I have been surprised to find, in the relatively short time in which I have been dealing again with the whole range of state and local government problems, is a job that has had remarkably little attention today. That is, an analysis, function by function, of what are the tasks that appropriately belong at given levels of government. Certainly, it is not enough to say we want to disperse power, we want to decentralize responsibility, involve States, localities, individuals, without looking clearly at what are the functions that can best be performed at each level. We need to look at considerations of economies of scale, administrative feasibility, the opportunities for the effective involvement of citizens, and then allocate these functions in that kind of way. It is obvious, for example, that an income-maintenance program which is seeking to relate its benefits to the contributions of the individual over a working lifetime, like Social Security, can only do this, given the mobility of our society, through some central mechanism. It is not obvious, on the other hand, that the financing of medical care can only be dealt with through a central mechanism. On the contrary, if we are concerned with personal relationships that enter into the provision of medical services and with the building of an effective delivery system from the community level up, then it would follow that the exertion of too heavy a federal thumb on this process could only get in the way of the

responsiveness that we are trying to achieve.

Again, it seems clear to me that we must deal with problems of land use at a governmental level higher than that of, and more comprehensive than, the localities which cannot one by one in narrow geographical areas deal with the rational allocation of green areas, low-income housing, and so on. This is a function that needs to be raised in the system and, in my view, to the state level. But, conversely, we have focused much more responsibility for education at a higher level than we need to from the standpoint of any functional consideration. This is an activity in which people can be involved at the community level, around the community school itself. Secondly, having dealt with this process of sorting out functions, we need to deal with the problem of fragmentation. There has been developed not only the proliferation of categorical, narrowly defined approaches reflected in the 315 HEW programs, but there has also been developed an extraordinary degree of fragmentation among the delivery service providers. Even if we did all that could be done to consolidate and to simplify federal functions, there would still remain the problem of jurisdictional jealousy, turf-minded competition among providers at the state and more especially the local levels. How many of you, for example, have had occasion to notice the lack of communication and the lack of effective coordination among youth-serving agencies? There tends to be among the so-called helping professions a kind of guilt-mindedness that is reminiscent more of railroad firemen than of people who recognize that the job to be done is so vast that it is going to be necessary to get everybody possible into the act, including many more paraprofessionals, community people, and volunteers.

Let me give you one other calculation, made while I was in HEW, which reinforces this point. If you took those 315 programs one by one and looked at the question of how many people are theoretically eligible for these services and how much it would cost at present average rates of expenditure for all of them to get these services, it turns out that the total would then have been \$250 billion. It would, in other words, have roughly doubled the entire federal budget and it would have required 20 million additional people. So there is no place for the kind of waste of resources that is brought about by jurisdictional jealousy overlapping duplication. The only way to overcome this must be found at the community level. I cannot resist putting in a plug here for the Allied Services Act which, as you know, is designed to give Governors the opportunity and the responsibility of creating rational service-providing areas within their States so that the professionals and the service-providing agencies, both governmental and voluntary, can then come together and develop rational plans for meeting the needs of people within those areas.

Third, there is the obvious need to improve the professional standards of those who are working at all functions in state and local government. If, in other words, we are going to rely more on you and your subdivisions for the essential jobs of our society that will inevitably be more interdependent and complex,

then clearly it is going to be essential to have greater numbers of highly qualified professional people in all service areas. Fourth, there is the issue of fiscal accountability and its relationship to the level of government at which funds are used. The principle of revenue sharing, in effect, established that it is workable to use a tax base at one level and to fix accountability for the use of the funds at another level. The States had, of course, long been doing this before the federal government began the same practice. But there are a lot of problems remaining to be sorted out if we really seek to develop community roles in the provision of services that can perfectly well be dealt with at the community level. Just to cite a single example of the community school, how much responsibility are parents and people within the zone served by that school to be allowed? It is easy to say, well, we'll just continue to operate with our existing school districts; but if there is no need to deal with the issues of curriculum, for example, at the level of the state department of education or even the local school board and superintendent, then it follows that parents and taxpayers within the area of the schools should have a voice. The same kind of problem arises with all other kinds of services where you have to choose among at least four constituencies with some role, with some valid claim to be heard: the people who are putting up the money, the people who are being served, the people who provide the services and, in many instances, the parents or families of those being served.

I want to make just two more points very summarily. There needs to be recognized increasingly the responsibility for what I would call the citizen as victim. What you are already doing in providing offices for consumer protection is a move in this direction. What you are already doing in creating means whereby people can go someplace within the State with a complaint about state service, some adaptation of the role of the ombudsman, is a response to this also. It seems to me that further development of this function will have to go forward and be thought through more fully. You will be facing the claims of those like the mentally retarded and the mentally ill who now through the courts are being told there is a right to treatment. This means, in effect, that the courts are going to get involved in the establishment of minimum standards that have to be allocated to the treatment of those who are in state institutions. This can, in turn, mean that through the administration of court decrees, massive claims will be imposed on the state government; but this is only a facet of the broader problem of affirmative responsibility of state and local governments toward individuals who feel that government is unresponsive, that nobody is paying attention, nobody cares. Finally, there is the problem facing all governments, and that is how you can better measure your investments in the quality of life and the response to human needs; how better, in other words, to deal with the social accounts of our society.

Efforts to deal with this problem are generally not very effective, largely because it is an exceedingly difficult thing to measure in objective, quantifiable terms. For example, how does one weigh the value of an investment in the

protection of a beautiful place? You can't put a dollar value on the resulting esthetic satisfactions for present and future generations, and yet it is a real question that should be capable of being dealt with. Certainly one has only to go to a city like Tokyo to get the feeling that here is a society which has been operating without any adequate sense of social accounting. It is like a company that thought it was in the black because its accounting system was so primitive that nobody told them that they ought to charge depreciation as a cost. These things are important in a community which is governed by people who are truly representative, who are honorable in the fulfillment of their trust, who are truthful in their communication of the choices that it is the responsibility of the citizen to make. Such a community recognizes that people care not only about the esthetic enjoyment of their own yard but of the larger surroundings in which they live and work, and we need somehow to better measure and to explain and to put to the citizens whose ultimate choice it is what are the trade-offs between one use of resources and another. This is perhaps too summary, but it does express what seems to me the picture of a future agenda springing out of a central concern for the third century of this Republic, with the preservation of the opportunity for free, representative self-government itself. Thank you.

CHAIRMAN EVANS: Thank you, Elliot, for your thoughtful and provocative remarks. Next on our agenda is Governor Terry Sanford.

MR. TERRY SANFORD: Thank you, Governor Evans. Governors and Participants in the Governor's Conference, Governor Holshouser, I need to mention him especially in case I need a little help when I get home from time to time: I am delighted to be here with Elliot Richardson and Daniel Elazar to talk about things that relate to state government and the contributions that States can make to American society. The last time I was here was to suggest to the Governors that we take on education as a principal function and that we develop a compact among the States in that area. I have always felt that States were in a better position to provide needed services than any other level of government, and that too often States, for various reasons out of our habits of the past, were not well positioned to do it. In fact, there is a certain cloud hanging over the assigned topic, "States and Their Future Agenda," because there are those in this land who contend there is not much future for any kind of state action, let alone the need for a future agenda. There are still those who teach that States are archaic, and there are still those in Washington who behave as if States were inconsequential, and there is the Senator who several years ago predicted that the only ones interested in state boundaries would be the Rand McNally people. Yet almost all of the significant progress in the last 10 years in America has come from state leadership. Elliot Richardson has pointed out some of the things that we need to be doing and I'm going to throw out here an idea of how we might accomplish more effectively the items that will be on your agenda as you look to the future of your States.

The agenda for America cannot be, as a matter of fact, very effectively set

by the Governors as matters now stand. Although you are in the best position to collectively achieve what should be achieved in this country, I think that you are not really in a position to do it within the system as it now stands. I have worried a great deal about the failure of federalism, the lack of coordination between federal, state, and local governments. Most of the programs of the Nation over the past 40 years have not worked nearly well enough. There are numerous reasons for this, but one major reason is that the initiative of state and local governments has been too narrowly circumscribed by the conditions we have allowed to develop. Looking back to when the national government was so stagnated in the first third of this century, it was state leadership that held things together. Governors such as La Follette and Theodore Roosevelt and Woodrow Wilson and Franklin Roosevelt and Alfred E. Smith were taking the leadership and were in a way doing the prime lab work for the New Deal and the new approaches of the national government. Then, with all of that, the States slumped as centralized programs became our answer to the depression and States were bypassed and ignored and insulted and neglected and weakened.

Now that the national programs are not working adequately, now that so many people around the land are disillusioned, we again need the strong leadership of Governors, but this time with a difference. Out of our experience we should be able to combine the strengths of our federal system, using all, not just some, of the machinery of self-government available to the people.

First of all, we need sweeping changes in Washington attitudes. We need to deal state governments back in. There is no way that Governors now can order that to be done, but I believe Governors can bring about such change. I wrote in 1965 that Governors had to show more willingness to act, to lead, to cooperate, and there is no reason to change that point of view. But I also insisted that the first step toward the full utilization of the power of federalism, to use all of the resources of all of the Governors, to get a good part of governmental decision closer to the people, to provide citizens a greater participation in their government, to turn the country around, we need a full commitment from the President of the United States. To achieve this conversion, then, what can the Governors do? They can use their combined political inputs. The Governors, acting on behalf of the citizens they represent more intimately than national leaders, should determine the pattern they would like to have the President follow and should present it to presidential candidates of both parties as a proposal for a firm campaign commitment. To begin, it is not enough that some high-ranking official be assigned by the President to serve as liaison with the Governors, not even the Vice President. We want the President, and the American future needs the President, in person, to be concerned about the working of federalism in the cooperation of all governments. In my time it was the Director of Emergency Planning who was the official responsible for civil defense and coping with natural disasters, and I asked at the time whether the President considered us a threat to civil order or simply a natural disaster. In any event, that assignment

had one virtue in that this particular individual had time to listen to Governors because he didn't have much else to do. With all of this, I have never wanted to accept the Washington view that Governors were to come to Washington, hat in hand, as petitioners for the largesse of a generous monarch, looking for something to sustain their meager tables, happy to pick up a few crumbs, and to be considered insolent if they dared to suggest something more was the appropriate posture of a Governor of a sovereign State in a constitutional federalism. The posture of the Governor is not that of another traveler to the seat of power to seek favors for yet another special interest. The Governors are not lobbyists; the Governors do not represent a special interest; they represent the interests of the people.

The agenda for the States includes a wide range of human concerns. I will not attempt to list them all, but better housing, for example, is on society's agenda and certainly on the States' agenda. But who is in charge of housing? How do we achieve better results than we have in the past? What can States do about the money market presently drying up housing starts? Should citizens look to the State or to the national government for solutions? Where should would-be homeowners look for policies establishing reasonable loans? How do residents of a rural county in Nebraska seek better housing? Where are tax policies set that preserve housing properties? All governments are involved, and the States are in the middle. The States can do much to direct a wise course of public policy and public action for housing. What about education? What is wrong with education? That is a question I judge is being answered more fluently than most of the other great demands. The principal reason, or so I believe, is that the States and the Governors have more to do with education than they do with other great challenges and goals in America. But how do we help fit in the national government at the proper place in the support and promotion of education? It is a matter of each government doing what it can do best. Governors have much to offer in the deliberations of public policy formulation, in the execution of programs, and in the evaluation and improvement of programs. Yet how many of you have had much influence, if any, in the shaping of health care policies presently being debated in Congress? That's not the result of a conspiracy; it is just the system. The same could be said for welfare, for growth in population policies, land use, environmental concerns, transportation, and every other federal program. Yet Governors know too much to be ignored as we formulate our approaches and evaluate and perfect our actions.

So how might the Governors participate more effectively? As I have looked across the country for the past decade, executive leadership has been more and more deficient as our society and our economy have become more complex. It is not that the executives are inadequate. In the last 30 years they have been better than at any time in the history of America. It is that executive leadership is fragmented. We need federalism more than we have ever needed it, since Jefferson and Hamilton argued the point, and yet we do not know how to use it.

Executive leadership, the President and the Governors are not pulling the tiller together; in fact, there isn't any tiller. The concept of federalism is here, but we are not practicing the principle because we did not know how to interpret it. Some said it was States' rights, and some said it was meaningless historical compromise, and few could define it as sensible cooperation with each being used for the benefit of all. I will not elaborate in the brief time I have; in fact, I'm skipping over all of the wisdom I was prepared to offer on revenue sharing. Each of you will have a daily experience that underscores the sketchy points I have touched on, but I want to suggest one thought for you to think about as you leave Seattle, just one thought of something I think we can do, and that is that we consider communications as a path to effective American federalism. In its simplest concept, that means that the Chief Executives, the President and the Governors, need to communicate. It means that the President should seek and coordinate the advice and counsel of Governors and that their combined solutions should be much better than the ones we have had in the past.

That, whatever it means, doesn't mean calling the Governors to Washington for a briefing. I have been to those, and even with the best intentions on the part of the President, I have always gone away feeling cheated. I want to see us inaugurate a system for Governors to get together with the President on a regular schedule, without fanfare and without speeches and banquets, with each well prepared in advance on the appropriate subject, tying in task force preparation and other resources available to the Governors to discuss in depth the elements of the problems and the range of solutions. I wouldn't expect Governors and the President, the Chief Executives, to cross every T, to look at every detail, but neither would I expect them to continue to be the prisoners of the bureaucracy. We need leadership from the top and we need this kind of cooperative leadership from the Chief Executives. I would call this the Chief Executives' Conference. There is no need for me to set forth all of the logistics today, you can do that better than I can, except to say that this is not envisioned as just another meeting but rather as a working, continuing relationship involving frequent conferences. Maybe the first question is, would the President have time? Well, he should, because domestic success should be his primary task. Would the President comprehend the value of a continuing working relationship with the Chief Executives of the States? Well, he should, because it would make his job so much easier. As for the details, the present Governors could do a more thorough job of designing the details, but one arrangement would be for each Governor to select his area of special experience and concern, but representing all, so that about one third of the Governors would be present at any one conference. There should be adequate, but I would hope not excessive, supporting staff assistants and, in passing, I suppose it will not be many years before technology will have us to the point where TV screens in each Governor's office will make travel unnecessary but, in the meantime, we need to do something before that day comes. The sessions certainly should be executive, but there would be no call for

a Governor to meet the press as he left the White House door to denounce the President's ignorance. He could wait until he got home to do that.

Federalism, as we have talked about for years and years, federalism as we need now to tie the country together in all of its diversity, federalism as we need it to make the programs for the good of the people, to broaden opportunities, to involve people, is not going to work unless this country and its governments are tied together at the Chief Executive level, and tying it together is not going to be achieved without the personal involvement of the President. We are not going to get the involvement of the President unless he is led by the hand by the Governors and the best time to grasp that hand, to get his attention, as you all know, is prior to the election. The Governors in their turn could carry the communications one step more, to mayors, to county and township officials where that is appropriate, to regional arrangements where that is appropriate, drawing on the expertise of local officials at an executive conference structure in each State, and they all, in turn, could involve citizens' groups and neighborhood groups, and we might even develop to the point that people feel they are a part of government. All of this doesn't ignore Congress and the Legislatures, but this is an effort to establish a working relationship among the executives. It is time for detente among the internal governments of the United States and for an expression of mutual trust and confidence among state and national and local leadership. Something in the American system is not working very well. For a long time I have studied and I have observed the capacity and the dedication of Governors and I am convinced that, if Governors are involved more directly in the total picture, as well as in their own segment of the country, it will be a much brighter picture for America. I think, as you can see, that the Governors can turn the Nation around. Thank you.

CHAIRMAN EVANS: To now wrap up the panel presentations, Professor Elazar.

MR. DANIEL J. ELAZAR: Thank you very much, Governor Evans. Honorable Governors, Mr. Sanford, Secretary Richardson: It is not only a great personal pleasure for me to be here, but I deem it a pleasure in another respect as well. I hope that my being here will be part of a renewal of an old and honored alliance between the States and academia which has withered to some extent in recent years. In the first part of this century in many States, the state universities were dynamic elements in the development of progressive state leadership. There are some States which are fortunate enough to maintain this tradition, but beginning perhaps at the time of the New Deal, when professors such as Rexford Tugwell were drawn to Washington and sought to hasten, in his words, what he believes to be the "natural vicissitudes of the States," there has been a tendency on the part of the men of academia, the women of academia, to move away from concern with the problems of the States and into other areas. I believe that this is changing today, and I hope that precisely because we are at a turning point in the history of federal-state relations in the United States we can hasten

the restoration of this earlier and useful alliance, particularly, perhaps, in connection with the Center for Policy Analysis, which this body is about to establish.

As far as the specifics of a future agenda for the States, I think that you have documents before you which are most useful, indeed, in their specifics. The report, "State of the States," the volume, "Innovations in State Government," undoubtedly cover almost all of the ideas for a future agenda in one way or another that we are likely to need over the next several years insofar as we can anticipate such things. Governor Sanford, I think, has presented something for our procedural agenda which deserves close, careful, and sympathetic consideration, the idea of a conference of Chief Executives in which the President and the Governors will sit down together on a regular basis. I believe that one additional element is needed in this, a new understanding of the way in which the components of the American federal system should relate to one another, a new outlook on that relationship; in sum, a new theory. Americans are not known for being terribly interested in theories. We pride ourselves on pragmatism, but it has been said, and truly, that every pragmatist is, in effect, living uncritically off the ideas of some long-dead economist. It is time; it seems to me, for us to restore a consideration of the ideas of the long-dead economists off of whom we have been living and to consider whether they are valid and accurate and useful for our time. In doing so, I think we join a procession of reconsiderations that are going on in the world today. A few years ago the president of the leading computer software firm in the country, a Pennsylvanian, I might add, wrote an article addressed to his business colleagues entitled "Let Us Remodel the Pyramid before It Crumbles." His thesis was that the principles of organization which the business world and, I might add, the governmental world, have accepted in the twentieth century are principles based on the notion that there is some pyramid of power, some hierarchy of structure that is necessary if there is to be orderly management and good decision-making; that there must be levels, higher levels and lower levels, and as in the case of every pyramid there must be an apex, a top, and he suggests that this pyramidal system, this theory, which may have been valid at one point, has become increasingly obsolete as new technologies have developed and as more skilled people have become part of the labor force. So he suggests that the business community, if it is to make business work, must remodel the pyramid before it crumbles.

As a student of the United States Constitution I am impressed that businessmen are beginning to discover the principle underlying that Constitution and beginning to imitate it at a time when we involved in government have yet to reach that point, for we also think pyramidally. We have accepted the business view uncritically, and we have built a pyramid and, gentlemen, I submit to you that today we see the pyramid crumbling around us. If we have problems and a crisis in the presidency today, it is in part because Presidents began to believe their own press releases. We taught that the country was built on a series of

levels. At the lower level on the bottom was local government; in the middle there were States; above them was the federal government. Implicit in that was that Congress was above the States and the President was above Congress; that when the system was working it was when people were obeying the dictates of a strong President. Congress was criticized when the President submitted a program and Congress dared not enact it. The States were criticized when the federal government came up with an idea and they refused to go along with it. So we built a pyramid, and we put somebody on top of the pyramid, totally in disregard of the principles imbedded in the Constitution from the first, and now the pyramid is crumbling around us because the Constitution was right, as the business community is learning, and the pyramid approach was not right. What does the Constitution suggest? The Constitution suggests that, in effect, a properly functioning human system is not a pyramid but a mosaic, a matrix of different size cells and arenas, some of which are larger and some of which are smaller, tied together by appropriate lines of communication in which decision-making powers are spread legally and legitimately throughout the matrix. This is a framework in which it is possible to say that some things are best considered in the largest arena of decision-making; some things are best decided in smaller arenas; and no arena is better or worse because it is larger or smaller; size does not endow wisdom, not one way and not the other. This matrix, this mosaic of centers of power, is what we know as the federal system, with the building blocks based on the States within the framework of the larger national arena. This is the model that a man who deals in computer software is now suggesting as an appropriate model for the business community.

Let's go beyond that. We all know the word redundancy. In literature redundancy tends to mean something extra, useless, duplication. In the new technology, redundancy has taken on an altogether new meaning. When we build circuits in instruments today in electronics, television sets, and calculators, we build in redundancy. Any engineer will tell you that you do not structure a system so that there is only one way in which it will work; you build in alternate circuits, fail-safe mechanisms, so that if one line of circuitry does not continue to function, another line will pick it up and will move with it. The whole space program was based upon this discovery of the principle of redundancy in the sense of providing for alternate channels to achieve the same goals; again technology has begun to imitate the Constitution of the United States, which built a federal system on the basis of redundancy, on the notion that there would be more than one channel where action could be taken at any given time. We are so worried about duplication in the United States because we still think in terms of that pyramid, but this year we discovered the virtues of redundancy when the States stepped forward to take the lead in areas which nobody assumed were likely to fall within their province of concern any more. Our artificial pyramid is crumbling but, fortunately, the Constitution stands and it is possible for States and local governments to step in and provide the alternate circuits to assure that

the momentum of the Nation is continued. This year, as I said, the States are proving that the way of the Constitution is still the right way.

This Governors' Conference has impressed me, as an observer, as one in which the Governors are feeling their oats because the States have had such a good year. Perhaps the States were dragged, in some cases kicking and screaming, into leadership but, nevertheless, they have taken leadership and they are doing the job. The historical trend, it seems to me, supports this change fully. First of all, we have the immediate crisis in American government which demands state action because there is nobody else to act. Beyond that, we have a world trend. All over the world decentralization is the theme. In Great Britain just yesterday a Royal Commission came out and advocated the establishment of legislative bodies for Scotland and Wales to parallel a comprehensive reorganization of England proper into regions. Even in the iron curtain countries the demand for decentralization exists. It is a worldwide phenomenon that is being reinforced by the fact that we have reached the end of the postwar generation, and the national leadership of country after country around the world is in a state of crisis. The United States is not alone in that regard. Governments from Britain, France, and Germany, down to and including Iceland and Luxembourg, have undergone crises only in the past few months and have had changes in leadership. I think that is part of the general cycle of events. Today in many cases the strongest leaders in the world are the Governors of the American States, not all of them; I'll let you decide which ones are which, but as an outside observer I can say some of the strongest leaders in the world, some of the men with the most capacity to take action, are the Governors of the American States. If Secretary of State Kissinger is able to work seeming miracles in one corner of the world or another, it is in part because there are no presidents or prime ministers with the strength that he has, and he has that strength because he has new ideas. He is not a man who is a victim of being in power for too long, whereas the heads of nations around the world are victims of that natural disease.

The States, because they have not been in power too long, are in a position because of this historical trend to take a leadership role that they were unable to take even two or three years ago. Moreover, the American political cycle reinforces this situation. Every generation in American history since the days of Thomas Jefferson has seen a burst of federal activity, followed by a period of consolidation in which new federal programs have had to be redesigned by the States and their local subdivisions to be made workable. That has been followed by a period in which new ideas have had to be generated by the States and their local subdivisions for later use on the national level. That is the way the American matrix works. In the 1960s we had that burst of federal activity, in the late '60s and early '70s we have had the consolidation. We are now reaching the point where somebody in this system has to begin developing the programs that in 15 years from now will be the subjects of great national concern, will be on the agendas of Presidents and Congresses. That task has been traditionally

and successfully performed by the States and localities in every generation, including the one that is coming to an end. Gentlemen, I submit that we are on the threshold of a renewal of that period. It is not dramatic. The news media doesn't go after it, but it is the job that the States and localities, particularly the States, have done and done well, and I believe are capable of doing well again. We have proved, I think, in the twentieth century that the States can administer and manage anything. More recently we have begun to prove that the States can provide representation and encourage participation for everybody. Most recently we are relearning that the States are able to innovate, as well as any government. In effect, there is nothing that they cannot do. If any State in the American union had to become a sovereign state in the fullest sense tomorrow and run its own foreign policy it could do so. Nations in the world far smaller than any American State do so all the time, and some do so very well, indeed.

There are some things which the States will not do because they are parts of a federal union. There are some that they will choose not to do because it is easier, better, more useful, to have others do them. But there is nothing that the States cannot do. If I take exception slightly to the notion that we must decide which functions are better suited to which levels, it is in part based on this understanding that I have that the States can do anything they want. The only question is that they must choose what seems to be most worthwhile for them to do. But power does not come in cans. There is no way for anybody to say the States are now powerful. States will be powerful when they act. Only the exercise of power leads to its acquisition. The Constitution provides the option for all planes of government to be powerful, simultaneously or differentially. The question is, who acts? The ones that act are the ones who are powerful. To gain true power the States must think sovereign. If they are to be good partners in a federal system, they must have the feeling that they are willing and able to initiate, to take the lead. Governor Sanford has suggested two very important ways for the States to think sovereign. The States must have the will to act. This can be, and one must confess is, politically dangerous to those whose task it is to lead the States. However, we are at a time when political danger may be even greater for those who fail to be willing to lead. I can only suggest to you who are entrusted with that leadership that you take the risk for the sake of the country, for the sake of the world, and because it is good, and even noble, for you to do so. Thank you very much.

CHAIRMAN EVANS: We thank our three distinguished panelists and now the floor is open for comments, questions by the Governors themselves. I think you have been given an interesting and provocative view of the future of the States. This does become our challenge and your challenge, particularly during the course of this very interesting but difficult time in our Nation's history. Governor Meskill of Connecticut.

GOVERNOR MESKILL: Mr. Chairman, I was very impressed with Governor Sanford's recommendation on the executive council, meetings between the

Governors and the President. I think certainly much can be gained. He alluded to and touched on just briefly the problems of dealing with the bureaucracy, and I wonder if he would expand on how he would see this conference handling the problems or the frustrations that I know the President has and I know that many of us Governors have of dealing with an entrenched bureaucracy which seems to have tremendous power and is a very effective lobby, and which, in effect, stands between the Chief Executives performing the functions they were elected to perform and truly satisfying the needs of the people.

MR. SANFORD: I don't know that there is any easy answer to how you move a bureaucracy. These are people who are dedicated to a particular little part of total governmental function. They know it well, they have not only the public interest but their own personal interest to protect and to promote. I think the best way to move the bureaucracy to a program that works, to move them to consolidate when that is necessary, to move them to abandon their little pieces of turf, as Elliot called it, is to have more participation by the executives. You handle it very well, I'm sure, in your own States, because if you want something changed you are close enough to it to change it, and I think if the President becomes more concerned with domestic matters and better informed because of participation with Governors, that it will be easier to move. Obviously it is a great, bulky thing and it takes a lot of shaking up, but the first step is to understand where the executive would like it to go. If the President or the Governors could understand where they would like it to go, then at least they aren't going to be prisoners of the bureaucracy.

CHAIRMAN EVANS: I wonder if, Elliot, as one who has had perhaps as much experience from the top of the federal bureaucracy as anyone here, you might comment on that particular problem which I know plagues all of us.

MR. RICHARDSON: I'm delighted to do that, Governor Evans. I think I can fairly say that, having served both in state and local governments, as well as a number of federal posts, I may not be an expert at anything else, but I am a considerable expert in bureaucracy. I think the key problem here really is what are the tasks that are going to be expected of federal government agencies in relation to those of the States and their subdivisions. I fully agree with Professor Elazar's picture of the mosaic as against the pyramid, but I am disturbed by two things my colleagues have said. One thing that bothers me about the proposal for the executive council is that, while it is undoubtedly a good vehicle for communication, it seems to be predicated on the assumption that whatever the federal government is going to do the federal government is going to do. Again, when Professor Elazar talks about being on the threshold of a period in which the States are developing new functions to be taken over by the federal government in 15 years, I hope to God he is wrong. I do not think that you can make an accurate comparison at all between the situation of the strong, innovative Governors of the '20s who were pioneering in experimental efforts that later on became part of the New Deal and the Fair Deal, and the strong innovative efforts

that are being made by Governors today. The value of what you are doing now is, as Professor Elazar emphasized, and I agree with this part of what he said, that you are demonstrating that you can do it and, therefore, the federal government doesn't have to.

Now, if you are going to deal effectively with the problem of bureaucracy, you have to simplify federal functions. You are not going to have effective communication with the President or anybody else in Washington, including the Congress itself, until the structure is simplified, and that requires congressional action, which brings about massive consolidations so that there can then be made choices among these competing claims by you and your colleagues. You have to assume that the bureaucracies are well-motivated people who are doing jobs that they have been given to do, often because there are interest groups that have preferred to deal with a single or a pair of authorizing committees in the Congress. The resistance to change will come from the bureaucracies and their interest allies. The only possible way of overcoming this is through the mobilization of the interests of people in their broader capacity as citizens, and I think you as the leaders of the broadest units of general government have an enormous opportunity and responsibility to do this. I might add just one more word. When we talk about the imbalance in Washington today between the legislative and the executive branches, it is important to keep in mind the fact that the functions of the executive branch were created by the Congress, and if we are going to restore the balance it can only be through the creation of the awareness on the part of the Congress, through the States, and through citizens generally, that the center is unwieldy, it is clumsy, it is remote, it is impersonal, and we cannot go on in the direction we are going without totally submerging any effective voice for individual citizens.

CHAIRMAN EVANS: Governor Hathaway.

GOVERNOR HATHAWAY: I agree with the Secretary. I was about to ask Governor Sanford, I'm fascinated by his proposal for communication between the Chief Executives of the country and the President, Mr. Merriam said that we have some 1,500 grant-in-aid programs, the old carrot-and-stick method, which are responsible to no elected representatives in the country. My question is, is there a way that we can break Congress from this habit of categorical federal aid to the States where they attempt to run programs for the States that are really not being run at all? Do you see a trend away from these programs of revenue sharing or are we getting back into them again?

MR. SANFORD: That's a subject that would take a long time to discuss, just how Congress could reshape its thinking. I think Congress, faced with the combined understanding of Governors helping design national programs, would be much more responsive. I think in the past the system of writing national legislation has been that a particular committee with a particular little piece of responsibility has sat down, has conducted hearings or has come up with an approach to a particular small piece of the needs of America. That is where the

categorical aid got started. I think if we have a broad understanding, if we do somehow combine the power of the Governors having effect in Washington, that it certainly would diminish the tendency to do that.

CHAIRMAN EVANS: Governor Noel of Rhode Island.

GOVERNOR NOEL: I have been intrigued by this morning's discussion, especially the remarks of Professor Elazar, and I make one observation. I don't see any analogy between the emerging powers of the Governors in the 1974 era and the aggressiveness of the Governors in the '20s. When you talk about a new system where the Governors are going to be so powerful and the States are going to become so self-sufficient, I think that is not a very realistic position. There has been a great difference since the 1920s. Now in 1974 the government has most of the green stamps. You start with the premise that there are only so many tax dollars available. You add the fact that the federal government has a lock on the income tax and has preempted the money supply. Thus, it is easy to see how the attitude of the Governors going to Washington with their hand out happened, because the federal government took the rest of the money and when it didn't have enough it did deficit spending, which is a privilege that is not afforded to the Governors of the 50 States. So with unlimited resources, when it determines to continue those fiscal policies, the federal government remains in the preeminent position while the States have to struggle and fight to try to innovate and to do things for themselves. The Governors have the wisdom, they have the staff, they have the initiative. But they don't have the money, and that is the relationship. I think it all revolves around the way the tax dollars in this Nation have been allocated through the various tax systems and structures. It is that financial element, I think, that controls all emerging relations between the two levels of government.

CHAIRMAN EVANS: I believe Governor Noel is suggesting that there is another parallel between the pyramids spoken of earlier and the fact that the Pharaoh has a good way of getting all the money. Professor Elazar.

MR. ELAZAR: The problem you present, of course, is a very real one, but without going into the detailed historical discussion, it has always been true even before the income tax that the States said the federal government had all the money because it had all of these public lands and the customs revenues and the States couldn't get their citizens to allow any taxation and so forth. Indeed, on the money question, the history of the country has been that the federal government has always been more flexible in its money supply. But I am not a great believer in the one-to-one relationship between who has the money and who does the important work. From the beginning, the notion was that in this partnership the federal government would be providing a larger share of the money than it would the direction and control. Only in recent days has the hat-in-hand approach emerged, and I think you are right. I think it is a very real approach and that is why the States today aren't the States of the '20s, because everybody in this country has become convinced that the hat-in-hand approach

is the right approach. There is no reason why the federal government won't continue to provide funds for the reasons you suggested, but they could just as well provide them on the old Calhoun notion of the "federal-government-as-servant theory" rather than the "he-who-wields-the-money-carries-the-stick" notion.

GOVERNOR NOEL: I'd simply say that if that is to happen we need a great deal more benevolence in the Congress and in the presidency of the United States than we have seen to date.

MR. ELAZAR: Or more obstreperousness on the part of the Governors.

GOVERNOR NOEL: You should pass out some of Calhoun's papers to those in Congress and the Administration. Maybe they will get the message.

CHAIRMAN EVANS: Governor West of South Carolina.

GOVERNOR WEST: I want to say we will be happy to present the papers of our distinguished Senator, John C. Calhoun. We have been trying to get his philosophy adopted for a good many years. I want to ask Governor Sanford a question. I think his suggestion is certainly a stimulating and interesting one and I think that the idea is too good to let it die. I'd like to ask him if he has any suggestions as to how this idea can be explored within the context of this Conference and perhaps the national system. Before he answers that, and knowing of his basic modesty and the nonpartisanship of this group, I would make the observation that one obvious answer is to elect Terry Sanford President in '76 and that would ensure its being explored fully. But, other than that possibility and alternative, Governor Sanford, what do you suggest we do?

MR. SANFORD: You can tell Carolina boys work well together. I think that if the Governors' Conference found this an interesting proposition it should spell out the details, which wasn't possible for me to do it today and wouldn't quite have been appropriate anyhow, on what you would like the President to do and then seek out a commitment from every candidate. I know in most presidential elections the candidates court the Governors and at the same time I never have observed that the Governors had a united approach to what they thought the relationship should be. It seems to me that this Governors' Conference is the best beginning, saying that here is the relationship we'd like to have you committed to carry out if you are elected. Whether this is a good idea or not, it would be a good idea to have the Governors' point of view adopted by candidates, so you could judge what kind of support you thought would be best for the country. I think it would begin here if you thought it was worth beginning.

CHAIRMAN EVANS: Governor Mandel of Maryland.

GOVERNOR MANDEL: Mr. Elazar, I'm very interested in your remarks, and I have been expressing a theme for some time and want to express it again today and get some reaction from you. I think the States have moved forward because the States have a budgetary process that is realistic and a budgetary process that requires them to act and do things in a realistic way. The federal

budgetary process, on the other hand, if there is one, and that's the point I want to make, if there is one, is so unrealistic that it almost handcuffs not only the federal government but the States until that budgetary process is reformed, and not just the act that Congress is passing now because, while they call it reform, that doesn't get to the heart of the problem. The heart of the problem is that there is no budgetary process in Washington that anyone can find to determine what is going to happen 12 months from now or 18 months from now as most States have to do. Until that is done, can there be any of the movement forward of the federal government that you are talking about to strengthen its own federalism?

MR. ELAZAR: I don't see much likelihood for change in that quarter, which is one of the reasons that I think the redefinition of perception is going to be more important than the redefinition of substance. Incidentally, I don't look upon the federal government and the States as antagonists in this by any means. I think that the historical record has shown that much state innovation and energy has come as a result of federal willingness to lend a hand, and much federal development has come as a result of the States showing the way. But I think that the budgetary process of a unit the size of the federal government—and here I certainly agree with Secretary Richardson—is almost by definition incapable of being pulled together in the way that you are suggesting. In some respects that is why the most that can be expected out of Washington is that it function as a conduit; it can do very little more than that.

Management studies used to emphasize the fact that coordination would come "at the top." Now management studies show the coordination comes on the firing line, pulling things together comes further down, or sometimes it is an hourglass arrangement, somebody in the middle is able to tie things together for a bit and then throw them out again so that the ones on the firing line can handle it, and we are going to get that, it seems to me, mostly by state and local activity and not by federal reform simply because it can't be done there. Maybe it is O.K. to have 10 different federal programs doing the same thing. It is not so terrible provided there is a vehicle for a locality to say we are going to pick three of them that are suitable to us because we talk well to those departments, another two are good because the money comes in a form that we can utilize it, five have no use to us at all, so we are going to put those three and those two together, plus what we are doing, and then we are going to build a package and that may be the best kind of budget coordination, program coordination, that we can hope for, given the simple size of the federal establishment.

MR. RICHARDSON: I agree with what Professor Elazar has said would be desirable as to the way in which the coordination is achieved. The problem today is that it is largely impossible for the middle-level administrator simply because there are too many federal sources of funding. We tried to create a grant packaging center at HEW that people could come to and say, in effect, this is what we want to do, and then we would plug in all of the categorical sources of

funding for them as one way to deal with this problem. We proposed the Allied Services Act as another way of dealing with it through creating an ability on the part of the service-providers, the Governor and the county executive or mayor or some combination, to override some of the categorical restrictions. But if you go through the roster of the sources of funding for health services alone—and I won't do it here—let's say there are 25 or 30, you can't hire the people at the local level who can know enough about all of the guidelines, regulations, reporting requirements, and who have the time to go to all of the offices they have to go to in order to put the package together. I cannot overemphasize the extent to which we are facing a situation so much different in degree as to be different in kind from what we have ever had before in terms of the federal-state-local relationship. Unless we really get on top of this thing and change it, we are going to drown in sheer red tape. We are just not going to be able to get through the overgrown jungle of interwoven, intertangled, federal activities.

CHAIRMAN EVANS: Next is Governor Bond of Missouri.

GOVERNOR BOND: I would also add my voice of support to Governor Sanford's very interesting proposition, but I would ask him, given the present circumstances and the feelings in Congress, whether he feels that there would be an effective action coming from a Governor-presidential communications link. Within the last day or so we have heard expressions from leaders of Congress who propose, for example, as a solution to state and local problems, a new federal categorical grant to promote better state and local government. Is there any thought that you might have on whether the same types of assurances should be obtained from congressional candidates that they would also establish a line of communications? Do you feel that that would be essential also?

MR. SANFORD: I think that would be much more difficult to structure, and I think, in any event, you have your relationship, at least individual Governors do, with individual members of Congress. I think it is simply a matter of educating them to what can be done. I don't see their sitting in at the councils in this kind of cooperative arrangement. I think it would be too bulky. I also think that most movement in government and most improvement comes from executive leadership, and I think legislative bodies, Congress included, respond to wise executive leadership, sometimes respond to unwise leadership; in any event, respond. So I think to move things, either in the State or in the Nation, you start with executive leadership.

CHAIRMAN EVANS: Governor Williams of Arizona.

GOVERNOR WILLIAMS: I have noticed this morning in the morning paper a schizophrenic approach to this entire meeting. The editorial was very complimentary of the Governors. The column was very critical of the hospitality. There must be something in this approach the paper took, because this type of meeting is now 66 years old, I believe, started by a Governor who became President, and it may be time for a reconsideration of what can develop into a wheel-spinning operation in which we sit around and talk to ourselves

with stacks of papers before us that will get very little publicity. I am intrigued. I think Terry Sanford may have opened a vista that is tremendously important, that the executives do get together with the Chief Executive and that we start a dialogue, a real dialogue, and that maybe, with our National Governors' Conference and our Western Governors' Conference and our various regional Conferences, we can perhaps somewhere in the dim future put that into effect and revise and revitalize what may be simply a pro forma activity, not that this hasn't been valuable to me and all of the others I have attended, but, as I leave, I wonder how many more meetings will go on in the same pattern. Some years ago I complained about the fact that we had resolutions which were meaningless. We changed them to statements. Statements have almost become meaningless now. So maybe we can move on to something else. Terry, thank you very much.

CHAIRMAN EVANS: Governor Gilligan of Ohio.

GOVERNOR JOHN J. GILLIGAN: I wanted to pose a question to Professor Elazar which has to do with my own speculations about the structures of government leading to functions, or functions being impossible without a certain structure. It seems to me that one of the so-called reforms that took place has had an unexpected impact upon the relationship between the States and the federal government, that is the constitutional amendment that provided for the popular election of members of the Senate. My feeling is, following Governor Bond's notion of how you establish communications between the state governments and the Congress, we'd have a far better direct pipeline into at least one chamber of the Congress if your state legislators were still choosing United States Senators. Perhaps even the electoral college as it once operated gave a stronger role to the States in the choice of the Chief Executive. If my surmise is correct that that had an impact upon the relationship between federal and state government, I'm wondering if Professor Elazar has any suggestion as to other structural devices which might be used to reestablish that working bond between the States and the federal level.

MR. ELAZAR: I guess I have to, to some extent, suggest a slightly different historical analysis regarding what happened with direct election of Senators. In some respects it may have strengthened the States in Washington, because here is what had happened before that. First of all, many States had already gone to direct election of Senators, or popular election of Senators, on their own accord, wherein the Legislature simply ratified a popular vote. The reason they had done that was because the Legislatures had subordinated themselves to the senatorial campaign. In other words, when you voted for a state legislator in a year in which a Senator was going to be elected, you really were having a referendum on whom you wanted for Senator, and it didn't do the States much good. The second thing is the vested interests of the time would take much too large a hand in that process and the will of the people of the State would be, to some great extent or some small extent, depending on the situation, frustrated. So many of these changes were ones that in some respects strengthened the States because

the State Legislatures were returned to their primary function. I mention this because not all structural changes are what they seem to be, and the unanticipated consequences of most changes tend to outweigh the anticipated consequences.

For example, many structural changes that have been proposed today to increase the effectiveness of state government have had unanticipated consequences. Unlimited sessions of Legislatures have not created greater deliberation so much as they have postponed the logjam at the end. That doesn't mean there shouldn't be longer sessions of Legislatures, but one has to face up to the reality of the cussedness of human nature on certain kinds of things. This is not to rule out structural changes. At first and second glance, Terry Sanford's suggestion seems to be a structural change. It is one that could be a little bit like the Canadian practice which is modeled after the premiers' conference where the prime minister sits down with the premiers of Canadian provinces and they hammer out some kind of a common agenda for those areas in which they have common concern. It is not a one-way street, it is not a briefing, it is not that the prime minister tells the premiers what to do; frequently the premiers tell the prime minister what he can't get away with or what they need from him. That is a structural change which might be—it has to be looked at more carefully—adapted to the American situation in those areas where established patterns of cooperation exist or new ideas are being put forward. Another structural change might be a reorganization, and here I go along with Secretary Richardson, of the federal-aid system to the extent that it is recognized, and we are moving in that direction, that it has three components; one, kind of a broad revenue sharing, and I think that the present revenue sharing is structurally improper because it is not true revenue sharing. It is not saying that a portion of the federal income tax is dedicated to the States and that you are using the federal government as a mechanism to raise money from a common market and then redistribute it. That's a step that we have to take. There should be an intermediate step in which you have broad block grants, and the notion should be to constantly fold categorical grants into the block grant framework, and then recognize that there are always going to be some new categorical grants to test out new ideas.

Built into the establishment of any new grant should be the assumption and the mechanism for ultimately either eliminating that grant or merging it into one of the other stages. That's a structural change of a more sophisticated kind in a certain sense, but one that gets at the problem which I think Secretary Richardson points out as a very, very real one, namely, a change in degree has led to a change in kind on this level. Those are the kinds of structural changes which I see as being most useful to the future. Two other minor structural points here are not so much change as preservation. I think that the preservation of the electoral system, if not the electoral college, is a very important structural device for the States. Forcing Presidents to have to come and consult with Governors because of the way the system is structured has been a very great bulwark to the

States. There is a case where I think we can anticipate the unanticipated consequences of any change. The second thing is the fact that with the party system in the United States we really have two national confederations of parties. We are moving in the direction now of creating more national structure for the parties and to some extent I think that is necessary, but it should be done very carefully and very gingerly so as to preserve the locus of party control in the State, because that is what has kept the federal government, particularly the Congress, responsive to state and local needs far more so than they might be if they didn't have to worry about dealing with state and local parties the way they have to.

CHAIRMAN EVANS: We have time for one more question. Governor Godwin will be the final questioner.

GOVERNOR GODWIN: Mr. Chairman, I realize that time is passing rapidly and I don't want to extend the comments of Professor Elazar too much, but in his initial statement he made strong reference to the fact, time and time again, that the Governors of the States could do anything we wanted to do if we put our minds to it and directed it along that line. I think one of the fundamental questions that concerns all of the Governors and the people of the country is inflation. I just wonder how, if you were a Governor, you would approach this, having us do something about the inflationary spiral?

MR. ELAZAR: I'm hoisted on my own rhetoric! Governors can do whatever they want to do and to any extent that any other political leader can do what he wants to do. I think that's the limitation. The problem with inflation is that nobody in the world knows what to do about it. I wish I had an answer to offer, but, considering the fact that I don't think there is an economist, a national political leader, or anyone else who knows what to do about inflation, we are up against the problem; the whole world is up against the problem which confounds our own theories and our own practices, and we all have to think about it together.

What I would say is this. I don't think that the Governors should necessarily abandon any role in participating and in trying to find the answer. I think that it would not be at all remiss for Governors, for example, to go search out and support efforts to find the answer for their own States and for everybody else. In an inflation issue someone who finds an answer for one system is probably going to find it for the whole world because it is one worldwide problem, and the role of the Governors, it seems to me, should be to say, as leaders of States, we have some obligation to go and make the same effort to find out what we can do about it, either individually or collectively through the Governors' Conference, as we expect the President of the United States or the President of France or the Prime Minister of Germany, the Chancellor of Germany, to do; not automatically say "that's just not our business, that's somebody else's business."

CHAIRMAN EVANS: Thank you very much, Elliot Richardson, Terry

Sanford, and Daniel Elazar, for a fascinating discussion this morning on the States and their future agenda. I think quite clearly from the questions and the support from the Governors this morning, several of these ideas, in fact, will most likely be not only considered but put into effect by the upcoming Executive Committee and during the upcoming year of this Governors' Conference.

We will turn now to the business session of the Conference, the adoption of the various positions of the Conference, and we hope we can proceed with dispatch but also that the Governors will remain in their seats in order to assure that we have maximum participation in this important part of our agenda. The first Committee to be heard will be the Committee on Crime Reduction and Public Safety. Governor Robert Docking of Kansas.

GOVERNOR ROBERT DOCKING: Thank you, Mr. Chairman. My Fellow Governors, Distinguished Ladies and Gentlemen: The members of the Committee for which I am reporting include Governors Jack Williams of Arizona, Ronald Reagan of California, John Burns of Hawaii, Dr. Otis Bowen of Indiana, Brendan Byrne of New Jersey, Bruce King of New Mexico, and David Hall of Oklahoma. I appreciate very much their diligence and hard work and the work of the Task Force to this important Committee. We hope the result is a cogent statement of our aims and objectives.

There has been in recent years a growing concern for protecting the privacy of each American citizen. This concern is justified. The technology of computer science has enabled the government, as well as the private sector, to maintain vast amounts of data on each one of us. Used prudently and judiciously, this information can help government better serve the people, but, unrestrained, it can serve to uproot one of our most basic rights, our right to privacy. Used with abandon, it can further reflect the peering and probing eyes of government into our lives and into our homes. This vast amount of data, uncontrolled, could further limit our individual liberties, the foundation upon which our Nation is built. Our Committee, therefore, believes the Governors of the States should exert their influence to place some reasonable constraints on the use of criminal justice data. Governors Milliken and Carter authored policy statements expressing a concern for individual privacy. These statements were referred to this Committee and their essential objectives were incorporated into our policy, which is, I believe, balanced between the legitimate needs of law enforcement and the basic rights of the individual. The Committee on Transportation, Commerce, and Technology, chaired by Governor Sargent, also has addressed some of the broad aspects in this area. I am hopeful that the combined effect of our efforts will be a workable, effective piece of positive legislation that establishes some minimum standards on retaining and disseminating data contained in computer banks.

Juvenile delinquency legislation has been a matter of interest to the Committee on Crime Reduction and Public Safety for several years, and, while the States have moved toward a coordinated approach to juvenile delinquency, the

federal effort continues to be fragmented and funds for imaginative delinquency prevention programs have been inadequate. The Committee believes the policy we have adopted, with its emphasis on prevention, could be translated into strengthening existing legislation if adequately funded, and it could have a significant impact on the rate of delinquency.

Although somewhat abated, the energy shortage is a continuing fact of life for each one of us. Difficult as it is to imagine a more essential service than public protection, the Committee believed that even law enforcement agencies should use every possible means consistent with public safety to reduce the demand for energy. Our policy positions reflect our concern and our goal of reducing the demand for energy, while assuring that essential services are provided our citizens.

The Committee accepted a policy recommendation from Governor Carter urging creation of a National Commission on Fire Prevention and Control, to act as a training center and clearinghouse to study ways to reduce the loss of property and lives caused by fires. Legislation embodying the objectives of the resolution has passed both houses of Congress and efforts now are under way to work out differences.

The Governors' great concern for mitigating the effects of natural disasters was made even more acute this year with the unusual number of floods and tornadoes striking many States. Due to the enormous costs involved in rebuilding after a major disaster, States have relied upon substantial financial assistance from the federal government. The Disaster Relief Act of 1974, which supersedes the Federal Disaster Assistance Act of 1970, was substantially shaped by the Governors. Former Governor Holton testified on behalf of the National Governors' Conference during the House consideration of the legislation, and Governor O'Callaghan testified in the Senate. The new act incorporates most of the National Governors' Conference policy objectives, and we hope our ability to respond quickly and effectively to natural disasters will be enhanced. At the state level, our policy continues to be to urge States to reexamine their own disaster statutes. A model state statute prepared by the Council of State Governments serves as a good example to the States.

Each of you has a copy of the report of the Subcommittee on the National Guard, chaired by Governor Hall of Oklahoma. The special problems of the National Guard continue to be a matter of concern to this Committee, and the Subcommittee on the National Guard, and to the Governors generally. Our policy reflects that concern in its emphasis on maintaining manpower levels and supporting enlistment incentives. The Committee accepted a resolution offered by Governor Shapp at the winter meeting which opposed the announced policy of the Department of Defense to deactivate a number of Air National Guard units. The Committee believes deactivation of flying units is both uneconomic and inconsistent with the Administration's expressed policy of increased reliance upon reserve forces. Our policy urges the Armed Services Committee of the

Congress to expressly mandate retention of these units. The Committee also revised and reemphasized its position relating to the use of National Guard aircraft by the Governors. The Committee contends that the current Department of Defense regulations are unduly restrictive and are inconsistent with the role of the Governor as Commander in Chief of the guard units within his State. The Committee also developed proposed language for the Department of Defense regulations to accomplish the objectives of the policy position.

Again this year the Crime Reduction and Public Safety Committee addresses the establishment of standards and goals for the criminal justice system as an important undertaking on the part of state and local units of government. The Report of the National Advisory Commission should be examined and evaluated by state and local governments and used as a catalyst for improved planning and program development in the system. The primary purpose of our Committee is to develop policies that will assist all States in accelerating crime reduction. Each of these standing committees faces issues critically important to all of us as Governors, but public safety concerns all Americans and, as Chief Executives, it is one of our most important responsibilities. I have been honored to serve for two years as Chairman of this Committee, and I am very grateful for the contributions of my fellow Governors. Mr. Chairman, unless there are objections, I move for the acceptance of the report of the Committee on Crime Reduction and Public Safety.

GOVERNOR WILLIAMS: Mr. Chairman, I second the motion.

CHAIRMAN EVANS: The motion has been made and seconded that the policy statement of the Committee on Crime Reduction and Public Safety be adopted. Are there any amendments to the policy statement? Are there any comments on the policy statement? The policy statement is adopted. Governor Wilson of New York.

GOVERNOR WILSON: I am voting for the full report except that I do not approve that portion relating to the utilization of National Guard aircraft. I'd just like the record to show that.

GOVERNOR ASKEW: Mr. Chairman, I would like to join the distinguished Governor of New York in supporting the policy of the Committee, but also joining in his position of not accepting that provision permitting the use of National Guard aircraft.

CHAIRMAN EVANS: The record will so show. Thank you very much, Governor Docking. The next Committee is the Committee on Executive Management and Fiscal Affairs. Governor Rampton of Utah.

GOVERNOR RAMPTON: Mr. Chairman, the Committee on Executive Management and Fiscal Affairs has distributed an eight-page report on the activities of the Committee since the last Governors' Conference. I will not even attempt a review of it, except to say that, in regard to the policy statements which are the product of our Committee, we have gone over existing policy statements quite carefully and have eliminated eight of them, principally because

the problems to which they were addressed are no longer problems. In some cases they have been merged with other policy statements to which they are germane. We do propose the adoption of three additional policy statements, and I would like to comment on each of those very briefly. The first deals with Workmen's Compensation legislation. As you are aware, there is currently pending before the Congress legislation which, if adopted, would provide for the entry of the federal government into the field of workmen's compensation. We believe this should not be encouraged. There has been a recent commission which studied the the matter of workmen's compensation legislation and made recommendations to the States that the state legislation be amended to meet 19 different standards. Most of the States already meet those standards; in my own State, we meet 17 of the 19. Those which do not meet the standards, I believe, are taking action in coming legislative sessions to address that problem. Our Committee is taking the position that workmen's compensation is properly a state function. The second new statement has to do with the national economy and its effect upon state budgets and encourages a dialogue between the Congress, the national Administration and the States in an attempt to assess the impact of the national economy on state budgets.

The last proposed new policy statement is actually embodied in a resolution which was adopted at our winter meeting. In this we encourage the Congress and the Administration to release highway funds that are now impounded, in some cases with reduced matching requirements on the part of the States. Since the adoption of that resolution, a bill has been introduced into the United States Senate by Senator Moss which would carry into effect this proposal. I would like to encourage the Governors to contact their own Congressmen and Senators to urge them to support this legislation. There are two things we must do to obtain the results we are attempting to get from this policy statement. First, we have to encourage the Administration to release the funds that have been impounded and, as you are aware, there are some legal actions at the present time in which many of your States are participants which seek that release. Secondly, the matter of matching is legislative, and we need to have legislation on this subject. As I say, this is embodied in the Senate bill which has been introduced by Senator Moss. Yesterday morning at our meeting we made three minor changes, I regard them as minor, at least to the policy statements which were formerly distributed to you. These amendments have been distributed to you in the form of a one-page handout. Mr. Chairman, I move the adoption of the Committee report.

GOVERNOR WILSON: I second it.

CHAIRMAN EVANS: It has been moved and seconded that the Committee report be adopted as it has been placed in front of you. Are there any proposed changes or amendments to the Committee statements? Governor Askew of Florida.

GOVERNOR ASKEW: Mr. Chairman, by this action we just assume that

we readopt the previous ones that are not up for vote this time, or are we acting only upon the new resolutions, on the new policy statements?

CHAIRMAN EVANS: To refresh everyone, the interlined material in the policy statements represents former policy statements which, by your action on adoption of the report, would be deleted as policies of the National Governors' Conference, usually because they have been adopted or are no longer current. Secondly, some in standard type represent existing policies carried over from past years which we would readopt as a result of this action. The third would be the material in italicized print. This is new material which would be adopted as a result of this motion, so there are three elements. In adopting the motion, you adopt the report where certain material from the past is deleted, certain from the past is retained, and certain new material which the Governor has just described is added.

GOVERNOR ASKEW: Thank you, Mr. Chairman.

CHAIRMAN EVANS: Governor Bumpers of Arkansas.

GOVERNOR BUMPERS: Mr. Chairman, I'd like to address this question to Governor Rampton. Where you address general revenue sharing you point out that one of the great advantages is that the States know in advance what they are going to get. I don't know whether this came up or whether it is covered in this policy statement; I haven't had a chance to look at it that carefully. But one of the things that has wrecked havoc with the planning and budget processes in our State is that normally we don't know until we are six months into our year how much money we are going to get for education, health care, and all of the other programs. It occurs to me that in the budget reform programs of Congress they invariably overlook what I consider to be one of the most important things needed by the States, and that is knowing how much money we are going to get with at least six months' lead time before our fiscal year begins.

For example, this December 31 when Congress adjourns, if we knew how much money we were going to get for the various programs beginning the next July 1, and that is when most all of our fiscal years begin, then our Legislature coming in next January, of course, could do a decent planning job. Last year it was a nightmare, of course, trying to plan and anticipate what Congress was going to do and I was just wondering if that was discussed in your meeting.

GOVERNOR RAMPTON: It has been discussed, Governor Bumpers, not only in connection with revenue sharing but in connection with the categorical grants. We do support advanced funding both in the language of this particular policy statement and in our general support of the new federal Budgetary Procedures Act. The Procedures Act doesn't do completely what we'd like it to do. If I recall, the date is April 1 prior to the beginning of the federal fiscal year when the level of funding must be established and that really, as you point out, doesn't do us a great deal of good because our Legislatures have gone home by that time. If we're lucky, they've gone home. But, yes, we have addressed that problem. It's covered in the policy statements, in several of them in fact.

CHAIRMAN EVANS: It is my understanding, in addition, that the new Budgetary Procedures Act would allow for multiple-year appropriations which also in certain important areas could get at the problem I am sure we all do face. Are there any further questions or proposed amendments to the Committee report on Executive Management and Fiscal Affairs? Governor Dunn of Tennessee.

GOVERNOR DUNN: Mr. Chairman, I'd like to at least raise the issue on page 5 of this report which calls upon the National Governors' Conference to initiate appropriate legal action on behalf of all States to secure resolution of the impoundment issue. I must apologize by saying I missed the meeting of the Committee, but I'd be more comfortable if we could simply leave this matter up to the discretion of the Executive Committee without including this provision in the report.

CHAIRMAN EVANS: First I'll ask Governor Rampton to comment upon it, and then, if there is a proposal for an amendment to the policy statement that certainly would be in order.

GOVERNOR RAMPTON: Governor Dunn, would you be willing to modify your amendment to the extent that this body would authorize the Executive Committee to consider this matter. It presently directs the staff to do so, but I would like some authorization from this group to the Executive Committee to proceed in this matter if they see fit.

GOVERNOR DUNN: That would be perfectly appropriate, Governor Rampton, and I certainly would find that very comfortable as an adjustment. May I offer the amendment?

CHAIRMAN EVANS: Yes, Governor Dunn.

GOVERNOR DUNN: That this adjustment take place, and we simply authorize the Executive Committee to consider this matter and, if they see fit, to institute legal action to challenge the right of impoundment.

GOVERNOR FORD: I second it.

CHAIRMAN EVANS: The amendment has been moved and seconded. To again refresh the Conference, any motion for amendment, as well as adoption of our policy statements, will require a three-quarters affirmative vote. Governor Mandel.

GOVERNOR MANDEL: Mr. Chairman, if we leave the statement as it has been amended, we haven't said anything. All we have said is to let them consider the matter. We have been considering it now for five years. I think the thrust of this was, if the Committee sees it appropriate, to take necessary legal action.

GOVERNOR RAMPTON: Yes, and I think Governor Dunn's amendment would leave that in.

GOVERNOR MANDEL: If he leaves it in, fine, but I think he cut that out.

GOVERNOR DUNN: No.

GOVERNOR RAMPTON: I don't think so. The difference was that the policy statement as originally written would direct the staff to proceed

immediately. What you are doing here is authorizing the Executive Committee to go ahead.

GOVERNOR MANDEL: That's fine, so long as you leave that in.

CHAIRMAN EVANS: As I understand it, the wording would be that the Conference authorizes the Executive Committee to consider and, if it is felt appropriate, to initiate legal action on the impoundment issue. Governor Exon of Nebraska.

GOVERNOR EXON: I'd like to ask this question of Governor Rampton. I think most of the Governors around this table have been concerned for a long, long time about the impoundment of funds by this Administration and previous Administrations. Nebraska at the present time is in the courts over our highway impoundment. Other States have taken similar action, following upon the successful suit brought by the State of Missouri. Are you recommending, as Chairman of the Committee, that we go along with the suggested amendment by Governor Dunn? If so, I'm asking, are we reversing, in effect, the strong position that your Committee has taken which I endorse, and are you suggesting that we go along with the recommended amendment by Governor Dunn?

GOVERNOR RAMPTON: No. I'm recommending we go along with the amendment but I don't agree that it guts the proposal. I think it merely puts the discretion in the Executive Committee to determine how and in what manner we will proceed, rather than giving direction to the staff to go ahead right now. My State, like yours, is an intervenor in the action challenging the impoundment of the highway funds, and we intend to go through with that suit regardless of how the Governors' Conference does proceed. Now, up until the adoption of the new Constitution and Bylaws of the Governors' Conference, which were effectuated at the midwinter meeting, the Conference, as such, had no standing to sue. I would think that now we should move ahead, and I would think the Executive Committee would direct the moving ahead, but I still feel that Governor Dunn's proposal that the Executive Committee be given discretion in the direction of how we should go and where we should file suit is justified, rather than giving a direction to the staff immediately to go ahead without giving them much direction as to where we should file the suits or how we should proceed.

GOVERNOR EXON: Let me ask, then, a question if I may, of Governor Dunn, because I'm a little bit confused on the reason for the motion. In essence, then, as I understand it, rather than voting as a Conference directing the staff to do this, we are shifting responsibility for the details of filing the suits over to the Executive Committee. Is that the thrust, Governor Dunn, of your amendment?

GOVERNOR DUNN: The thrust of my amendment is simply to authorize the Executive Committee to, at its discretion, initiate whatever action it feels it should, rather than simply giving to this staff the power to initiate litigation on behalf of the State of Tennessee and the other States. I want this to go back through the Executive Committee and, if the collective judgment there substantiates our position on this and other issues that relate to impoundment, then this

is fine with me.

GOVERNOR EXON: To make my position clear, then, and some of the other Governors around this table, if we adopt your amendment, we are not taking a weaker position?

GOVERNOR DUNN: I wouldn't think so, frankly. I just want to make sure the authority is designated in the proper chain of command.

CHAIRMAN EVANS: Are there any further questions on this particular amendment? Governor Ford of Kentucky.

GOVERNOR FORD: Could we, to clear the air as to what might be the direction under this amendment, review the language that Governor Dunn of Tennessee put forth and I seconded? I did not want to second a motion that would say "if they desire." I think the direction to file suit is the consensus of the Conference, and I think what Governor Dunn is trying to do, at least that's what I thought, is direct the Executive Committee to proceed to file suit rather than just to put it in the hands of the staff; we are directing the Executive Committee to proceed and, if there is any difference in the thinking of Governor Dunn, then I want to withdraw my second and leave it like it was.

CHAIRMAN EVANS: Governor Dunn.

GOVERNOR DUNN: I still feel that the implication that I made may be slightly different from what you assumed it to be, Governor Ford. I think the Executive Committee should operate within its discretion in this matter to initiate this action.

CHAIRMAN EVANS: It was discretion left to the Executive Committee. If for some reason they felt it was unwise to proceed, they would have that discretion by the Conference to do so.

GOVERNOR FORD: Mr. Chairman, I withdraw my second.

CHAIRMAN EVANS: Governor Bond.

GOVERNOR BOND: I would second Governor Dunn's amendment.

CHAIRMAN EVANS: The motion is back on the floor again after a short respite. Governor Askew of Florida.

GOVERNOR ASKEW: Mr. Chairman, wouldn't it accomplish what may be the consensus of the group—it may not be completely in line with what Governor Dunn suggests—to put in language to delete the word "staff" and that it authorize and direct the Executive Committee. Now that is really what we are talking about. This isn't an issue that we are not totally familiar with. This Conference has made it clear time and time again to question the right of impoundment, so I would offer as a substitute motion to the motion of the Governor of Tennessee that we authorize and direct the Executive Committee to initiate appropriate legal action. Bear in mind that the word "appropriate" still gives a great deal of flexibility to the Executive Committee. But if we leave here saying that we have now decided we are not going to go forward, we are going to go back and just leave it with them to decide whether or not we are going to continue with a strong position, I really feel this would be inconsistent with the position that this Conference has taken before. I think that the word "appropri-

ate" is important to those who would feel like we are just calling on them to do everything under the sun. You are authorizing and directing them to take appropriate legal action. Well, in some instances they may not deem it is appropriate, but at least you have given them direction and it is consistent, so I would offer that as a substitute motion.

GOVERNOR DUNN: And I'd be willing to accept that substitute.

CHAIRMAN EVANS: Now we have a substitute motion on the floor which authorizes and directs the Executive Committee of the National Governors' Conference to initiate appropriate legal action, et cetera. Does everyone understand the substitute motion? Are there any comments on the substitute?

GOVERNOR FORD: Where are we now, Mr. Chairman, when the Governor of Tennessee accepts the motion of the Governor of Florida? This is the question that is before the group?

CHAIRMAN EVANS: Yes. The question before the group is the substitute motion which has now replaced the original amendment. Are there any further questions? The substitute amendment is adopted. Are there further amendments to the policy statement of the Committee on Executive Management and Fiscal Affairs? If not, are you ready for the vote on adoption as amended?

GOVERNOR FORD: Question.

CHAIRMAN EVANS: The motion is adopted. Thank you, Governor Rampton. Governor Thomson of New Hampshire.

GOVERNOR MELDRIM THOMPSON, JR.: I would like the record to show that I go along with the vote, except on the matter of taking legal action on impoundments. Our State has taken a position on that and we are opposed to it and I just want to make that clear.

CHAIRMAN EVANS: The record will so show. Governor Askew.

GOVERNOR ASKEW: I'd like the record to also reflect that I voted on the motion but declined to support the readoption of a previous statement in regard to the three-factor formula developed by the National Conference of Commissioners on Uniform State Laws. Coming from a consumer State, I really believe that we do not support the three-factor formula.

CHAIRMAN EVANS: The record will so show. The next Committee report is that of the Committee on Natural Resources which has been an exceedingly busy Committee during the course of this past year. Governor Hathaway is the Chairman. Governor Hathaway.

GOVERNOR HATHAWAY: Thank you, Mr. Chairman and my Colleagues: Considerable water has passed under the bridge since this Conference first adopted an energy policy in Lake Tahoe a year ago. You are right, Mr. Chairman, our Committee has been active. We have had five separate meetings, and I hope we have carried out the role this Conference assigned to us of being an intermediary with the federal government in the development of energy policy. Unfortunately, the management of the shortage last fall and last winter was pretty much one of reaction instead of a well-planned effort. Perhaps the so-called energy

crisis has not lasted quite long enough to make the American people feel that we do yet, indeed, have an energy shortage in this country. It is our hope that we will not have the problems of the mandatory allocation program that we had last winter. Our policy amendment states that we need a more reliable source of information on supplies in the various States, and that we also need the capacity to move allocations of fuel within our state boundaries without the impediments that we have had in the past. The Committee is also very interested in promoting research on the development of new domestic energy resources. We met with some representatives of the National Science Foundation here in Seattle. We hope to continue a liaison with them and to have a voice in some of the research projects being carried out by that body and other federal governmental groups to develop new energy resources.

The Governors of this country have taken the lead in conservation of energy. It is the belief of the Committee that we must still do this, and that we must continue to narrow the gap between new energy demands and the supply of energy available. There are no other major amendments to the energy policy. The items that we have addressed for the first time are matters of developing an ocean policy, to develop the great resources of the ocean, the protein, the minerals, the other resources that can help the shortages that we find everywhere in this country today. We endorse the Senate study committee which is investigating these ocean resources. We have addressed the matter of flood control and have expressed our support of the concept offered by Governor Carter that we look more deeply into the floodplain concept in lieu of the channelization that we find in many flood control regions. We have talked again about the matter of impoundment of water pollution control funds and urge the executive to consider intervention in the case of *New York City* versus *Ruckelshaus* which is now before the Supreme Court. The only other new matter, finally, is the matter of reevaluation of Corps of Engineers' projects in some of the States which have been authorized for as long as eight years without appropriation or final action upon them. I will be glad to answer any questions about the policy statements of this Committee, but move their adoption to get it on the record.

GOVERNOR NOEL: I second it.

CHAIRMAN EVANS: It has been moved and seconded that the policy statement of the Committee on Natural Resources be adopted. Are there any proposed amendments to the statement? Governor Mandel of Maryland.

GOVERNOR MANDEL: Governor, I have no amendment to offer but I would like to make a statement because some time ago this Conference directed attention toward the coming energy crisis, and we were in advance of the actual happening. I think today we are facing another kind of crisis, a crisis of national shortages of vital products, for example, in the steel industry. We have one of the largest steel plants in the Nation in our State. I met with those people not too long ago. They told me that if we are planning any state projects, they need two years' lead time because steel will not be available; and they predict that

within five years we are going to be allocating steel. There is a tremendous shortage in almost every field. It is fine to say we are going to develop new oil fields. Try to get the necessary equipment to develop those oil fields, you can't even buy rigs. There is a coming crisis facing this Nation in all kinds of essential products related to the energy problem. I don't know how to get into it here, but I think that we ought to ask our Executive Committee to direct some attention towards this serious coming crisis. It should be considered very, very realistically at this point.

GOVERNOR HATHAWAY: May I speak to that?

CHAIRMAN EVANS: Yes, Governor Hathaway.

GOVERNOR HATHAWAY: We agree with the Governor of Maryland. We have addressed this subject in the report. The National Governors' Conference recognizes that there is a finite supply of the earth's mineral resources. This Nation and other nations have a responsibility for future generations to conserve these nonreplaceable, nonreplenishable natural resources. We encourage a study, further on in the statement, to review the entire range of regulatory, tax, and promotional policies and programs to determine the impact of each on the goal of encouraging the recycling of resources, and we recommend revision of such programs.

CHAIRMAN EVANS: I think, Governor Mandel, that the newly formed Executive Committee will not only take your words into account, but will also be taking a look at the entire Committee structure of this Conference and the focus of attention on perhaps future and higher priority tasks as opposed to a broad-brush look which we have taken in these extensive policies of the last few years. Governor Holshouser.

GOVERNOR HOLSHOUSER: I'd just like to address one question to Chairman Hathaway if I may. Do I understand it that we are abandoning the former position of the Conference for incentives to encourage the private sector to move forward in the development of new energy resources?

GOVERNOR HATHAWAY: I would hope not, Governor. I think incentives are vital to the free enterprise system developing new energy resources. The Governor of Maine moved the deletion of that paragraph because he thought we should not take a position with respect to depletion allowances and the current dialogue on that subject. It is certainly not intended to eliminate incentives in the development of energy resources.

GOVERNOR HOLSHOUSER: Mr. Chairman, I don't come from an oil-producing State. At the same time, I think all of us recognize the very serious shortages we face and I would hope no position we would take would be interpreted as being opposed to the development of whatever incentive system could be devised to help us achieve independence from an energy standpoint.

CHAIRMAN EVANS: Are there any amendments to the policy statement on Natural Resources? Are there any further questions or comments on this policy statement? Governor Judge of Montana.

GOVERNOR THOMAS L. JUDGE: I talked to Governor Hathaway about this issue, and I would like to bring it to the attention of the Nation's Governors and ask that they study the question so that we can have a further discussion of this at future meetings of the Conference. Shortly the federal government will begin leasing huge areas of the Western States for the purpose of mining coal, strip-mining coal, to provide energy for the rest of this Nation. The entire focus of attention by the federal government is a way out of the Nation's energy crisis by the use of coal, and I believe that not enough attention has been given by the federal government to the environmental, social, and economic effects that Western States may bear as a cost of providing this resource to the rest of this country. I think that we need a national severance tax to go back to the States to provide funds for the impact in those areas for schools, for health care, for transportation, for roads. I also believe that the federal government's study to date has been merely window dressing as far as the kind of information that they have been able to develop on the effects of strip mining, the effects of gasification and liquefaction plants on air, on water, on groundwater.

I would hope that in the future this Conference would address this subject, and I would like to call it to the attention of the Governors of the coal-producing States who recently held a meeting in West Virginia where they very well articulated some of the issues that are facing the States with respect to safety, with respect to environment, with respect to taxation. This summer we intend to call the Governors of the coal-producing States to a meeting in Montana where we will go into this in greater depth, and I would hope that the Governors who represent coal-producing States will attend or send their designated representative. I believe very sincerely that, if the Governors of these States don't get together, the federal government and the coal companies, which are the oil companies, are going to pick us off one by one. Then we are going to see the greatest ripoff of the West that this country has ever had, for a short-term answer to the energy situation in this country.

CHAIRMAN EVANS: Is there any further comment? Governor Shapp of Pennsylvania.

GOVERNOR SHAPP: I would like to second and perhaps strengthen what my colleague from Montana has just said. The federal government, the Congress at the present time and the Administration in Washington, are considering legislation that would seriously weaken the state strip-mining laws that have taken so many years to get on the books of our various States so as to protect the environment and to protect the health of the people who work in the mines. There is absolutely no need, and we have proved this in Pennsylvania, for any relaxation in the strip-mining laws. We are allowing the mining companies to take our coal, but they must first get permits and then put up bonds so that the land is restored to its original contour and to its original condition. Any attempt of the federal government to weaken the strip-mining laws nationally so that they can go out and have this ripoff, which would be a rape of the land in the

West, would also be a rape of the industrial East. I think this is a very serious problem for all Governors and not just the coal-mining States. So I go on record strongly in favor of what Governor Judge has just stated.

CHAIRMAN EVANS: Are there any further comments? Governor Ford of Kentucky.

GOVERNOR FORD: Mr. Chairman, Kentucky is the largest coal-producing State in the Nation by some 10 million tons. At the last session of the Legislature, my request was approved for \$64.5 million to be placed into research and development in coal gasification and liquefaction. We stand ready to join with the federal government and private enterprise to supplement the program of gasification and liquefaction of coal. At the first meeting that Governor Judge referred to of the coal-producing States, they turned to Kentucky to see what we were doing because we already have the severance tax and it is working well in its third year. We are returning this year some \$5 million directly to the coal-producing counties in order to improve local conditions. Those counties have the responsibility of submitting a program to the committee, set up by the Legislature at my recommendation, which approves these programs, such as industrial development sites, sewage and water treatment plants, and so forth. We believe that this is the right direction but, again, it seems that we are waiting on Washington while the States are showing the leadership. I am mighty proud that my State has taken the initiative here. If any of you would like to have a report on what we have done, the legislation we have passed in order to fund these programs, I will be delighted to give it to you.

GOVERNOR VANDERHOOF: I'd like to join with Governor Judge, but I also feel very strongly that the federal government does not realize the importance of manpower involved in this whole energy situation. We have steel shortages and other mineral shortages, and we have a complete lack of training going on at the moment in the field of engineering and technical skills for the development of all of the things that Tom has talked about in the development of coal and oil-shale areas. Also there is a great lack of experts in the environmental field, water pollution, solid waste technicians, and so on. The State of Colorado has established an institute at the Colorado School of Mines, which is funded with state tax dollars, offering a massive number of scholarships to individuals throughout the Nation to be trained in these areas, to develop a program to see what we need in the way of skilled technicians, and then these programs can be instituted in all of the schools of the West, community colleges on up. This type of a program can match people to jobs in these technical areas down the line; it will be massively funded, we feel, by private industry as well as by the federal government. It might be well, Governor Judge, for us to join, along with North and South Dakota, in the training of a good number of people and insist that the federal government provide us with the help to train the manpower that is needed more than any other thing at the present time.

CHAIRMAN EVANS: Are there any further comments or questions on the

Committee report on Natural Resources? If not, are you ready for the motion to adopt?

GOVERNOR SHAPP: Question.

CHAIRMAN EVANS: The motion has carried. Thank you, Governor Hathaway. Governor Wilson of New York.

GOVERNOR WILSON: I would like the record to show I voted for approval of the policy statement as revised, except that I am opposed to the statement relating to Daylight Saving Time and also the word "deliberately" as a modifier in the last paragraph of that policy statement.

CHAIRMAN EVANS: The record will so show, Governor Wilson. The next Committee report is that on Human Resources. Governor Andrus.

GOVERNOR ANDRUS: Mr. Chairman, Members of the Conference, Ladies and Gentlemen: The Committee on Human Resources last winter took a look at the policy statements that we have carried over from year to year. If you will notice the document you have in your folder, it appears to be quite thick. Actually the Committee gave the staff directions to take out all obsolete, superfluous material and condense and update these policy statements. I am quickly going to cover those areas that we have put into this policy statement, pointing out the two areas where I think there were differences of opinion. The first 10 items are basically our policy statements as they have been condensed. I say to you that they do no violence to the positions that we have had in the past. There are two policy statements, though, that I would like to point out. One is the human services program and the other one deals with national health insurance. First of all, I'd like to refer to the social services legislation. We have been in the situation where some of this legislation was tacked on by the Senate to some rather innocuous material passed by the House. It has been in the conference committee. We have condensed our policy statement and we point out seven positions that we, your Committee, would hope the federal government would deal with in making the regulations more workable.

Presently this material can be utilized by the conference committee, if they choose, and they are presently drafting legislation that would encompass the statements that we refer to. Your staff of the National Governors' Conference has worked very closely with the HEW people and staff on the Hill. However, there was in our deliberations yesterday a discussion on maintenance of effort, and I think it is only fair to point that out to you this morning. As it presently stands, our recommendation does not speak to the continuation of maintenance of effort. Members of this Conference, there are two trains of thought there, depending upon your position. I can only give you the reasoning of the Committee when it was deleted by a legitimate motion of the Committee, and it was believed quite widely that maintenance of effort is sometimes used as financial harassment by people from the federal bureaucracy or, more pointedly, from HEW, and there are two sides to that story. We of the Committee were concerned and are concerned that this should not be construed or misinterpreted to

mean that the people who need the services should have them taken away in a given State. Your Committee felt that we were in a position, hopefully, to ask the States to have their plans and to follow through.

The other idea was that there are some States which have increased their level of effort considerably and have not had federal participation in some of the social services, their point being, then, if the federal government does, indeed, make funds available, then they would not be able to reduce the level of effort in that area, where perhaps they had been providing excessive levels in the past. So we were in somewhat of a quandary. Being a practical man, I would point out that, no matter what the Governors' Conference comes up with here today, it is my opinion that you will see maintenance of effort in the federal legislation, so perhaps any discussion we would have here today would be moot. Some of our staff felt that we had made a commitment to Congress that we would endorse maintenance of effort. I say to you that your Committee, on a majority vote, chose to delete it. That does not mean they are opposed to it, but there are two legitimate sides to this, keeping in mind that the Committee did not want to see the poor people, who need services in the various States, denied these because the money would be used for something else.

On health, I urge you to make certain that you have with you this morning's document, because there are some changes from the same red-covered proposal that was on your desk as of yesterday. We point out that, "As the first priority for health, the National Governors' Conference urges prompt enactment of federal legislation": and one of the areas of concern was whether there would be several levels of benefits, one for the poor, one for the aged, one for the working man, or one for the independently wealthy. It was the considered opinion of the Committee that there be an adequate set of comprehensive health benefits to every citizen regardless of his personal financial resources. Then there was a discussion on the type of financing so as "to finance such benefits through a federal level mechanism which combines public and private contributions in the most efficient and equitable manner feasible." Members of this Conference, we have discussed financing of this at length. We had a very distinguished panel before us for more than two hours the other day. Questions were asked by members about the fiscal impact upon the States of this Nation, what it would do to us. We promised you some information. On each of your desks are located packets. I ask that you look at them. It is the information that was given us by the proponents of the methods the other day, pertaining to impact upon the States, the Kennedy-Mills bill, the Administration's proposal. I ask that you take these with you, be certain to place them in the hands of the responsible staff members that are going to make your personal evaluation, and then please correspond with the National Governors' Conference so we will know your reaction to the material that is in this separate packet. We are asking you to have your people look at it and give us the benefit of their wisdom in this regard.

I would now, Mr. Chairman, like to yield the floor to the Governor from

Rhode Island, who is the Subcommittee Chairman on National Health Insurance appointed by the Chair, at this point to briefly give you a synopsis of where we are in this regard. I believe I have covered the major points, but we might answer some questions before they are posed. I know there are some people, Mr. Chairman, who want to discuss this matter at greater length, and I would yield to whatever you decide, if you want to handle the rest of the matters and then hold this separately, whatever your choice.

CHAIRMAN EVANS: I'll call on Governor Noel and then I think we would want to offer a motion on the entire package and see where we go from there. Governor Noel.

GOVERNOR NOEL: I really don't have much to add. If any discussion ensues maybe I can answer questions that may be put to you, Mr. Chairman, or to me as the Subcommittee Chairman. To synthesize what this resolution does, I would advise my colleagues that, first, the resolution says that programs involving the financing of health benefits are basically a federal responsibility. It says that the role of the States in health is primarily that of planning and regulation of the health care system. That is in keeping with the testimony we have already presented before the House and Senate Health Subcommittees. I am pleased to advise my colleagues that, as a result of my testimony, some of the changes that we have recommended have been written into the House and Senate versions of the health planning and regulation legislation that they are deliberating. Our statement says that delivery of health care is the primary responsibility of the private sector and the private physician. There is nothing in this statement, as some of our colleagues might suggest, that would indicate you want government medicine or that we are looking for socialized medicine. Those are the major features of the resolution. I think that is all I could add at this time, Mr. Chairman.

GOVERNOR ANDRUS: Then, Mr. Chairman, as Chairman of the Human Resources Subcommittee, I move the adoption of the policy statements.

GOVERNOR NOEL: I will second it.

CHAIRMAN EVANS: It has been moved and seconded that the policy statements of the Committee on Human Resources be adopted. Are there any amendments or comments? First, Governor Bumpers.

GOVERNOR BUMPERS: Mr. Chairman, I would move that on page 8a an item numbered 8 be added to provide the following amendment. Eight would read as follows: "Provide assurances that increased utilization by the States of federal social service dollars shall not result in decreased state and local support for the total state and local expenditures for social service programs in the State." Now, Mr. Chairman, with your permission, I'd like to elaborate just a moment on the reason for offering this amendment. As Governor Andrus has appropriately pointed out, this is probably all an exercise in futility because I think the Ways and Means Committee is most certainly going to put maintenance of effort back into their legislation. But my primary objection to deleting

it here is that there are perhaps no more than five States in the country who are presently or will in the future provide more social services than they can get matching federal dollars for. All of us remember the abuses that took place two years ago, with all due deference to my colleague from New York and our absent colleague from California, each of whom went to Washington and came home with something between \$200 million and \$600 million, and it was at that time that this Conference, through its Chairman and through its present Chairman, if I'm not mistaken, made a commitment to the Congress that we would support legislation which would prohibit those kinds of abuses.

The legislation pending before the Congress right now provides \$2.5 billion total funding. Most of us have a rule of thumb, for example, Arkansas has about 1 percent of the population so we estimate that we'd get about \$25 million. I think the actual figure comes to \$26 million. Under the present HEW guidelines, we will be very lucky to use \$16 million to \$17 million of that money; whereas, on the other hand, I strongly suspect that New York, whose allocation is \$200 million, will be able to use all of that, and probably in the future will design and implement additional social service programs. The purpose of my amendment is to make certain that States who do in the future get additional dollars do not use those dollars which are intended for social service programs for highway construction or any other purpose, and I think it is incumbent upon this Conference to keep faith not only with the House Ways and Means Committee but the Congress to make certain those abuses don't occur in the future and that those social service dollars not be used for other purposes. I recognize, as does Governor Andrus, that there is a very good and almost compelling argument on the other side, but I think this Conference is on record, and I think we have to keep our commitment.

CHAIRMAN EVANS: A motion has been made. Is there a second?

GOVERNOR CARTER: I second it.

CHAIRMAN EVANS: The motion has been made and seconded. It is now on the floor so the discussion should be on the amendment by Governor Bumpers. Governor Noel.

GOVERNOR NOEL: I don't like to disagree with my good friend, Dale Bumpers, especially since he is going to a very powerful position, I'm sure, and I may need his help, but some of us in the Northeast have trouble with that concept because we have long been in the vanguard of developing, on our own initiative, very liberal and extensive social service programs and benefits. For example, when the SSI program went in, Dale, that program, in effect, took many of the States right out of the welfare business for the older Americans of their States; but in the Northeast where we had our own initiative and with our own dollars have provided over the years very liberal benefits for those people, we are still not burdened because it is not a burden, but we still have additional proportionate amounts of our total resources committed and directed in those areas. So I don't say we should have a system that is so open and flexible that a

State can use an increase in federal support to rip off the system and start building roads and ignoring the needs of people who require social services. But States that have made the commitment over the years, where taxpayers have stepped up to the line and paid for the support of these programs at a very heavy level, those States should have some flexibility in the way they reorder the spending of any new money that comes in from Big Brother. I don't think you can paint the case with one broad sweep of the brush, Dale, and I'm not so sure that your amendment wouldn't put us all in that same category as those who would abuse this new-found revenue.

GOVERNOR BUMPERS: Mr. Chairman, I want to make sure that my amendment is clearly understood, and I think Governor Noel and I are probably in agreement on this. If the State of Rhode Island provides social services in excess of those that are now allowed, and for which he can get matching funds from HEW, any additional money that comes in the future would simply be used for additional or innovative new social service programs or expansion of old programs. This would simply allow you, Phil, to liberalize the social service programs you have. That is what my amendment addresses itself to. I'm saying that the State of Rhode Island is now spending \$2 million above the amount of money it can get from HEW under the present guidelines. If in the future \$2 million additional is provided by increased funding, you could not take that \$2 million and divert it to other purposes not intended, that is, purposes other than social services.

CHAIRMAN EVANS: I think if I understand Governor Noel's concern, it would be if a State had built a particularly superior older Americans program or something within the general field of social services, that this amendment not be so restrictive that it would not allow the substitution of federal for state dollars in that field to free up money to use in other elements of the general social service field.

GOVERNOR BUMPERS: If that is his concern, then I agree with him and I have no objection to that.

GOVERNOR NOEL: It gets more binding than that. When the department is through issuing their regulations, then you find that some of this new money cannot even be used in social service programs for capital improvements. We are restricted and told that it is program money, and so facilities that we have developed over the years that need restoration or facilities that need to be replaced or even in new facilities, those funds are not available to our States because of the way that the new revenue is sent down. So your amendment may be intended to operate one way, but my fear is that it will operate in quite another way should the federal government continue to write these kinds of controls into new levels of support for social service programs. It is a very real problem.

CHAIRMAN EVANS: Are there further comments on this particular amendment? Governor Wilson and then Governor Shapp.

GOVERNOR WILSON: Governor Evans, My Colleagues: I would have to say, first of all, that I think Governor Andrus did a magnificent job in dealing with this and other issues in our Committee. The amendment which is offered by Governor Bumpers was before the Committee yesterday and, after considerable discussion, it was deleted from the proposed policy statement. It is an extremely complicated issue and ever since yesterday's meeting the staff has been trying to articulate what I think would be the common position of all of my colleagues, that is, that our focus has to be on the genuinely needy. But, at the same time, we have to be certain that, with respect to those States which are not providing adequate funds to alleviate the cries of the needy, they will not utilize additional federal funds as a substitute for the inadequate state and local taxpayers' funds which are being provided for that compassionate purpose.

On the other hand, with respect to those jurisdictions where, in the absence of effective funding from the federal level, state and local taxpayers have strained themselves dreadfully in order to provide adequate funds in compassion for the genuinely needy, and when, belatedly, the federal government measures up to its responsibility, because these are all citizens of the United States as well as citizens of the several jurisdictions; when, belatedly, the federal government comes in and picks up its appropriate share of the burden, it is felt, by some of us at least, that we, as Governors, do owe an obligation to our taxpayers who are so dreadfully oppressed by taxes at every level of government to permit them to substitute to some extent the belated federal funds for the state and local taxes which have been devoted to that purpose as a top priority item. It does seem to me that since, as has been indicated, our friends in Washington will, with virtual certainty, adhere to their policy of providing for maintenance of effort, that those of us who represent taxpayers of States—and we are the only spokesmen for the taxpayers who are so dreadfully oppressed by taxes—it seems to me, at least, that this view commended itself to the judgment of the Committee members yesterday. It is, at best, injudicious for Governors to invite this imposition which will surely be placed on us by the Congress in any event, and it does seem to me, since the policy statement as recommended by the Committee is silent on this issue, that the course of wisdom would be to defeat the amendment offered by Governor Bumpers and adopt the policy statement.

CHAIRMAN EVANS: Governor Shapp, do you have a comment?

GOVERNOR SHAPP: Yes. I join Governor Wilson and Governor Noel in urging a defeat of this amendment. It is on the basis that all of us as Governors come to grips with our budgets. We have just so many dollars, and we adjust our priorities, so what we are now being asked to do, if this amendment were passed, would be the following. We have adjusted our budget to provide more services with state dollars because federal dollars have not been available for these services, and now we are asked, at the same time we are sacrificing some other programs by so doing, to say that we cannot use any of this money to go ahead and pick up the slack in some of the programs we have been sacrificing while we

are maintaining the SSI programs. So I think it would put us in a bind, and I would hope that we'd retain the flexibility that we have under the Committee ruling, the Committee proposal, rather than the amendment.

CHAIRMAN EVANS: Are there any further comments? Governor Bumpers.

GOVERNOR BUMPERS: I want to simply say that Governor Noel, Governor Wilson, and Governor Shapp all make very persuasive and compelling arguments against the amendment, but I want to stress that I feel very strongly that the amendment will keep faith with the people in the Congress to whom we have a very strong commitment to this maintenance of efforts. Now, Governor Noel's concern, for example, about the HEW guidelines is well taken, and I think this Conference would be well advised to direct its efforts toward the liberalization of those guidelines so that money that is freed up could be used in a more flexible way for social services. Maybe it might be a new building, it might be for any number of things that HEW would not now tolerate, but, as I said, we all took a vow, at least some of us did, with the members of the Congress, that these abuses which occurred two years ago would not be tolerated again, or at least that we would not indulge in them. The House Ways and Means Committee feels very strongly that they were betrayed by many States. For example, in our State, they were sort of Indian-givers. They urged us to file for these retroactive payments. I think Mississippi asked for something like \$400 million. What did you get, Governor Waller, \$3 million? In any event, they gave us \$5 million and took \$4 million of it back and sued for the other \$1 million. I'm simply saying I think this Conference has a sort of a commitment.

CHAIRMAN EVANS: Are we ready for the question on the amendment? Governor Holshouser.

GOVERNOR HOLSHOUSER: Mr. Chairman, it seems to me that the most telling and persuasive argument from Governor Bumpers has to do with our commitment. I wonder if I could ask him to restate that for the Conference here as to what we have told Congress at some time in the past. I didn't quite get the gist of it.

GOVERNOR BUMPERS: We have told them that, if they would provide as much as \$2.5 billion in total funding to the States, we would agree to the maintenance-of-effort provision being included in the legislation. Two and a half billion dollars is really more money than I think the States can use. I would say, and this is just an off-the-cuff opinion, that not more than five States represented around this table will be adversely affected by this, and I'm not using that as an argument, Phil, because I am a strong champion of your rights. I'm simply saying that most of us will not be able to use the funds available to us, even with the maintenance-of-effort provision in it, and I will work and make a campaign promise to my good friend, Phil Noel, right now to see that HEW doesn't fight his program to use money for whatever purpose he wants to use it as long as it is along the line of social services.

CHAIRMAN EVANS: I think those were the things that we discussed with the Senate Finance Committee and with others at the end of last year, in trying to get legislation to thwart the efforts of HEW to narrow our scope. I think it was true that there was an inherent promise at least to carry on maintenance of effort as long as we had the maximum flexibility and the maximum potential description of what constitutes a social service. Governor Mandel.

GOVERNOR MANDEL: I just want to affirm what Governor Bumpers has said. I was present at those meetings and one of the big stumbling blocks to accomplishing anything was Congress' fear that there would not be a maintenance of effort. I think if we go on record today—and that's what we'd be doing, in essence—without some maintenance-of-effort statement in here, it is just going to give them a platform on which to say, "We told you so a year ago. We told you this is what was going to happen." We may find that we are going to get hurt by that kind of action.

CHAIRMAN EVANS: Are there any further remarks? Governor Holshouser.

GOVERNOR HOLSHOUSER: Just one parting shot, in agreement with Governor Mandel's point. This morning we heard from former Governor Sanford about States going hat in hand to Congress. I think as long as we look at every issue with the attitude of just what it is going to do for our State in the way of federal dollars coming in, regardless of what we might have said in the past, regardless of how we might feel about the present issue, if we can't maintain some stability of commitment, I think we do ourselves irreparable damage in dealing with Congress in the future.

CHAIRMAN EVANS: Governor Meskill.

GOVERNOR MESKILL: Mr. Chairman, I would like to add Connecticut to the list of States who would be adversely affected by including the maintenance-of-effort provision. We are in exactly the same situation as Governor Noel. When the adult categories were taken over by the federal government, our elders were going to get less of a benefit than they got under the state program. The result was we opted to make up the difference, so that in Connecticut our seniors are better off than perhaps they are in any other State. I would hate to think that if the contribution of the federal government were increased we would have to add it on to the payment to the seniors, because that really was not the reason why it would be increased nationally. I think that, if we can defeat the amendment, we can leave that language out of our statement and at the same time the concerns about maintenance of effort can be protected by perhaps more exact language or more liberalized regulations by HEW.

CHAIRMAN EVANS: I think the issues have been well discussed. Governor Noel.

GOVERNOR NOEL: I'd like to throw in one parting shot. I'd have absolutely no objection, and I think it would perhaps make some sense nationally, if the federal government were to establish some baseline for effort. Why talk

about maintenance of effort when some States have made an extraordinary effort and other States have made little effort. If the federal government wants to establish a baseline of effort, I'd then be willing to look more kindly upon a maintenance-of-effort provision. But since the federal government has never entered into those kinds of policy determinations, then the maintenance-of-effort provision seems kind of burdensome to those States that have always stepped forward in the social service program area.

CHAIRMAN EVANS: Governor Shapp has a question for Governor Bumpers.

GOVERNOR SHAPP: Dale, would it be the Governors who are really backing out of a commitment to Congress, or was it the Administration backing out of a commitment with Congress by adopting a whole set of regulations after Congress had appropriated the money for it that made it impossible for the States to draw down on these funds and forced us to go ahead and put in more state money in order to maintain some of these programs? You seem to think we'd be breaking a commitment to Congress. I think it is the Administration that broke that commitment to Congress and not the States. Am I right or wrong in that assumption?

GOVERNOR BUMPERS: I'll answer that, Milt, by saying that our commitment was made to the Congress. It is true the Administration openly and flagrantly attempted to thwart the intent of Congress by more stringent guidelines than were intended. Nevertheless, our commitment was made to the Congress and not to the Administration. So far as I know, Governor Mandel and perhaps Governor Evans would be in a better position to answer your question. But it is my understanding, and certainly the correspondence I had was with individual members of the House Ways and Means Committee saying that we would agree to the maintenance-of-effort provision in exchange for this amount of money. You see, it was open-ended before, and that's where the abuses took place, and we were trying to get them not to make it open-ended but to give us sufficient funding to take care of the programs that we felt were essential. They agreed to do this sort of in exchange for our accepting the maintenance-of-effort provision. Could you confirm that, Governor Mandel?

GOVERNOR MANDEL: I think that is exactly correct. It wasn't negotiation between the Administration and the Governors, it was negotiation directly with Congress by the Governors that resulted in getting this enacted. Maintenance of effort was one of the points that they made and one of their hangups, because they felt a lot of States would try to walk out on the effort that they had been making the minute this money became available. So it was between Congress and the Governors, really, that this was thrashed out.

GOVERNOR WILSON: Question.

CHAIRMAN EVANS: We are ready for the question. It will require a three-quarters vote for adoption, just as on the final policy statement, so will all those in favor of Governor Bumpers' amendment raise your hand, please.

Twenty. All those opposed hold up your hand. The vote is 20 to 12. Lacking a three-quarters majority, the amendment is declared lost.

GOVERNOR CARTER: Mr. Chairman.

CHAIRMAN EVANS: Governor Carter of Georgia.

GOVERNOR CARTER: I'd like to make a brief comment that the entire emphasis in the health area is on the provision of insurance coverage. I think it would be a mistake for the Governors to go on record as having as the sole major emphasis in the health field the continued annual insurance coverage of those who are afflicted. In the last two years we have shifted considerably from this concept in Georgia to a very thorough analysis of the 10 most severe cripples and killers of Georgia people, and the analysis has been startling to me. We as boys faced the problem of being afflicted constantly with typhoid, typhus, tetanus, pneumonia, influenza, whooping cough, polio, and so forth, diseases that were considered fatal or permanently crippling that have basically been solved through the Public Health Service. Now we have an entirely different kind of affliction on the people of this Nation, which is just as easily prevented or cured by education and preventive aspects of public health services. I'm talking about heart disease, stroke, venereal disease, infant afflictions, lack of maternal care, dental care, and so forth.

The essence of my proposal is that we emphasize, as Governors, the need for using the present health delivery service but with a commitment on the part of state, local, and federal governments for an educational and preventive program. Hastily I have written here an amendment that says, "Along with national health insurance coverage, a comprehensive program be established to reduce or prevent the affliction of the major cripples and killers of American people, using basically the presently existing system of health care delivery." This was an amendment that I did propose to the Committee, and I think that the Chairman could comment on the fact that there was no opposition to it, that it just wasn't taken up because of the lack of a quorum. I would like the Governors to go on record as being strongly in favor of the use of the present system of health delivery, but with an accent on prevention and education.

CHAIRMAN EVANS: Governor Carter has moved the amendment which has been laid in front of you. Is there a second?

GOVERNOR NOEL: I will second that amendment, Mr. Chairman.

CHAIRMAN EVANS: The amendment is seconded. Are there any comments?

GOVERNOR SHAPP: Question.

CHAIRMAN EVANS: The motion is carried. The amendment is carried. Are there any further proposed amendments to the policy statement? Governor Evans, Virgin Islands.

GOVERNOR MELVIN H. EVANS: I'd like to draw attention to the statement on "The Nature of the Health Delivery System." It says, "The National Governors' Conference supports the maintenance of the private nature of the

health delivery system and encourages the federal government and the States to shape legislation which provides for," and so forth. I would like to insert in there, after the words "delivery system," the additional words "until and unless proved unsatisfactory." I'd like to explain it this way. It may seem semantic but it is not. We fully recognize the preeminence of American medicine as far as science and technology are concerned, but maybe we don't recognize the shortcoming in the health delivery system which accounts for some of the statistics which are now known. While we recognize fully the desirability of maintaining things in the private sector as long as they can do a satisfactory job, we would not want to go on record giving carte blanche whether they can do the job or not. So I would suggest this amendment which would put us on record as favoring the private sector, but nevertheless putting the private sector on notice that they have to do a better job than they have been doing. Therefore, I propose we insert the words "until and unless proved unsatisfactory."

CHAIRMAN EVANS: Governor Evans, in paragraph E there are two places where "health delivery system" occurs. I would assume you would like that after the first occurrence of that in the preamble in the second line.

GOVERNOR MELVIN H. EVANS: Right.

GOVERNOR MANDEL: I second it.

CHAIRMAN EVANS: The motion has been made and seconded that the words "until and unless proved unsatisfactory," as suggested by Governor Evans, be adopted. Are there any further comments?

GOVERNOR CARTER: Question.

CHAIRMAN EVANS: The amendment is adopted. Are there further amendments? Governor Walker of Illinois.

GOVERNOR WALKER: Mr. Chairman, I would first like to raise a point of order with respect to the health care resolution and statement that we have before us. This statement represents, in my view, a very substantial weakening of the statement on national health insurance that we had before us before the Human Resources Committee met yesterday. Therefore, I think it deserves very, very close scrutiny. My question with respect to the point of order, Mr. Chairman, is whether this revision on national health insurance, after it was adopted by the Human Resources Committee, went before the Executive Committee.

CHAIRMAN EVANS: Governor Walker, the Executive Committee preceded the meeting of the Committee but made a decision to authorize each of the Committees, in any such amendments as they would choose, to have them, in essence, automatically brought before the body this morning. So it is accurate that the Executive Committee did not meet subsequent to the meeting of the Human Resources Committee to specifically adopt or pass along the proposals, but the Executive Committee felt that it was really within the jurisdiction of the various Committees, and at least for this meeting adopted the motion that all of the changes adopted during Committee meetings at this Conference would be brought before the body for discussion. Otherwise there would be no opportu-

ity for this to be even discussed without a suspension of the rules.

GOVERNOR WALKER: I would submit, Mr. Chairman, that the procedure completely negates the provision in the bylaws requiring that resolutions or changes in resolutions have to be approved by the Executive Committee. If the Executive Committee is going to say the Committees can do anything they want to, then I would submit we ought to change the bylaws to so provide and, just so it is clear, I understand from the action of the Executive Committee that I will be overruled. I want to make a formal point of asking for a Chair ruling that this procedure accords with the bylaws.

CHAIRMAN EVANS: You are asking the jury to rule on the same judge's opinion?

GOVERNOR WALKER: I don't have any other recourse.

CHAIRMAN EVANS: You can appeal the decision of the Executive Committee to the body. I think that would be perfectly proper.

GOVERNOR WALKER: I don't think I want to carry it that far. I'll accept the Chair's ruling. I do think, though, that this is something the Executive Committee should very carefully consider for future meetings, because there is just no point, in my opinion, in having that provision in the bylaws if it is going to be disregarded by the Executive Committee to whom we gave that authority. But I will accept the ruling of the Chair, and I would like to proceed to offer a substantive amendment if I may.

CHAIRMAN EVANS: I would just comment that I am sure your point is well taken, that under normal circumstances this would be the procedure and has been the procedure. Normally the Committees of the Conference do have an opportunity to meet and conclude their reports prior to the last meeting of the Executive Committee. The unique circumstances here just simply didn't allow that, which was the reason that this was done. I am confident, with your comments, that future Executive Committees will be exceptionally careful in that process.

GOVERNOR WALKER: Mr. Chairman, I would then like to offer an amendment. I would move to strike the material on health care that appears on pages 18 and 19, with the exception of Governor Carter's addition, which I think is a very fine one and for which I voted. I would move to substitute the original statement on national health insurance which the Committee had before it before this change of yesterday. If I may, Mr. Chairman, I'd like to amplify my remarks to argue my point.

CHAIRMAN EVANS: Governor Walker.

GOVERNOR WALKER: National health insurance is one of the most important issues that is now pending before the Congress of the United States. All of the Governors and their staffs have had ample opportunity to review and come to a conclusion in their own minds as to which of the pending proposals in the Congress or otherwise would be the kind that the Governors would want to support. It is very possible that this matter can come up for resolution in

Congress before we have another meeting of the National Governors' Conference. I think the resolution which we had before us prior to this change rather clearly put the Conference on record as saying to its staff in Washington that you could support and tell the Congress that the Governors supported the Kennedy-Mills plan. Now, I share very, very strongly the feelings that Senator Kennedy mentioned the other day, when he was discussing this matter, that he has real problems with the coinsurance and deductibility provisions that result from the Kennedy-Mills compromise. But I do think that Kennedy-Mills is very, very important. What we are doing now, if we adopt the resolution that has been placed before us, is to say to our representatives in Washington that, you know, you can go for almost anything that the Congress wants to come up with in the way of national health insurance. I think the Governors ought to go on the line. I think the Governors ought to be able now to stand up and say which of those pending pieces of legislation we support. This weakened language that we now have before us is virtually a nothing statement in terms of the real guts of this issue of national health insurance. So I strongly urge that the Governors argue this out and be willing to go on record so that the Congress will have the benefit of our collective voice on one of the most important pieces of legislation in a long while.

CHAIRMAN EVANS: Governor Meskill of Connecticut.

GOVERNOR MESKILL: I agree with one part of what Governor Walker has said, that is, that if we were to adopt this amendment we would be telling our staff in Washington that they can support the Kennedy-Mills bill. Personally I would not want to go on record for that and I would have to oppose the amendment. In fact, I would have to oppose the whole statement if the amendment that is being proposed by the Governor of Illinois is passed. I am not a member of the Committee that went into this. However, since it requires a three-quarters vote for this body to adopt any position, I recognize the fact that the statement must have broad support. The Committee proposal is acceptable to me and I would imagine acceptable to many other Governors who would find objectionable the amendment. I would urge the amendment be defeated.

CHAIRMAN EVANS: For everyone's information, I think it would be worthwhile to have the Chairman very briefly describe the two alternatives that are now before us. The one Governor Walker is proposing was the one before the Committee, it was in your books when you first arrived at the Conference, something you may not now have in front of you. Governor Andrus will explain it.

GOVERNOR ANDRUS: I am going to yield to the Governor from Rhode Island, but I would like to say, as the point has been made by the Governor of Connecticut, yes, we knew in the Committee it would take three quarters of this Conference to come up with a policy statement. We counted noses and it was our collective opinion that, to get any statement, we were going to have to make some concessions. With that, I'd yield to Governor Noel for brief comments on

the actual mechanics of the difference. I'm not that hung up on the difference.

GOVERNOR NOEL: Yes. I'd like to first point out to Dan Walker that the only changes we made were, if you look at the resolution that has been recommended by the Committee, in Items 2(a), (b), (c), (d), and (e). Governor Walker has referred also to the rest of page 18 and some of the language on page 19. Those really were not involved because it is only in Sections 2(a) through (e) where the Committee amended the original language that was prepared as a result of staff meetings. In essence, if you look back to the original language, the only substantive change that is made is striking the words "through a combination of employer-employee payroll taxes and general revenues operated through an independent federal agency and trust fund." That is really the guts of the debate that will revolve around Governor Walker's suggested amendment. That is the language that directs the thrust of the resolution toward the Kennedy-Mills proposal because it speaks to the method of financing and it speaks to the question of whether or not it will be a payroll tax mix that will finance health insurance or whether we will have premiums paid to insurance companies and other kinds of systems. So I think that is the guts of the debate.

CHAIRMAN EVANS: Governor Walker.

GOVERNOR WALKER: Mr. Chairman, I will certainly accept a modification of the motion, but I'd like to ask Governor Noel this question. You know, I read a lot of very nice general language in this presently proposed version. I would read it as saying that the Governors are going on record as saying that they could support, for example, the Medigap plan. I do not believe under the former statement that would be possible. In other words, what I am saying is that it is too general, it does not focus on the key points that need to be decided. What I want to do is persuade the Governors to face up to this issue. Congress is going to be debating Kennedy-Mills. We ought to be willing to debate Kennedy-Mills. We ought to be willing to say right out in the open whether the Governors will go on record as favoring that kind of financing. The second resolution ducks that whole issue and enables us to go home and say almost whatever you want to say on this issue. I want to add that this is a perfect example of the way in which the three-fourths rule requires resolutions to be watered down to the point where they virtually say that we are in favor of motherhood and against sin. Now I know that is an exaggeration but it comes pretty close to that. I would much rather see a majority rule so that we could get to these issues. We have been here for two and a half days. We had a panel that discussed this matter at great length. As I have said earlier, it has been pending before Congress for a long, long time. I would like to see us face up to it. I would like to see us take whatever time is needed to debate and go on record as to whether we favor, for example, this kind of a financing plan for national health insurance.

CHAIRMAN EVANS: Governor Bowen of Indiana.

GOVERNOR BOWEN: As a physician-Governor, I don't believe that I can

sit quietly by and not respond to the remarks that essentially say that there is no other way but total socialization of medicine to obtain adequate medical care for the people. Also I believe as a physician-Governor who is not afraid to act when there is a problem, even if it were contrary to the wishes of some of my own profession, that I can see both sides of the question. Now, I do not want, nor does anyone including physicians want, people deprived of medical care either because they cannot afford it or because they cannot obtain it due to an inadequate supply of physicians. Let's see what the new language would do. It says, "As its first priority for health, the National Governors' Conference urges prompt enactment of federal legislation," and to finance such benefits fully on the federal level through the most efficient and progressive manner feasible, such as through a combination of employer-employee payroll taxes and general revenues operated through an independent federal agency and trust fund. Now, that language, to me, just simply eliminates all but the Kennedy-Mills or the Kennedy-Griffiths bill. I have learned also that you shouldn't be against something without offering some alternative. We have not, I believe, as Governor Reagan said, heard a loud cry for the socialization of medicine by way of what I would call a rather drastic and radical proposal, but we certainly have heard a very loud and legitimate cry for adequate medical care. I don't think that we have exhausted all of the possible solutions to obtain this, so I think we should make provisions for those who don't have adequate medical insurance to allow for adequate medical care simply because they cannot afford it. I think we should also provide for catastrophic medical insurance for all who desire it.

I think we should get more physicians and get better distribution of them for primary and for family care. This can be done, and I'd like to think that we are making headway in Indiana, and we are doing this by greatly increasing the enrollment in our medical schools. We are establishing postgraduate internship and residency training programs at medical centers all over the State, which does help to retain our own graduates and even helps to attract some from other States, which is what many other States have been doing to Indiana for a good while. Also we are establishing family practice departments in our medical schools. We have created systems of grants to medical students who agree to serve in areas of need and we have also developed family practice residencies in hospitals all over the State. We have increased the physician population at a greater rate than the increase in our general population. I think at the federal level perhaps two things can be done: federal support for medical schools to help them expand their medical education programs and to develop systems of incentives for newly graduated physicians to serve in areas of need. These two things, along with what the States can do, will help to solve the numbers problem, as well as the distribution problem. Once we have these two problems solved, I'm sure that we will have adequate medical care, and I certainly do not want to see us destroy an important part of our free enterprise system and substitute for it a program that would be too expensive and would very likely

deteriorate in the quality of medical care. So I would strongly urge the defeat of the motion of Governor Walker.

GOVERNOR HATHAWAY: Question.

CHAIRMAN EVANS: The question has been called for. Are there further comments?

GOVERNOR WALKER: May I have a parting shot, as it is referred to?

CHAIRMAN EVANS: Yes, but you have an intervenor here, Governor. Governor Wilson first.

GOVERNOR WILSON: Mr. Chairman, My Colleagues: I'm sure there is no one here more ardently interested in the provision of comprehensive health benefits for all the citizens of this country, regardless of their financial resources, than my colleague from the State of Illinois. Since that is so, I should like to suggest to him the unwisdom of pressing his proposed amendment. I think it is essential for us to consider the proposed policy statement recommended by the Committee against the existing policy statement which appears in crossed-out form in eight lines on page 16 of this report. That, I suggest, may have been a statement which reflected the views of this Conference when adopted, but I believe the thinking of the members of the Conference has moved forward in the intervening years. During the meeting of the Committee yesterday, this matter was discussed against the whole background of the discussion which occurred the day before in which Senator Kennedy and Caspar Weinberger and others participated, and which involved considerable discussion here among the members of the Conference. It was manifest to us that it would be extremely difficult to improve the existing policy statement to be more reflective of our current sentiment in a manner which would commend itself to the favorable judgment of three quarters, which is required in order to amend or change the existing policy statement. Therefore, it seemed desirable to the members of the Committee to submit a new policy statement which was characterized, I think, quite accurately by Governor Meskill as one which would permit support by at least three fourths of the members of this Conference.

The Governor is totally accurate when he says the proposal which he advocates points unerringly and unmistakably to the Kennedy-Mills bill, which is one of several matters pending before the Congress, and yet in the course of the discussions, Senator Kennedy himself indicated that, pending the outcome of certain studies made by the Library of Congress, there would be a possibility of some changes in his legislation. This statement, then, is a conceptual statement which is broad enough to move the Governors forward from what I suggest is an out-of-date policy adopted five years ago, in a manner which is sufficiently flexible to indicate our concern with this matter, without taking a precise position with respect to a particular bill, which its own sponsor suggests will undergo radical changes before it comes before the full Congress for consideration. I, therefore, hope that this proposed substitute or proposed amendment will not prevail.

CHAIRMAN EVANS: I would call on Governor Walker to close debate.

GOVERNOR WALKER: Very briefly, the language in the amendment which I have proposed is very broad, amply broad, to cover any changes in Kennedy-Mills. Governor, with respect to the method of financing, I would just like to say that nothing in Kennedy-Mills could possibly have the effect of destroying the free enterprise medical system in this country. Nothing in Kennedy-Mills adopts socialized medicine. To use those phrases, which only arouse great fears, I think, deflects us from the real substance of what we are talking about. I submit that Kennedy-Mills, as modified, is the only pending legislation which really addresses itself to the health care needs of the poor people across this Nation.

CHAIRMAN EVANS: Governor Noel.

GOVERNOR NOEL: Thank you, Mr. Chairman. This is one of the few times that I have to appeal to the liberal people in my constituency. I'm not going to be able to vote on the motion. I want to explain that and just rebut some of Dan Walker's comments. First of all, I favor the original Kennedy-Griffiths proposal, so naturally if it is between the Administration and Kennedy-Mills, I have to go toward Kennedy-Mills. But I worked with Governor Wilson to try to come up with language that would be acceptable to three quarters of the delegates at this Conference because I think it is important that we have a new policy statement that makes some progress, and the version that we have reported out does make progress in these three areas: One, it calls for prompt consideration. So for the first time in five years we are saying the time is now to enact national health insurance. That is a significant change. Second, we are including financing methods that may be necessary to meet the health manpower and health facility needs of the future as established by the state and local comprehensive health plans. This addresses the very real question, if we are going to expand health benefits availability to the people of this Nation, that there is going to be more pressure on the system and we have to address ways to strengthen the delivery system. Third, it also talks about full federal funding of the health programs, medical programs, if they are to be continued as some suggest, and that is something that is not contained in the Kennedy-Mills proposal. Now, my sympathy lies with Governor Walker's amendment. Since I worked out the compromise language as a Committee member with Governor Wilson, I am going to abstain on the vote out of fairness because I couldn't figure out how to be equitable to both otherwise.

CHAIRMAN EVANS: Vote for both. We are ready for the question. All in favor of the substitute motion by Governor Walker, please raise your hand. All opposed, please your hand. The motion is declared lost, the aye's 9, the nay's 23. Are there further amendments to the policy statement of the Committee on Human Resources? Governor Williams of Arizona.

GOVERNOR WILLIAMS: On page 10 I would move the striking of language which urges continued financial assistance to programs now funded

through the Economic Opportunity Act, including financial assistance to Community Action Program agencies.

GOVERNOR HATHAWAY: I second it.

CHAIRMAN EVANS: It has been moved and seconded that subparagraph L on page 10 of the policy statement C(2) be eliminated. Are there any comments or questions? Governor Noel.

GOVERNOR NOEL: I have to comment on the proposed amendment since Chairman Cecil Andrus gave me the responsibility of trying to lobby in the Congress to preserve funding in this area. I have never been in love with the poverty program, and I am very familiar, having been a mayor for six years, with much of the inefficiency and failure in that program. However, I'd want my colleagues to know that in a very careful analysis of the program throughout this Nation we found that some very strange things have happened in the last two or three years, that is, that many cities and counties and municipal governments have used the CAP [Community Action Program] agencies to serve as a place to administer very valuable programs such as Meals on Wheels for Golden Agers, such as other social service programs that do have a great deal of validity and merit—Head Start programs and other programs that most Governors agree are the few programs initiated in the OEO system that still have value. Now, if you simply, as the Administration proposes, allow funding to stop, then the burden is going to be on the state governments and on the city and town governments to come up with many, many millions of dollars to put new management systems in place, to run the programs that do have value and do contribute to this society. So it is not a simple issue, and I would urge my colleagues not to take that out of this statement, even if you disagree with much of the OEO program and much of the CAP agency activities, because, unless there is replaced funding, you are going to put a big financial burden on your own backs or lose management capacity and capability over many valuable social service programs.

CHAIRMAN EVANS: Governor Hathaway of Wyoming.

GOVERNOR HATHAWAY: In my eight years as Governor, I have never seen more money wasted in a federal program than in OEO. It has been unsuccessful because it has not been tied to any governmental unit, including local government. This paragraph provides a blanket endorsement of this Conference for continuation of OEO funding. I, for one, want to be on record against it.

GOVERNOR RAMPTON: Question.

CHAIRMAN EVANS: Governor Exon of Nebraska.

GOVERNOR EXON: I wish to support what Governor Noel has just said. I think we are all concerned about the OEO programs, and it is obvious that most of them are not going to be renewed. However, some of the programs that Governor Noel has just spoken of are, I think, good programs that most of us concur with. I'd like to offer a substitute motion that might clear this, simply by inserting the word "partial" funding for some of these programs. I offer the substitute motion: "partial financial assistance."

CHAIRMAN EVANS: An amendment to the amendment has been suggested. Is there a second to that?

GOVERNOR NOEL: I will second it.

CHAIRMAN EVANS: It has been seconded. Is there any further comment or question on that amendment to the amendment? Governor Holshouser.

GOVERNOR HOLSHOUSER: I'd like to address a question to Governor Noel or Governor Exon. You spoke of the point that local government is in some cases using some of the programs or some of the agencies. Would it be satisfactory to incorporate into your amended amendment the prospect of requiring local government approval of these agencies for contracting programs? You as a former mayor, I think, would understand that, and, at the same time, where a Community Action Program agency is doing a good job, to leave that local government agency the flexibility of choosing them as the contracting agency.

GOVERNOR NOEL: Well, that's the very point. As we studied these systems throughout the country, although not intensely because of the magnitude of the project, we found that many States and many counties and many municipalities have already transformed the OEO program. Now some are receiving OEO money, but they are not using it to finance departments of human resources. Dick Kneip in South Dakota has, through the exercise of executive leadership, changed his CAP agencies into a very solid working relationship that involves state government and municipal government and some volunteers. Throughout this Nation very many innovative things have been done with the OEO money. I agree with Stan Hathaway, that the program was an absolute disaster in its inception and was a great waste of funds throughout the Nation, but local government officials haven't been completely remiss; they have knocked out a great deal of inefficiency and they have redirected this funding in many innovative ways. I concur in Jim Exon's amendment, because when you say "partial funding," at least you acknowledge that some of the OEO expenditures are still irrelevant and wasteful but you also acknowledge that some of the OEO expenditures are being used prudently and wisely. I can live with Jim Exon's amendment. I have the statistics that we have compiled nationwide. After the meeting I can send them to you, but because of time we can't get into that now.

CHAIRMAN EVANS: Are we ready for the question on the amendment to the amendment? Governor Thomson.

GOVERNOR THOMSON: I would simply like to say that I much oppose either partial or full funding unless we have a provision in there such as suggested by Governor Holshouser, that we have some way of controlling this at the local level. Governor Hathaway said he has had almost eight years of experience, I have only had a year and a half experience in New Hampshire. But we are talking about CAP people now who number nationwide 125,000, over whom most of us, as elected officials, whether at the state or local level, have nothing at all to

say. There is no instrument, in my judgment, that has done so much to change the course of government and strike down the sovereignty of the States than these programs. The only answer, gentlemen, in my opinion, is to have some control, some control by elected officials. Until that happens, I would certainly vote against it.

CHAIRMAN EVANS: Is there any more comment on this amendment to the amendment? Governor Kneip first and then Governor Exon.

GOVERNOR KNEIP: Mr. Chairman, I will make this very brief. I concur with Phil's comments but I'm worried about the wording, the insertion of the word "local." In our State we administer the programs on the state level. We subcontract, we work with local government, but if you were to include in there insistence of control from the local side, you would wreck a program like ours. Going further than that, if you want to go back and argue how bad this thing was administered in the original instance and how it has been reversed, for example, in our State, I would only say to those people who are opposed to programs of this kind that the answer to how we might use those moneys is not to kill the funding, because in our State it is going to be put right on our backs, as Phil said, and there are many of those programs we can't stop. We are very worried the Congress isn't going to get on with that funding. But insertion of the word "local" would create a problem for us because we chose state administration and, believe me, in our State we have that cooperation between local and State. This amendment would create an administrative problem for us.

CHAIRMAN EVANS: The immediate consideration before us is insertion of the word "partial." Governor Exon to close the debate.

GOVERNOR EXON: Let's not beat the dead animal to death here. OEO as we know it is gone. Now I think that probably 80 percent of the funds that went into the OEO and Community Action Programs were wasted funds. I think probably 20 percent of them were good funds. If we eliminate this particular section, as has been recommended here, we would be saying that we don't want any of the programs, even the good ones, continued and funded by the federal government. I maintain that the word "partial" gets at the fact that most of us think it has been for the most part a waste of money, but the good part should be continued.

CHAIRMAN EVANS: Are we ready for the question? I hope everyone will be willing to hang in here for the minutes it will require to finish the remainder of these reports, the few resolutions which occur beyond that and, most of all, for the report of the Nominating Committee and the election. I have enjoyed the last year as Chairman, but I would hate to lose a quorum and have to do it for another year. We are ready for the question. All those in favor, raise your hand. Opposed. The vote is 22 to 4; the motion is carried. Are there any further amendments to this particular section before we vote on the main amendment which is to strike the whole clause? Governor Holshouser.

GOVERNOR HOLSHOUSER: I'm going to withdraw at the moment,

reserving the right to offer a further amendment.

CHAIRMAN EVANS: Governor Noel.

GOVERNOR NOEL: I'd like to make this last point and I think it speaks to Governor Holshouser's concern. I think it was 1967 when the Congress passed the Green amendment. For all of those who really don't like this program it is my opinion, or at least my understanding, that under the Green amendment the state and local governments have to sign off before any of these CAP agencies can get any funding. Now, that puts the bullet right in the teeth of all of the Governors. If they don't like the action and they want to take the political heat, they can refuse to give sanction to the programs right now, and it may be nice to look for some easier way out, but that remedy is available in my understanding under the Green amendment, passed four or five years ago.

CHAIRMAN EVANS: Governor Hathaway.

GOVERNOR HATHAWAY: Mr. Chairman, as the provision stands now, we have a confession of waste here on the part of several speakers. The word "partial" means that we are in favor of partial waste.

CHAIRMAN EVANS: Is there any other comment or proposed amendment? The motion in front of us is the elimination of paragraph L. All those in favor, please signify by raising your hand. All those opposed, please raise your hand. A reverse vote, 22 to 4. The motion is defeated. Are there any further amendments to the Human Resources Committee report? Governor Holshouser.

GOVERNOR HOLSHOUSER: I'd like to move an amendment at this point to add to the language in Section L the following words: strike the period at the end of the sentence and say "only upon approval by the appropriate state and local governments."

CHAIRMAN EVANS: Is there a second to the motion?

GOVERNOR RAMPTON: Second.

CHAIRMAN EVANS: Is there any further discussion?

GOVERNOR BRUCE KING: Could we change it to "state or local"?

CHAIRMAN EVANS: Would you read your language again?

GOVERNOR HOLSHOUSER: "Only upon approval by state and local governments."

GOVERNOR KING: He said "state and," I say "state or."

GOVERNOR WEST: Mr. Chairman.

CHAIRMAN EVANS: Would you like to leave it "state and"?

GOVERNOR HOLSHOUSER: Yes.

CHAIRMAN EVANS: He said "appropriate state and local." Governor West.

GOVERNOR WEST: As a point of inquiry, it is my understanding that we as Governors under the A-95 review procedure have that authority now and I feel it would be very unwise to dilute that authority by involving the local governments.

CHAIRMAN EVANS: Governor Rampton.

GOVERNOR RAMPTON: I doubt if that is true under the OEO programs. We have the right of comment but not the right of refusal.

GOVERNOR WEST: I certainly don't propose to argue. It was my understanding that technically the Governor can be overruled and I had an incident where we discussed that, but they didn't overrule my veto of the particular program.

GOVERNOR RAMPTON: There have been several times, however, when the Governor's recommendation for funding of a program has been overruled.

CHAIRMAN EVANS: That is correct. Governor Holshouser.

GOVERNOR HOLSHOUSER: Speaking both to the point of Governor West and the point raised by Governor Noel earlier, I think none of us would want to leave any implication that we don't want to have a sign-off voice in the program. At the same time, I think we ought to make a special effort to see to it that our position is that local officials who are right there on the ground and who understand the needs best also have a voice, and that is the basis of the amendment and that is the reason it is "and" instead of "or."

CHAIRMAN EVANS: Governor West.

GOVERNOR WEST: Another point of inquiry to my friend from North Carolina. How about "only upon approval of the Governor of the State or a local government designated by him," does that satisfy you? I could live with that.

GOVERNOR HOLSHOUSER: I believe I'd accept that as an amendment to the amendment.

CHAIRMAN EVANS: By appropriate state or local officials—

GOVERNOR WEST: Local officials designated by the Governor.

CHAIRMAN EVANS: Do you understand the motion as it now stands? Is there any further comment? The motion is carried. Governor Askew of Florida.

GOVERNOR ASKEW: Mr. Chairman, on page 19 I move that we add an additional sentence to paragraph A(4) and it is a simple one. It says, "Congress should act immediately for continuation after June 30, 1974, of such federal health programs as the Hill-Burton program and the Community Mental Health Centers program and other programs, the authorization for which expires on June 30, 1974." Mr. Chairman, I recognize that the policy statement is a long-range one and there is some discussion about consolidation of some of the programs, but I really believe that we should go on record as asking them to continue these beyond June 30 until such time as some type of commensurate replacement programs are developed. I say this particularly in regard to the Community Mental Health facilities thing.

GOVERNOR NOEL: I second it.

CHAIRMAN EVANS: Is there further discussion on Governor Askew's motion? The motion is carried. Are there further amendments to the Committee report on Human Resources? If not, are you ready for the vote? The motion has carried. Thank you very much. We will proceed now, Governor Gilligan, to

Rural and Urban Development. Governor Thomson.

GOVERNOR THOMSON: I want to indicate that I go along with the adoption of the report, except for paragraph J on page 10, and the hour is too late to go into debate on that.

CHAIRMAN EVANS: Paragraph J on page 10. It will be so noted.

GOVERNOR GILLIGAN: Mr. Chairman and Fellow Governors: I am submitting for your approval the policy statements of the Committee on Rural and Urban Development which are nonamendable and nonobjectionable. Let's get right on with it. You have before you the policy statements of the Committee, and I'd like to take a very few minutes to discuss with you the changes made by the Committee since our last meeting a year ago in Lake Tahoe and to emphasize some of the points the members of the Committee feel are most important to the Governors and their States. Let me begin with some comments on the Committee's recommendations in the area of housing. The Committee has recommended the addition of language designed to make as emphatic as possible our conviction that the shortage of adequate housing is growing daily and that we simply cannot meet the needs of low- and moderate-income families without assistance from the federal government. But, as critical as that need is, the Committee is equally firm in its conviction that housing legislation which would bypass a proper role for the States in developing national housing policy and the administration of a housing program would be a grievous error.

The Administration's announcement yesterday that it is withdrawing consideration of further revisions to OMB Circular A-70 is welcome, but it does not go far enough. We believe there still remains a necessity to continue our efforts to amend the pending legislation to prohibit the executive branch from denying housing or community development assistance to States and local governments which choose to issue tax-exempt bonds to finance specific projects. All of us, I believe, would feel more comfortable if this provision were imbedded in law by the Congress, and it is my understanding that Governor Shapp had a resolution to put to this Conference on record in that regard. The theme of increased state input into program development repeats itself in the section of the report dealing with community development grants. The community development sections of recent federal legislation have excluded the States from any meaningful direct role, except in the use of some discretionary funds. This exclusion is a serious shortcoming. Community development programs cannot and will not succeed until state government is given a meaningful role. As the Committee report states, federal funds for community development activities should be in the form of broad block grants which would allow the States to develop and operate their own systems for setting and implementing community development priorities. Without this kind of state involvement, it will be impossible to coordinate any comprehensive community economic development and land use policy.

You will note that Section E(12), entitled "Policy Formulation Mechan-

ism," has been deleted in its entirety. I will admit to you that, while I agree the language is no longer useful, it is with a great deal of unhappiness that I report to you the reason for striking this section. The simple fact is that, despite the urging of this Conference, the federal Administration is going ahead with the development of national policy without the input of the States and local governments of this Nation. A year ago this Conference went on record urgently requesting a meaningful role in policy formulation. Sadly there has been no response from the executive branch of the federal government. Similarly the Committee approved striking the language of former Section E(17), entitled "State-Federal Partnerships." Last year at Lake Tahoe language was adopted urging that, while a review of existing regional and multistate bodies was under way at the national level, those regional partnerships should be maintained until June 30, 1974, so that their expertise would not be lost during the transition to a new system of regional partnerships. With that deadline now less than a month away, the Congress has yet to enact legislation implementing new national and regional development policies. In addition, the Administration has submitted a proposal that would bring about an eventual end to federal support for the Economic Development Administration and the Title V Regional Commissions and would establish an economic adjustment program to provide block grants to the States for economic adjustment and development. Finally, the National Governors' Conference Task Force on National-Regional Development Policy, chaired by Governor Lucey of Wisconsin, has developed a proposal for an expanded national development system which more than 30 Governors, including myself, have endorsed in principle.

The Committee recommends the adoption of language found on page 14 of your Committee report which offers support in principle for elements of these proposals. However, we believe that any national development legislation should provide for improved state and local program management authority, the continuation and strengthening of multistate and substate cooperative arrangements, maximum flexibility in the planning and program activities of state, multistate and substate bodies, and a funding level for all multistate regional programs that will produce significant development impact. While discussion of various alternatives is under way, we believe that it is essential that the Public Works and Economic Development Act be extended to maintain existing programs. We urge the appropriate committees of both houses of Congress to hold extensive hearings during the second half of this year on the future of national development legislation, hearings that should be held in the States to give the committee members direct input from Governors, mayors, and other local officials. In the area of agricultural development, Section E(6) of this report, the Staff Advisory Task Force to this Committee recommended language pointing out the potentially dangerous shortages of food attributable in part to lack of fertilizer. Governor Carter of Georgia urged the Committee to express even greater concern over this problem. He believes, and I have detected strong support for his

position, that the Governors individually and collectively must urge the federal government to act to guarantee adequate energy supplies for the production of fertilizer and to consider seriously a program of federal loans for plant expansions to increase the Nation's supply of food. To dramatize this problem, Governor Carter pointed out that, while world population increased by more than 2-1/2 percent last year, world food production dropped by 4 percent. Much of that drop is attributed to the shortage of fertilizer.

Mr. Chairman, there is a recurring theme in all of the policies recommended by this Committee for adoption by the full National Governors' Conference. That theme, I must reluctantly report, is that in the areas of this Committee's concern—housing, community development, economic development, and the development of rural services and programs—the federal government, both Congress and the Administration, has been largely unresponsive to the state efforts to develop new ideas and new solutions. All of the Governors, regardless of political affiliation, believe that forthright, aggressive action is needed in these vital areas, and yet, rather than providing the leadership for that action or even providing support and assistance, the federal government has chosen to ignore the States' efforts. Thus, in the same bill, the Congress is about to pass legislation which allows a strong role for the States in providing housing assistance, but completely bypasses the States in the use of community development funds. The members of the Committee on Rural and Urban Development believe strongly that the States have developed real expertise in the areas of this Committee's concern. We believe that if we are permitted to exercise leadership we can begin to get done those things we deem necessary to revitalize our States and regions. All we ask, Mr. Chairman, is that we be given the chance to show what we can do, working together as full partners at the federal, state, and local government levels. Mr. Chairman, I respectfully move that the report of the Committee on Rural and Urban Development be adopted.

GOVERNOR WILSON: I second it.

CHAIRMAN EVANS: It has been moved and seconded that the report be adopted. Are there any amendments?

GOVERNOR GILLIGAN: Mr. Chairman, on a call for amendments, Governor Link of North Dakota has submitted an amendment which I can read now. It goes on page 6, Item C of this report. Delete the words "as the" and insert in lieu thereof "who through the coordination of the state planning agency will act as the." What it really does is insert a requirement that the state agency for a multicounty planning and development district be consulted before plans are finally approved, and I think that's a notion that all of the Governors would agree with.

GOVERNOR ASKEW: I second it.

CHAIRMAN EVANS: Governor Link, would you like to speak to that?

GOVERNOR LINK: Mr. Chairman, I would move the amendment.

GOVERNOR ASKEW: I second it.

CHAIRMAN EVANS: It has been moved and seconded that the amendment be adopted. Are there any further questions or comments on the amendment?

GOVERNOR WILSON: Question.

CHAIRMAN EVANS: The amendment is adopted. Are there further amendments to the Committee report? If not, are you ready for the question?

GOVERNOR WEST: Question.

CHAIRMAN EVANS: The motion has carried. The policy statements are adopted. Our anchorman, Governor John West, Vice Chairman of the Committee on Transportation, Commerce and Technology.

GOVERNOR WEST: Thank you, Mr. Chairman. My Fellow Governors: I am going to be extremely brief. We have given to each of you a summary of our Committee activities, and I have an abbreviated summary before me that I am going to abbreviate even more in the interest of time and to save the quorum, about which our good Chairman is concerned. At our last meeting we identified two crises, one, the lack of funds for highways, and the other was the railroad crisis. I'm sure, as a direct result of the action that we took at Lake Tahoe, the Congress passed and the President signed into law last August the Federal Aid Highway Bill, which is a three-year, \$20 billion highway and mass transit bill. In the other area of immediate concern to the Governors, my prepared text tells me to say that we have talked to Secretary Brinegar about a proposal for release of the impounded funds. I furnished each of you a copy of a federal district court case decided in South Carolina which released our impounded funds last month. I suggest that you consider that if you are having trouble. The second problem that we faced last year was an imminent collapse of the Northeast rail system and, of course, Congress passed and the President signed into law the Regional Rail Reorganization Act. The National Governors' Conference is represented on the Board of Directors of the United States Railway Agency by former Governor Bill Scranton of Pennsylvania. So I think it is safe to say that the past year has been a landmark one in the field of transportation and certainly it should be satisfying to all of us to know that the Governors' positions and concerns were recognized and reflected in the ultimate enactment of these two major legislative items. The major concern this year has to do with the urban mass transportation legislation. Of course that has become a real problem. Tom Meskill did an outstanding job in placing the Governors' positions before Congress, and the Governors' Conference has worked very hard, through its staff, to ensure that any bill coming out of the Congress will reflect the Governors' positions.

Another item that concerned our Committee was the possible invasion of privacy, and Governor Sargent has given to each of you a comprehensive memorandum on that subject which I commend to your attention. We have updated, revised, and rewritten all of our policy statements. They are, of course, in front of you. I want to thank, on behalf of Governor Sargent, the members of the Committee who have been most diligent and the outstanding staff who have

labored long and well. We have had four task force meetings and two Committee meetings since the last year. Before I move the adoption of the report, Mr. Chairman, as the anchorman, it is with a note of sadness on behalf of a not inconsiderable number of my colleagues that I state this is our last Governors' Conference. It is with some regret that we leave this distinguished company, but that regret and sadness is tempered by the fact, Mr. Chairman, that you and your associates here have made this, our last Conference, a most memorable one. Secondly, I am sure that I speak for all of my retiring colleagues when I say the opportunity of being involved with a group of outstanding leaders, the opportunity of making friendships which have seen no partisan or party lines, has been one of the greatest and most rewarding experiences of one's public service. On behalf of my wife, myself, and I'm sure all of our colleagues who are retiring, we thank you for that great experience and wish you continued success as Governors and in the Governors' Conference. With that personal word now aside, Mr. Chairman, I move the adoption of the policy statement.

GOVERNOR WILSON: I second it.

CHAIRMAN EVANS: Thank you, Governor West. The motion has been made and seconded. Are there any amendments to the Committee's report?

GOVERNOR LINK: Mr. Chairman, I have reservations on two topics here. In the interest of time I would refrain from reading my comments; however, I have them for presentation if they are desired. I would ask at this time that my reservations and comments be noted and become a part of the record.

CHAIRMAN EVANS: They will be so noted and could you please leave them with the Secretary-Treasurer, Mr. Cridfield.

GOVERNOR LINK: I will do so, Mr. Chairman.

[The following additional comments were submitted by Governor Link.]

I have reservations in the matter of Sections F(3) and F(6) of the policy statements of the Committee on Transportation, Commerce and Technology. These sections fail to speak to the needs of less populated, rural States in an appropriate manner. The needs for construction and maintenance of rural roads, streets and highways exist and will continue to exist. I request that the record of this Conference show my personal concern for and attention to this matter. I believe that any federal transportation proposal must address itself to the pressing needs in this area of highway transportation. Failure to program meaningful efforts in this area will hinder the success of other efforts such as population redistribution, economic development, agricultural production, resource utilization, and environmental management. Thank you.

CHAIRMAN EVANS: Are there any further amendments or comments?

GOVERNOR GILLIGAN: Question.

CHAIRMAN EVANS: The motion has carried. There are four more resolutions. At least two are probably quite easily handled. I will call first on Governor Noel for a resolution regarding New England's energy supply.

GOVERNOR NOEL: I'd like to do this very briefly. This is a resolution

that speaks to the problem that exists not only in the Northeast but in some of the Mid-Atlantic States and other States where there is a heavy dependence upon foreign oil products, especially residual fuel oil, and it does not in any way advocate price controls over domestic oil resources or redistribution of the oil resources that we exploit in this country. What it does do is to suggest that the federal government institute a system of foreign price supply guarantees. I'd like to insert the word "foreign" on page 2 in line 2 because some have construed this to mean a request for price and supply guarantees on domestic products. I have passed out a six-page rationale, which I'm sure none of you have read, that supports this resolution. In the rationale statement you will find that we are only addressing the problem of distorted foreign oil prices and supplies. We are asking the government to develop a very simple program that would assist States that have a heavy reliance on foreign products when foreign prices go up the board and start to create great economic and social havoc in those regions. I might point out to my colleagues I have always supported the resolutions that related to flood disaster relief and other kinds of acts of nature that create havoc in your States. We are simply saying that a program to moderate to the consumer the cost of foreign oil products is needed while we all do our share toward moving to achieve energy independence. If there are any questions, I will get into more detail on it. Otherwise, for the sake of time, I'd simply introduce the resolution.

GOVERNOR SALMON: I second it.

CHAIRMAN EVANS: Are there any comments on the resolution? Governor Hathaway.

GOVERNOR HATHAWAY: First of all, Mr. Chairman, I'd like to point out that this resolution didn't come before our Energy Committee and I think it should have if it is to be considered. I don't think we can separate the price of foreign crude from the price of domestic crude, and this would tend to advocate a nationalization of the industry, which I am very much opposed to.

CHAIRMAN EVANS: I might just express one thing. The four resolutions which are in front of you did come in late, but they came before the Executive Committee and, under our Rules of Procedure, were authorized by the Executive Committee to be presented to the body, which is how they came about. Governor Noel.

GOVERNOR NOEL: Stan, I'm sorry that this didn't come about in a timely way so that you could consider it, but this has nothing to do with moving us toward a nationalization of the industry. What it says, in the six-page rationale that supports the resolution, is that we in the Northeast and Mid-Atlantic States and other States which rely to a great degree on imported residual oil and distillate products should join in the effort of moving this Nation toward energy independence. But, in the interim, because of distortions that have taken place in the distribution system of domestic oil products, we remain heavily dependent upon foreign products. We are asking the federal government to put in a

system where they would not be mandated to provide relief but where the federal government would have the capability of providing relief when, in their judgment, the price of the foreign product reached such an extreme level that severe social and economic damage was being done in a region dependent upon foreign products.

We are not suggesting that the program be mandatory on the federal government. In the rationale statement we say that the federal government would sit with the States affected and would be able to recommend alternative approaches but, if they felt in their good judgment that there were no alternatives, then they could subsidize consumers of foreign products on a temporary basis so as to diminish the adverse social and economic effects. I might point out that the federal government has long been in the business of subsidizing farmers and subsidizing States that suffer natural disasters from floods or other kinds of havoc. It is just a simple extension of that philosophy to be used sparingly and only in the good judgment of those who administer national oil policy. It has nothing to do with nationalization.

CHAIRMAN EVANS: Governor Waller of Mississippi.

GOVERNOR WILLIAM L. WALLER: I'd like to speak a brief word in opposition to this. If I understand the resolution, we would be speaking in favor of the homeowner, industrial, and commercial consumers getting a parity payment from the federal government because their fuel bill went up. I think this is nationwide. I think utility rates nationwide are up and I think it is something that we should not get into in this form. I think it smacks of socialism and invades the free-enterprise system on the supply and demand of a product. I think it is a dangerous resolution. I hope we will defeat it.

CHAIRMAN EVANS: Governor Salmon of Vermont.

GOVERNOR SALMON: Mr. Chairman, let me say a brief word in favor of the resolution. I developed a great empathy for the remarks of Governor Judge earlier on the western ripoff issue as it relates to coal mining in this country under Project Independence. I would hope a similar empathy could be developed for the Northeast sector of these United States where we live, at the very end of crude oil pipelines in the United States, facing a situation where, with all due respect to Governor Waller's remarks, the price has tripled in the past eight months. This has created some very profound problems for the New England States and nearby Northeastern States, problems that go to the very issue of the fundamental capacity of the private electrical distribution system in our region to survive, problems that may call for substantial subsidies to these industries; and, most importantly, incredible burdens upon the people who pick up the tab ultimately, the consumer. So I would hope that, as we move in an effort to do our part in Project Independence, as we move to develop a deep port and refining capacity and the generation of alternate energy forms in the Northeast, as we meet with the eastern premiers of Canada in Vermont next week in an attempt to advance these initiatives with contiguous neighbors, that this resolu-

tion be given some serious sympathy by this Conference.

CHAIRMAN EVANS: Governor Thomson, New Hampshire.

GOVERNOR THOMSON: I was late and I'll only take a minute, but as one New England Governor I am very much opposed to the resolution because it does not attack the problem as it should. The answer to this problem and to independence is to get out and get the oil, to get refineries. We have oil off our Atlantic Continental Shelf and, in my judgment, all this will do will be to delay it. I agree with Governor Waller and the others who said that this would certainly bring socialism, and I just think that we should oppose it.

CHAIRMAN EVANS: Governor Mandel.

GOVERNOR MANDEL: Governor, I'd like to say a word. I don't want to prolong this, but I hear opposition to this resolution because we may be moving toward socialism, because we may be benefiting the consumer. Has anybody stopped to think that what we are doing right now is giving that benefit to the oil companies? We are right now subsidizing the oil companies. The oil depletion allowance is a smokescreen. We eliminated it in our State in the last session of the Legislature. When we studied the question we found that every time the price of foreign crude goes up the company gets a tax credit for that increase that is deductible from their income tax. That's why the profits have gone up. There is nothing in the law about it. It was an allowance made by the federal government a number of years ago, so we are subsidizing them, and here we are afraid that if we do something for the consumer we may be accused of subsidizing the consumer. The consumer is paying for it both ways, in the increased price and through a tax credit, and the company is getting it three ways, through an increased price and an increased profit and a tax credit. If all of you in this room who were businessmen could take a tax credit every time the cost of your products went up, you'd be in pretty good shape, I'll guarantee you. That tax credit is a lot different than an ordinary business expense.

CHAIRMAN EVANS: Governor Noel.

GOVERNOR NOEL: I was trying, in the interest of brevity, to make my presentation very short, and I was afraid that the intent of this resolution would be misconstrued and it has been. I want now to take some time and point out the realities of this situation. I want to make three points. The first is that there is a differential impact on New England relative to the rest of the United States from the present energy shortage and present price fluctuations. The second point, and I'd like the Governors from the oil-producing regions to listen to this one, is that New England has traditionally played the role of a product outlet for U.S. oil refiners to help them optimize over the years their refinery yield patterns. You were dumping oil into New England at a buck fifty a barrel when nobody else would buy it in the world. New England has always been set up by the oil industry to be a product outlet so that when they had no place else in the world to dump that black gold, we were able to take it and absorb it by reducing our imports from foreign nations. Because we were a product outlet all of these

years we were not able to develop our own independence. Now when oil becomes scarce and you no longer need New England as a product outlet, you say to us that you are not going to turn a sympathetic ear when we have a problem. I want to tell you how severe this problem is. We are the heaviest users in the Nation of residual oil, we are 90 percent energy dependent on petroleum products, whereas the rest of the Nation is only 44 percent dependent on petroleum products. The price of residual oil in my State went from \$4.40 a barrel to \$12.50 a barrel to \$16 a barrel to \$20 a barrel and in some instances \$24 a barrel during the height of the embargo. I have a factory that closed the day I came to this Conference and laid off 550 people because their electric bill went in one year from \$300,000 to \$1,300,000. Whether you like it or not, the taxpayers in your States, through their federal contributions through IRS, are going to pick up the tab to pay benefits to those people, to pay unemployment compensation and other kinds of social service programs to those people because they are not going to be allowed to die and suffer in this Nation. You are going to make the contribution one way or the other. I think this should be recommended reading for all of the Governors. I'm sorry that I didn't read the full six pages and I'm not going to say another word on the resolutions.

CHAIRMAN EVANS: Governor Wilson of New York.

GOVERNOR WILSON: Electrical energy in the East, in New York, and in most Middle Atlantic States and New England States is generated by the utilization of fossil fuel, fossil fuel which is used by Con Ed. You have read this in your newspapers; this is low-sulphur oil, not domestically produced, as was indicated by Governor Noel, that went from \$3.50 a barrel to \$26 a barrel. It is now down to \$16. This has put one major utility in such extreme financial disability that we have had to go in through the State of New York to buy two of their plants. The points which have been made by my colleagues from the East Coast who are heavily dependent upon oil imports, under previously existing distribution patterns, I suggest they are valid. I do not see this as a move towards socialism at all. It is simply the response of a Nation to a burden of sacrifice which is being borne inordinately by a certain segment of our Nation, namely, the East Coast.

CHAIRMAN EVANS: Governor Hathaway.

GOVERNOR HATHAWAY: One comment. I have been around long enough to hear someone—not you, Governor Noel, but some of your predecessors—say that the cure for our problem is to relax imports so we can get more cheap foreign oil in. Now we are asking for a subsidization because the foreign oil is not cheaper than the domestic oil.

CHAIRMAN EVANS: Are we ready for the question?

GOVERNOR ANDERSON: Question.

CHAIRMAN EVANS: All those in favor of the resolution will raise their hand. Those opposed. The vote is 13 to 12. Lacking a three-quarters majority the resolution is not adopted. The next resolution on ethics in government is

from Governor Lucey.

GOVERNOR LUCEY: I think you are all acquainted with the resolution. It was introduced at the outset of this Conference by Governor Milliken and myself. On Sunday it was approved by the Executive Committee for introduction without suspension of the rules. It had a two-hour discussion yesterday morning and the language was modified a couple of times in the process of reaching agreement. I think that there is enough flexibility in this language to meet most situations in most States. I was a little disturbed this morning when I picked up the local paper and read a sort of editorial comment in the middle of a news story to the effect that the Governors surely will not overreact by adopting this resolution because it is bland enough to fit the temper of any State. I don't regard it as bland. I think it is a good, firm position on the matter of ethics. I think that when we look at the various polls on credibility we see that the Congress ranks very low, lower than the Nixon White House. State government ranks at about 24 percent, which is the same level as law firms and considerably below garbage collectors. I think that for the Governors to go home without adopting this resolution in essentially the form in which it is now presented to you would be a very serious political mistake, and I would urge all of you to accept the resolution.

CHAIRMAN EVANS: Is there a second to the motion?

GOVERNOR WENDELL R. ANDERSON: I second it.

CHAIRMAN EVANS: The resolution has been moved and seconded. Are there amendments to the resolution? Governor Wilson of New York.

GOVERNOR WILSON: I move a substitute amendment, Mr. Chairman. Copies are now being distributed. This maintains the basic thrust of the resolution introduced by Governor Lucey and Governor Milliken, and I suggest that all it does is delete from the proposal language which is unnecessary to accomplish the purpose and I think a considerable overstatement. In the interest of simplification, what I am circulating among my colleagues is a copy of Governor Lucey's amendment marked to indicate the portions that are deleted or added and right beneath that is a typed clean copy of the substitute proposal on this subject.

CHAIRMAN EVANS: Is there a second to the amendment?

GOVERNOR HATHAWAY: I second it.

CHAIRMAN EVANS: The amendment has been seconded and is now in front of you. Governor Walker.

GOVERNOR WALKER: The hour is late so I will just say that I think it would be a very bad mistake for the Governors here to walk away from the original resolution. The language is clearly different in this modification. I will take one example. Instead of referring to full personal disclosure it now refers to assured, appropriate, and timely disclosure of personal holdings and business interests which are subject to action by regulatory agencies of the level of government involved. That leaves the hole big enough to drive a truck through in

terms of conflicts of interest. I would have favored, Mr. Chairman and Governors, a stronger ethics statement. I do not support the statement of yesterday that the pendulum is in any danger of swinging too far in this area. I think it is simply that we are moving to a new level of openness, ethics, and morality in this Nation, and it is way overdue. I would have supported a much stronger resolution, but I will go along with Governor Milliken's and Governor Lucey's resolution, and I surely hope that the Governors present do not accept this very much weakened version. I would also like to say, Mr. Chairman, that this is another example of a problem that continually besets us. Here we are taking up one of the most important matters that comes before the Governors with barely a quorum because the hour is so late. We have been here for two and a half days and we had lots more Governors here when we could have acted fully on this, and now this very good resolution is in danger because of the fact that so few of us are here.

CHAIRMAN EVANS: Governor Lucey.

GOVERNOR LUCEY: I would join with Governor Walker in urging rejection of the amendment which I think does seriously dilute the ethics statement that is before you.

CHAIRMAN EVANS: Further comments on the amendment? Governor Waller from Mississippi.

GOVERNOR WALLER: I would like to support Governor Wilson because I think we as political leaders are constantly allowing others to condemn our ethics, our moral code, and our conduct in office, and I personally cannot see why in a resolution we have to admit or profess certain inadequacies or unethical conduct in order to resolve against it. I think it is debilitating, it is demeaning, and I would certainly suggest that Governor Wilson's amendment is more appropriate for the Nation's Governors to adopt.

CHAIRMAN EVANS: Governor Askew of Florida.

GOVERNOR ASKEW: Mr. Chairman, I agree with Governor Walker. I don't think there is a single item before this Conference of more importance than what this resolution addresses itself to. There is no single panacea to help restore the people's confidence in government, but the thing that we can do more clearly than anything else is to speak out forcefully as a Conference. It is not wise to strike out what may well be the most important portion, which is financial disclosure. This would really to a great degree reflect adversely upon what this body is willing to do by setting an example. So I sincerely hope this substitute will not be adopted. We should go ahead and adopt the Milliken-Lucey resolution so we can say as we leave here that we intend to do everything within our power to start the rebuilding process. People need to regain confidence in their own government, and to assume that we don't have a problem, I think, is not to be realistic. There is not a lot that we can do individually, other than to set an example. I would concede that it is an invasion of privacy; I would concede that it is an extraordinary thing to do. But I would also say that the

times require extraordinary action, and I would hope that we would defeat the substitute and pass the original resolution.

CHAIRMAN EVANS: Governor Byrne of New Jersey.

GOVERNOR BYRNE: Through you, Mr. Chairman, I wonder if I could ask the Governor of New York, so I better understand his amendment, is there anything the State of New York would have to do now, legislatively or otherwise, to conform with the amended resolution as proposed by Governor Wilson?

GOVERNOR WILSON: No, sir.

CHAIRMAN EVANS: Are there further comments on the amendment? Governor Mandel.

GOVERNOR MANDEL: I'd like to move the previous question. I don't think anyone here has any doubt as to what we are discussing or debating.

CHAIRMAN EVANS: Governor Wilson.

GOVERNOR WILSON: There is no doubt that a problem exists. The substitute resolution faces the problem without, as has been indicated by Governor Waller, casting dreadful aspersions on hundreds of thousands of public officials at all levels of government of the United States. In that portion of the proposed resolution which refers to a decade of political public decision-making in private, of political processes abused and misused, of justifications where justice was called for, I suggest this is a dreadful accusation to make with respect to government all over this Nation. But let's not mistake the fact that the thrust of action here relates to matters at other levels of government. Also to say that the patriots who fired their muskets 200 years ago were seeking open and accountable government, I suggest, is a bit of hyperbole in which I do not wish to indulge. The proposed substitute accomplishes, if you would look at it, what is sought to be accomplished and I therefore hope it will prevail.

CHAIRMAN EVANS: All in favor of the substitute resolution please signify by raising your hand. Those opposed raise your hand. Nine in favor, 16 opposed. The amendment is declared lost, not having received three-quarters' majority. Are there any further amendments? Governor Holshouser.

GOVERNOR HOLSHOUSER: Mr. Chairman, when this resolution came before the Executive Committee there were a couple of points raised that I think are properly brought to the floor, one being the language for independent enforcement procedures. The explanation to the Executive Committee was that the language included normal court procedures which are presently available, and I think it is acceptable on that basis. I would like to offer an amendment to do two things: one, in the preamble about halfway down we refer to the inevitable result of a decade of public decision-making. I would like to strike the word "decade" and insert the words "too many years," rather than cast the blot only on people who served in public office in the last 10 years and say it was O.K. before that. Secondly, there is a provision in the middle of the section dealing with experiments in public campaign financing. We have in this country about a half dozen States which are, in one form or another, making a pilot study or

effort at public campaign financing, such as a checkoff on a tax credit. Rather than using the broader term "experiments in," I would strike those two words and substitute in place of those words the words "selected pilot projects to determine feasibility of," which is more in line with the reality that we face today. I'd offer these as one amendment.

GOVERNOR ASKEW: Mr. Chairman, I second both.

CHAIRMAN EVANS: Governor Lucey.

GOVERNOR LUCEY: I would like to express concurrence in both amendments.

CHAIRMAN EVANS: With the concurrence of the mover of the motion, we will adopt the two amendments. Now, as amended, are there any further proposals for amendment to the resolution?

GOVERNOR MANDEL: Question.

CHAIRMAN EVANS: The motion has carried. All right. Thank you, gentlemen.

GOVERNOR ASKEW: That was adopted unanimously, wasn't it, Mr. Chairman?

CHAIRMAN EVANS: I didn't see a hand raised in opposition. Governor Williams.

GOVERNOR WILLIAMS: To be consistent with my statement yesterday, I did not vote.

CHAIRMAN EVANS: You abstained from voting?

GOVERNOR WILLIAMS: Yes.

GOVERNOR THOMSON: Mr. Chairman.

CHAIRMAN EVANS: Governor Thomson.

GOVERNOR THOMSON: Was this a vote on the entire resolution or the amendment to the proposed resolution?

CHAIRMAN EVANS: No. The train just went by. This is on the resolution itself. We did have a vote first on the amendment which lost 9 to 16.

GOVERNOR THOMSON: Governor Holshouser was making an amendment.

CHAIRMAN EVANS: I'm sorry. The maker of the motion, Governor Lucey, was willing to adopt those two amendments.

GOVERNOR THOMSON: Then very briefly, since the train is down the track, may I make a statement?

CHAIRMAN EVANS: Certainly.

GOVERNOR THOMSON: In the first place, I voted for Governor Wilson's amendment simply because I thought it was an innocuous one. But when we try to vote on the question of ethics, I don't believe we can any more recommend ethics for the Governors' Conference than we can for individuals. I want to make it very clear, yes, I am running this fall and New Hampshire has one of the best setups on the control of its elections of any State in the Union. This is a matter for the States and not for the Conference. Nor do I believe that we can weave a

cloak of purity by taking a vote like this.

CHAIRMAN EVANS: Your statement is so noted. We have two more resolutions. The first was presented by Governor Carter. This was passed to the floor, the resolution on "The Need for States' Delegate to the United Nations Law of the Sea Conference."

GOVERNOR HOLSHOUSER: I will move the adoption of the resolution.

CHAIRMAN EVANS: The resolution has been moved. Is there a second?

GOVERNOR SALMON: I second it.

CHAIRMAN EVANS: Is there any comment on the resolution which is in front of you on the States' delegate to the Law of the Seas Conference?

GOVERNOR MANDEL: Question.

CHAIRMAN EVANS: The motion has carried. We have one final resolution introduced by Governor Shapp on OMB Circular A-70. Governor Shapp had to leave. Is there a motion to place the resolution in front of us?

GOVERNOR GILLIGAN: Mr. Chairman, since that matter came within the purview of the Committee report of the Committee on Rural and Urban Development, and since the federal agency has already taken action on it, I think the point raised in the resolution sponsored by Governor Shapp is really moot and I see no purpose in putting the question to the Conference. I would suggest that it therefore be withdrawn.

CHAIRMAN EVANS: Governor Shapp's thinking, if I may express it for him, was that it indeed was expressed clearly by the representative from the White House a couple of days ago, but that this would make it a more formalized understanding, which might be worthwhile. That was the reason for the resolution. Governor Holshouser.

GOVERNOR HOLSHOUSER: To the extent that it recognizes our appreciation to those who have been working on it, and to the extent that it helps formalize it and makes sure there is no misunderstanding along the way, I think the resolution is well placed, as Governor Shapp indicated to the Committee. I move its adoption.

GOVERNOR SALMON: I second it.

CHAIRMAN EVANS: It has been moved and seconded that the resolution be adopted. Are there any further remarks? The motion has carried. The resolution is adopted.

GOVERNOR ASKEW: Mr. Chairman.

CHAIRMAN EVANS: Governor Askew of Florida.

GOVERNOR ASKEW: That completes the resolutions, doesn't it, Mr. Chairman, and the policy statements?

CHAIRMAN EVANS: That does.

GOVERNOR ASKEW: Mr. Chairman, I'd like to make a very brief statement that I hope the Executive Committee may address itself to during the interim, and if it requires any changes in the bylaws to possibly consider them. I agree very much with Governor Walker in terms of the timeliness or the lack of

timeliness in the consideration of these policies. I just have the feeling that they are circulated in sufficient time for our staffs to react, and I really do believe that we should be taking them up on the middle day where we have a full attendance and when we can get a full reaction of the Conference. Taking very important matters up on the last day in which we fight to maintain a quorum, when everybody is pressed to return, may not be the best way to get a true indication and feeling of the Conference. I would hope that the new Chairman of the Executive Committee might consider the possibility of moving up the process so that we could consider these on the middle day as opposed to the last day.

CHAIRMAN EVANS: During this past year we have made significant strides in the reorganization and expansion of our Governors' Conference's ability to initiate as well as respond to federal propositions. I think inherent in that strengthening is an admonition to the new Chairman and the Executive Committee, which I am sure they will undertake, to review the whole structure, the committee structure, the system of policy statements, the question of whether, as has been suggested by some, we concentrate on fewer but more important issues and then have much more time during the Conference to debate those issues at perhaps a more appropriate time than the last day. I would certainly agree with you, Governor Askew. Governor Walker.

GOVERNOR WALKER: I obviously agree with Governor Askew on the timing for discussion of these substantive issues and I'd like to underline my strong support, Mr. Chairman, for your just uttered statement about the need to try to find a way to come to grips with key priority items and spend our time on those instead of a wide range of matters. Finally, I must honor the request made to me by Governor Shapp before he left that I invite your attention to his letter of April 3 in which he asked you for consideration of a change in the voting requirement from three fourths back to a majority. It is not appropriate, of course, to decide that at this time but I would express on behalf of Governor Shapp and myself the hope, and we will do it formally, of course, that this matter be raised and considered at the next Governors' Conference.

CHAIRMAN EVANS: At the last meeting of the Executive Committee a couple of days ago that was noted and that letter was sent along to the upcoming Chairman and Executive Committee for their investigation and proposed action, so it unquestionably will be before us at the next meeting of the Conference. Governor Exon.

GOVERNOR EXON: Mr. Chairman, there are many around the table today who will be meeting here for the last time.

CHAIRMAN EVANS: May I interrupt for just one moment, Governor Exon. We do have a list here and I would list all of those who will be appearing for the last time and then recognize you if I may.

GOVERNOR EXON: O.K.

CHAIRMAN EVANS: It is true that perhaps there is an unusual number of

Governors who will be meeting with us for the last time, some by choice, some by constitutional limitation, some by moving to other offices. Those Governors include: Governor Williams of Arizona, Governor Bumpers of Arkansas, Governor Reagan of California, Governor Meskill of Connecticut, Governor Carter of Georgia, Governor Burns of Hawaii, Governor Docking of Kansas, Governor Ford of Kentucky, Governor Curtis of Maine, Governor King of New Mexico, Governor McCall of Oregon, Governor West of South Carolina, Governor Dunn of Tennessee, and Governor Hathaway of Wyoming. That is a long list of distinguished Governors whom we are about to lose. Governor Exon, I recognize you now.

GOVERNOR EXON: Thank you. I'd like to offer the following resolution, requesting a suspension of the rules and unanimous adoption: "We salute and thank our distinguished colleagues and friends, who are leaving our Conference this year, for their dedication, their meaningful input and their fellowship. We shall miss you all. We wish you well and Godspeed in your future endeavors. Auld lang syne."

GOVERNOR HOLSHOUSER: I second it.

CHAIRMAN EVANS: You have heard the resolution. It has been seconded. All in favor will signify by standing and giving our applause and appreciation to our fellow distinguished colleagues. We will miss each one of you as an active member of the Conference, but I hope you will all remember that you are welcome at any time; you will always be a member of this distinguished fraternity. Now I would like to call on Governor Dunn for the report of the Nominating Committee.

GOVERNOR DUNN: Mr. Chairman, thank you. The Chairman of the Nominating Committee, Governor McCall, had to leave us prematurely. Therefore, I will present the report of this Committee. The Nominating Committee offers as its nominees for eight memberships on the 1974-75 Executive Committee the names of Governor Christopher S. Bond, Missouri; Governor Daniel J. Evans, Washington; Governor John J. Gilligan, Ohio; Governor James E. Holshouser, Jr., North Carolina; Governor Arch A. Moore, Jr., West Virginia; Governor Robert D. Ray, Iowa; Governor Thomas P. Salmon, Vermont; Governor William L. Waller, Mississippi. The Nominating Committee offers as its nominee for the Chairmanship of the National Governors' Conference Governor Calvin L. Rampton of Utah. We move the adoption of the report and the election of the persons submitted therein. Respectfully submitted by the Nominating Committee.

CHAIRMAN EVANS: The motion has been made that the report of the Nominating Committee be adopted. Is there a second?

GOVERNOR NOEL: I second it.

CHAIRMAN EVANS: The motion has been made and seconded. Are there any additions to the report or further nominations?

GOVERNOR EXON: Question.

CHAIRMAN EVANS: The motion has carried. At this time I would like to call Governor Rampton to the podium for a few remarks before we get to the last couple of items on the agenda. We hope those last several items will be very short and that all of you can stay with us for these last few minutes as we get ready to adjourn. Governor Rampton.

GOVERNOR RAMPTON: Fellow Governors, thank you for your confidence. I'll try to warrant it.

CHAIRMAN EVANS: We have a conductor who is going to run this train on time. Now just before we do get ready for adjournment, I would like to say to all of you what a privilege it has been during the last year to serve as your Chairman. This has been a year of great action by the Conference. I think we have taken important steps to strengthen the voice of the Governors of this Nation and, through you, the States of the Nation. I want to give particular thanks to the members of the Executive Committee who have labored far harder, I think, or have at least been asked to attend many more meetings and participate more regularly than at any time in our past history. I think it is important for each of us as Governors to set some high-priority time aside, not just for the business of your own State but also for the business of the States of this Nation, to give that extra time personally so that the voice of the Governors and the voice of the States will be heard more loudly and more frequently in the halls of Congress, before the federal Administration and the President, and throughout the land.

I might say finally that one of my great privileges has been to work with the outstanding staff of the National Governors' Conference. From top to bottom they have produced and produced well and have made this job a real joy. I know that in many instances they have been understaffed in terms of what we have asked them to do, but unfailingly and without exception they have responded and responded exceptionally well. My gratitude goes to all of them. On behalf of my wife, Nancy, and myself, it has been a real privilege to have all of you, Governors, staffs, press, and guests, here in our State of Washington.

GOVERNOR LUCEY: I would like to ask unanimous consent to offer a noncontroversial resolution if there is no objection. It is a resolution of appreciation.

"The Sixty-sixth National Governors' Conference expresses its gratitude to its Chairman, Governor Daniel J. Evans, his gracious First Lady Nancy, the citizens of beautiful Washington State, and the Queen City of Seattle for making the 1974 Annual Meeting of the Conference such a rewarding and exciting experience.

"We also extend our thanks to the Host State Committee, the personnel of the Olympic and Washington Plaza Hotels, as well as the many other individuals and organizations whose time and effort contributed so greatly to the success of the Conference.

"We are similarly indebted to our program guests whose stimulating ideas

and comments contributed immeasurably to our sessions. To the journalists who attended our sessions, we commend their excellent coverage and attention to the deliberations of our Sixty-sixth Annual Meeting. To the staff of the National Governors' Conference whose labors not only during this Conference, but throughout the year, serve us so ably, we extend special thanks.

"Finally, we express our deepest appreciation to Governor Dan Evans whose vision and leadership have left such an enduring mark, not only on the National Governors' Conference, but upon national and state government as well." I think this calls for a standing vote.

CHAIRMAN EVANS: Thank you. You have been patient and productive. I have just a couple of announcements. There will be a joint luncheon meeting of the 1973-74 and 1974-75 Executive Committees, such of those who are here, in the Evergreen-Pacific Rooms on the mezzanine level of this hotel immediately after adjournment. The "Getaway" Luncheon in the Spanish Lounge is still going on. Some of our friends and guests and staff, I think, had an opportunity to enjoy it while we were still here debating. I understand that the food is and has been replenished so it is ready for you. Are there any further announcements? If not, I will declare this Sixty-sixth Annual Meeting of the National Governors' Conference adjourned sine die.

Appendices

Appendix I

THE GOVERNORS, JUNE 1974

<i>State or Other Jurisdiction</i>	<i>Governor (D) Democrat (R) Republican (PD) Popular Democratic Party</i>	<i>Length of Regular Term in Years</i>	<i>Present Term Began January</i>	<i>Number of Previous Terms</i>	<i>Max. Consecutive Terms Allowed by Constitution</i>
Alabama	George C. Wallace (D)	4	1971	1(a)	2
Alaska	William A. Egan (D)	4	1970(b)	2(c)	2
American Samoa	John M. Haydon (R)	(d)	1969(e)	—	—
Arizona	Jack Williams (R)	4	1971	2	—
Arkansas	Dale Bumpers (D)	2	1973	1	—
California	Ronald Reagan (R)	4	1971	1	—
Colorado	John D. Vanderhoof (R)	4	1973(f)	(g)	—
Connecticut	Thomas J. Meskill (R)	4	1971	—	—
Delaware	Sherman W. Tribbitt (D)	4	1973	—	2(h)
Florida	Reubin O'D. Askew (D)	4	1971	—	2
Georgia	Jimmy Carter (D)	4	1971	—	(i)
Guam	Carlos G. Camacho (R)	4	1971	(j)	2
Hawaii	John A. Burns (D)	4	1970(k)	2	—
Idaho	Cecil D. Andrus (D)	4	1971	—	—
Illinois	Dan Walker (D)	4	1973	—	—
Indiana	Otis R. Bowen (R)	4	1973	—	2
Iowa	Robert D. Ray (R)	4(l)	1973	2	—
Kansas	Robert Docking (D)	4(l)	1973	3	—
Kentucky	Wendell H. Ford (D)	4	1971(m)	—	(i)
Louisiana	Edwin Edwards (D)	4	1972(n)	—	2
Maine	Kenneth M. Curtis (D)	4	1971	1	2
Maryland	Marvin Mandel (D)	4	1971	(o)	2
Massachusetts	Francis W. Sargent (R)	4	1971	(p)	—
Michigan	William G. Milliken (R)	4	1971	(q)	—
Minnesota	Wendell R. Anderson (D)	4	1971	—	—
Mississippi	William L. Waller (D)	4	1972	—	(i)
Missouri	Christopher S. Bond (R)	4	1973	—	2(h)
Montana	Thomas L. Judge (D)	4	1973	—	—
Nebraska	J. James Exon (D)	4	1971	—	2
Nevada	Mike O'Callaghan (D)	4	1971	—	2
New Hampshire	Meldrim Thomson, Jr. (R)	2	1973	—	—
New Jersey	Brendan T. Byrne (D)	4	1974	—	2
New Mexico	Bruce King (D)	4	1971	—	(i)
New York	Malcolm Wilson (R)	4	1973(r)	—	—
North Carolina	James E. Holshouser, Jr. (R)	4	1973	—	(i)
North Dakota	Arthur A. Link (D)	4	1973	—	—
Ohio	John J. Gilligan (D)	4	1971	—	2
Oklahoma	David Hall (D)	4	1971	—	2
Oregon	Tom McCall (R)	4	1971	1	2
Pennsylvania	Milton J. Shapp (D)	4	1971	—	2
Puerto Rico	Rafael Hernandez-Colon (PD)	4	1973	—	—
Rhode Island	Philip W. Noel (D)	2	1973	—	—
South Carolina	John C. West (D)	4	1971	—	(i)
South Dakota	Richard F. Kneip (D)	4(l)	1973	1	2
Tennessee	Winfield Dunn (R)	4	1971	—	(i)
Texas	Dolph Briscoe (D)	4(l)	1973	—	—
Utah	Calvin L. Rampton (D)	4	1973	2	—
Vermont	Thomas P. Salmon (D)	2	1973	—	—
Virginia	Mills E. Godwin, Jr. (R)	4	1974	1(s)	(i)
Virgin Islands	Melvin H. Evans (R)	4	1971	(t)	2
Washington	Daniel J. Evans (R)	4	1973	2	—
West Virginia	Arch A. Moore, Jr. (R)	4	1973	1	2
Wisconsin	Patrick J. Lucey (D)	4	1971	—	—
Wyoming	Stanley K. Hathaway (R)	4	1971	1	—

FOOTNOTES

- (a) Previous term 1963-67.
- (b) Alaska Constitution specifies first Monday in December as Inauguration Day.
- (c) Previous terms 1959-62, 1962-66.
- (d) Indefinite term.
- (e) August 1969.
- (f) July 1973.
- (g) Governor Vanderhoof, formerly Lieutenant Governor, succeeded to office in July 1973, to fill unexpired four-year term of Governor John A. Love (resigned) which began January 1971.
- (h) Absolute two-term limitation.
- (i) Governor cannot serve immediate successive term.
- (j) Governor Camacho appointed July 1969; became first elected Governor in November 1970.
- (k) Hawaii Constitution specifies first Monday in December as Inauguration Day.
- (l) Effective with election in 1974.
- (m) December 1971.
- (n) May 1972.
- (o) Governor Mandel, formerly House Speaker, was elected to office by the General Assembly in January 1969, to fill unexpired four-year term of Governor Spiro T. Agnew (resigned) which began January 1967. Elected to full four-year term in November 1970.
- (p) Governor Sargent, formerly Lieutenant Governor, succeeded to office in January 1969, to fill unexpired four-year term of Governor John A. Volpe (resigned) which began January 1967. Elected to full four-year term in November 1970.
- (q) Governor Milliken, formerly Lieutenant Governor, succeeded to office in January 1969, to fill unexpired four-year term of Governor George Romney (resigned) which began January 1967. Elected to full four-year term in November 1970.
- (r) Governor Wilson, formerly Lieutenant Governor, succeeded to office in December 1973, to fill unexpired four-year term of Governor Nelson A. Rockefeller (resigned) which began January 1971.
- (s) Previous term 1966-70.
- (t) Governor Evans appointed July 1969; became first elected Governor in November 1970.

Appendix II

ARTICLES OF ORGANIZATION

ARTICLE I

NAME AND MEMBERSHIP

The name of this organization shall be the "National Governors' Conference," hereinafter referred to as the "Conference."

Membership in the Conference shall be restricted to the Governors of the several States of the United States, the Virgin Islands, Guam, American Samoa, and the Commonwealth of Puerto Rico. The Conference shall maintain its headquarters in Washington, D.C.

ARTICLE II

FUNCTIONS

The functions of the Conference shall be to provide a medium for the exchange of views and experiences on subjects of general importance to the people of the several States; to foster interstate cooperation; to promote greater uniformity of state laws; to attain greater efficiency in state administration; to facilitate and improve state-local and state-federal relationships; and to vigorously represent the interests of the States in the federal system.

ARTICLE III

MEETINGS

The Conference shall meet annually at a time and place selected by the Executive Committee. The agenda as announced and printed in the official program for the Annual Meeting shall be the official agenda. The Proceedings of the Annual Meetings shall be fully reported and published.

Special meetings of the Conference may be held at the call of the Executive Committee.

Twenty-five members present at the Annual Meeting or a special meeting shall constitute a quorum.

ARTICLE IV

EXECUTIVE COMMITTEE

The Executive Committee of the Conference shall consist of the Chairman of the Conference and eight other members elected at the final business session of the Annual Meeting.

Not more than five members of the Executive Committee shall be representative of a single political party. To the extent practicable, the members of the Executive Committee shall be widely representative of the various areas and regions of the United States.

Members of the Executive Committee shall hold office until the adjournment of the succeeding Annual Meeting and until their successors are chosen. Vacancies in the Executive Committee may be filled by the Chairman subject to ratification by the remaining members of the Committee by mail ballot or by vote at the next subsequent meeting of the Committee.

The Executive Committee shall meet not less than three times each year. It shall have authority to act for the Conference in the interim between Annual Meetings.

The Executive Committee is empowered to authorize the creation of standing, special project or study committees of the Conference, and to assign and reassign to such committees the studies authorized by the Conference.

The Executive Committee is empowered to enter into agreements with the Council of State Governments for the administration and implementation of services to the Conference and its members. Any such agreement shall be subject to continuing oversight and supervision by the Executive Committee.

ARTICLE V

CHAIRMAN

The Chairman of the Conference shall be elected by the Conference at the final business session of the Annual Meeting.

The chairmanship shall alternate annually between the two major political parties, and a majority of the members of the Executive Committee shall always be of a political party other than that of the Chairman.

He shall hold office until the adjournment of the succeeding Annual Meeting and until his successor is chosen. A vacancy in the chairmanship shall be filled by vote of the remaining members of the Executive Committee at the next subsequent meeting of the Committee.

The Chairman shall preside and vote at meetings of the Executive Committee and of the Conference.

He shall appoint a Nominating Committee to serve at the Annual Meeting,

and he shall appoint the members of standing, special project or study committees created by the Conference or by the Executive Committee. The Nominating Committee shall consist of five members, three of whom shall be of a political party other than that of the person who shall be elected as next Chairman of the Conference. The Nominating Committee shall present a single slate of nominees for the offices of Chairman and members of the Executive Committee. Additional nominations may be made from the floor, and election shall be by secret ballot in all cases where the number of nominees exceed the number of officers to be elected. Elections shall be conducted in executive session.

The Chairman shall arrange the program of the Annual Meeting with the advice and counsel of the Executive Committee.

ARTICLE VI

EXECUTIVE DIRECTOR AND SECRETARY-TREASURER

The Executive Committee is empowered to employ and fix the salary of an Executive Director who shall serve at the pleasure of the Executive Committee. The Executive Director shall be the principal administrative officer of the Conference and shall have responsibility for the administration of all Conference functions and activities.

The Executive Director shall employ, fix the salaries of, and direct such personnel as may be required to carry out the purposes of the Conference in accordance with budgets adopted by the Executive Committee.

The Executive Director shall negotiate and administer the terms of such agreements as are entered into with the Council of State Governments for the provision of supportive services to the Conference.

The Executive Director of the Council of State Governments shall serve, ex officio, as Secretary-Treasurer of the Conference. The Secretary-Treasurer shall attend and keep a correct record of all meetings of the Conference; safely keep all documents and other property of the Conference which are committed to him; and shall perform all other duties appertaining to his office which may be required by the Executive Committee.

The Secretary-Treasurer, with the concurrence of the Executive Director, shall make such arrangements as may be required of him for the Annual Meeting and special meetings of the Conference and shall edit the stenographic record of the proceedings of all meetings.

Subject to the authority of the Executive Committee, the Secretary-Treasurer shall have custody of the funds of the Conference. He shall deposit the funds of the Conference in its name, annually reporting all receipts, disbursements, and balances on hand; and shall furnish a bond with sufficient sureties conditioned for the faithful performance of his duties.

ARTICLE VII

POLICY STATEMENTS

Statements reflecting policy positions of the Conference shall be in the form of summary statements prepared by Conference committees as an adjunct to their committee reports. Such statements shall be submitted to the Executive Committee and to all Governors not less than one month prior to an annual or special meeting of the Conference. The Executive Committee is authorized to submit such statements, with or without amendments, to the Conference for consideration. Policy statements shall be deemed adopted upon obtaining a three-fourths favorable vote of the Conference. Floor amendments shall require the same majority vote. Any Governor desiring to submit a policy statement for consideration shall do so by transmitting the substance thereof to an appropriate committee chairman not less than two months prior to an annual or special meeting of the Conference.

ARTICLE VIII

DUES

Each member shall contribute such amounts as may be necessary to finance the programs and operations of the Conference, in accordance with contribution schedules approved by the Conference. Budgets shall be prepared and adopted by the Executive Committee. Annual financial reports shall be submitted to all members of the Conference and an independent audit shall be conducted not less than once a year by a reputable firm of certified public accountants.

ARTICLE IX

AMENDMENTS

The Conference at any meeting may amend these Articles of Organization by a majority vote of all Governors present and voting. Notice of specific amendments together with an explanatory statement shall be mailed to all members of the Conference at least thirty days prior to submitting an amendment to vote at a meeting. In the absence of such notice, a three-fourths majority vote shall be required for the adoption of any proposed amendment.

ARTICLE X

SUSPENSION

Any Article of procedure for conducting the business of the Conference may be suspended by a three-fourths vote.

ARTICLE XI

DISSOLUTION

In the event of the dissolution of the National Governors' Conference, any assets of the Conference shall be distributed to the Members (as defined in Article I) in the proportion which each Member contributed to the support of the Conference in the year preceding dissolution. Any assets so distributed to a Member shall be used for a public purpose.

Appendix III

RULES OF PROCEDURE*

Preamble

1. These Rules of Procedure shall be in specific conformity with the Articles of Organization of the National Governors' Conference and, to the extent practicable, shall be consonant with precedents and traditions of the Conference.

2. On any issue not covered by these Rules of Procedure or by the Articles of Organization, *Mason's Manual of Legislative Procedure* shall be the standard authority, when applicable.

Rule I—Policy Statements and Resolutions

1. By action of the Conference at its 1969 Winter Meeting, the Articles of Organization were amended to abolish resolutions and to establish a regular procedure for preparation of policy statements by Conference committees as an adjunct to their committee reports. Such policy statements shall come before the Conference in the manner set forth by Article VII of the Articles of Organization. Policy statements adopted by the Conference shall remain in force and effect until rescinded or superseded by the Conference.

2. In order to consider any policy statement or resolution that has not been prepared and presented in accordance with Article VII, the Conference may suspend the Articles of Organization by a three-fourths majority vote. The motion to suspend is not debatable. Under such suspension, the proposed policy statement or resolution may be debated, amended and adopted upon a similar majority vote of the Conference.

3. Any member intending to offer a motion for suspension of the Articles of Organization to consider a policy statement or resolution shall give notice of such intention and shall distribute to all members present a copy of such proposal at least one session before such motion is put to a vote.

Rule II—Committee Reports

1. A committee chairman or other committee member may offer a motion with respect to a committee report in either of the following forms: (a) that the report be approved; (b) that the report be received and filed. A substitute motion may be offered from the floor to refer the report back to committee for further study. A committee report may include minority or dissenting views. A motion to table is not in order.

*Adopted at Sixty-sixth Annual Meeting, Seattle, Washington, June 3, 1974.

2. If there be separate majority and minority reports from a committee, the following motions shall be in order: (a) a motion to approve the majority report (by a majority member of the committee); (b) a motion to approve the minority report in lieu of the majority report (by a minority member of the committee); (c) a motion to receive and file both reports (by any member from the floor); and (d) a motion to refer both reports back to committee for further study (by any member from the floor). Voting on any of these motions shall be in reverse order of the above. A motion to table is not in order.

3. Action on the motions described above shall be by a simple majority vote.

4. No individual amendments to a committee report, a separate majority report, or a separate minority report may be offered from the floor.

5. This Rule II shall not apply to the report of the Nominating Committee, which shall be acted upon as set forth in Article V of the Articles of Organization.

6. This Rule II shall not apply to policy statements developed as an adjunct to Conference committee reports, and such policy statements shall be governed by Article VII of the Articles of Organization.

Rule III—Ordinary Business

1. Any proposition necessary to carry on the business of the Conference may be approved by a simple majority vote.

Rule IV—Motions to Amend

1. Motions to amend most propositions are in order. An amendment may be amended, but an amendment to an amendment may not be amended because this would lead to undue confusion. Amendments shall be adopted by the same proportionate vote as is required on the main motion being amended.

2. Every amendment proposed must be germane to the subject of the proposition to be amended. To be germane, the amendment is required only to relate to the same subject, and it may entirely change the effect of the proposition. An amendment to an amendment must be germane to the subject of the amendment as well as to the main proposition.

3. Any amendment must be in writing if the Chairman so requests.

Rule V—Motions to Table

1. The purpose of a motion to table is to eliminate further consideration of any pending matter. Such motion is in order on either the entire question or on a pending amendment, and the member offering the motion should identify the breadth of his motion. A motion to table is not debatable. Adoption requires a simple majority vote. Motion may be renewed after progress in debate.

Rule VI—*Previous Question*

1. The purpose of a motion for the previous question is to close debate and vote immediately on either the pending amendment alone, or on all amendments and the main question seriatim. Member offering the motion should identify the breadth of his motion. A motion for the previous question is not debatable. Adoption requires a two-thirds vote. Motion may be renewed after progress in debate.

Rule VII—*Postpone Indefinitely*

1. The purpose of a motion to postpone indefinitely is to reject a main proposition without the risk of a direct vote on final passage. It may not be applied to an amendment and may not be renewed. The motion is debatable. Adoption requires a simple majority vote.

Rule VIII—*Roll Call Votes and Other Matters*

1. A roll call vote may be requested by any member on any pending question. The roll shall be called upon a show of hands by ten members.

2. Whenever the roll is called, all members present shall be entitled to vote. No proxies shall be permitted.

3. The proportion of votes required for adoption of any motion, as set forth in these Rules of Procedure, refers to the number of members voting Yea or Nay on the motion, a quorum being present. Members are entitled to indicate that they are present but not voting, or to explain their vote.

Rule IX—*Adoption, Amendment and Suspension of Rules*

1. These Rules of Procedure may be adopted or amended at the first business session of any annual or special meeting of the Conference by a simple majority vote. Thereafter, for the duration of any such annual or special meeting, amendment or suspension of the Rules shall require a three-fourths vote.

Appendix IV

TREASURER'S REPORT

BALANCE SHEET JUNE 30, 1974

ASSETS

Current Assets

Cash in Bank	\$ 32,331.65
Petty Cash750.00
U.S. Treasury Bills, at cost which approximates market value416,731.76
Expense Advances3,050.65
Due from the Council of State Governments	26,485.25
Total Assets	<u>\$479,349.31</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$ 1,807.46
Due to Restricted Fund	
Franklin Mint Corporation Royalties	\$180,076.27
Add: Interest Income on Securities	<u>2,238.14</u>
Total Liabilities	<u>182,314.41</u> <u>\$184,121.87</u>

Fund Balance, July 1, 1973	\$301,125.69
Add: Excess of Revenue over Expenditures	<u>(5,898.25)</u>
Fund Balance, June 30, 1974	<u>.295,227.44</u>
Total Liabilities and Fund Balance	<u><u>\$479,349.31</u></u>

* * *

STATEMENT OF GENERAL FUND REVENUE AND EXPENDITURES FOR THE PERIOD JULY 1, 1973-JUNE 30, 1974

Revenue

Dues Received from States	\$350,500.00
Interest on Securities	37,700.55
Contributions to Reimburse Cost	11,287.87
Total Revenue	\$399,488.42

Expenditures

Salaries and Fringe Benefits	\$207,943.58	
Supplies	7,023.02	
Equipment	5,717.12	
Postage, Express and Delivery	15,740.84	
Telephone and Telegraph	7,846.25	
Printing and Processing	31,742.59	
Books and Periodicals	1,460.96	
Audit Expense	700.00	
Rent	28,999.92	
Travel and Conference	43,289.98	
Miscellaneous	878.94	
Winter Meeting	17,766.10	
Contingency Fund for Expenses of Chairman	15,589.46	
Future Operations Task Force	<u>20,687.91</u>	
Total Expenditures		<u>\$405,386.67</u>

Excess of Revenue over Expenditures \$ (5,898.25)

Appendix V

ANNUAL MEETINGS OF THE NATIONAL GOVERNORS' CONFERENCE

1st	Washington, D. C.	May 13-15	1908
2nd	Washington, D. C.	January 18-20	1910
3rd	Frankfort and Louisville, Kentucky	Nov. 29-Dec.1	1910
4th	Spring Lake, New Jersey	September 12-16	1911
5th	Richmond, Virginia	December 3-7	1912
6th	Colorado Springs, Colorado	August 26-29	1913
7th	Madison, Wisconsin	November 10-13	1914
8th	Boston, Massachusetts	August 24-27	1915
9th	Washington, D. C.	December 14-16	1916
		No Meeting	1917
10th	Annapolis, Maryland	December 16-18	1918
11th	Salt Lake City, Utah	August 18-21	1919
12th	Harrisburg, Pennsylvania	December 1-3	1920
13th	Charleston, South Carolina	December 5-7	1921
14th	White Sulphur Springs, West Virginia	December 14-16	1922
15th	West Baden, Indiana	October 17-19	1923
16th	Jacksonville, Florida	November 17-18	1924
17th	Poland Springs, Maine	June 29-July 1	1925
18th	Cheyenne, Wyoming	July 26-29	1926
19th	Mackinac Island, Michigan	July 25-27	1927
20th	New Orleans, Louisiana	November 20-22	1928
21st	New London, Connecticut	July 16-18	1929
22nd	Salt Lake City, Utah	June 30-July 2	1930
23rd	French Lick, Indiana	June 1-2	1931
24th	Richmond, Virginia	April 25-27	1932
25th	Sacramento and San Francisco, California	July 24-26	1933
26th	Mackinac Island, Michigan	July 26-27	1934
27th	Biloxi, Mississippi	June 13-15	1935
28th	St. Louis, Missouri	November 16-18	1936
29th	Atlantic City, New Jersey	September 14-16	1937
30th	Oklahoma City, Oklahoma	September 26-28	1938
31st	Albany and New York, New York	June 26-29	1939
32nd	Duluth, Minnesota	June 2-5	1940
33rd	Boston and Cambridge, Massachusetts	June 29-July 2	1941
34th	Asheville, North Carolina	June 21-24	1942
35th	Columbus, Ohio	June 20-23	1943
36th	Hershey, Pennsylvania	May 28-31	1944
37th	Mackinac Island, Michigan	July 1-4	1945
38th	Oklahoma City, Oklahoma	May 26-29	1946
39th	Salt Lake City, Utah	July 13-16	1947
40th	Portsmouth, New Hampshire	June 13-16	1948
41st	Colorado Springs, Colorado	June 19-22	1949
42nd	White Sulphur Springs, West Virginia	June 18-21	1950
43rd	Gatlinburg, Tennessee	Sept. 30-Oct. 3	1951
44th	Houston, Texas	June 29-July 2	1952
45th	Seattle, Washington	August 2-6	1953
46th	Lake George, New York	July 11-14	1954
47th	Chicago, Illinois	August 9-12	1955
48th	Atlantic City, New Jersey	June 24-27	1956
49th	Williamsburg, Virginia	June 23-26	1957
50th	Bal Harbour, Florida	May 18-21	1958
51st	San Juan, Puerto Rico	August 2-5	1959
52nd	Glacier National Park, Montana	June 26-29	1960
53rd	Honolulu, Hawaii	June 25-28	1961
54th	Hershey, Pennsylvania	July 1-4	1962
55th	Miami Beach, Florida	July 21-24	1963
56th	Cleveland, Ohio	June 6-10	1964
57th	Minneapolis, Minnesota	July 25-29	1965
58th	Los Angeles, California	July 4-7	1966
59th	S.S. Independence and Virgin Islands	October 16-24	1967
60th	Cincinnati, Ohio	July 21-24	1968
61st	Colorado Springs, Colorado	Aug. 31-Sept. 3	1969
62nd	Lake of the Ozarks, Missouri	August 9-12	1970
63rd	San Juan, Puerto Rico	September 12-15	1971
64th	Houston, Texas	June 4-7	1972
65th	Lake Tahoe, Nevada	June 3-6	1973
66th	Seattle, Washington	June 2-5	1974

Appendix VI

CHAIRMEN OF THE NATIONAL GOVERNORS' CONFERENCE, 1908-1974*

Governor Augustus E. Willson, Kentucky	1910
Governor Francis E. McGovern, Wisconsin	1911-14
Governor David I. Walsh, Massachusetts	1914-15
Governor William Spry, Utah	1915-16
Governor Arthur Capper, Kansas	1916-17
Governor Emerson C. Harrington, Maryland	1918
Governor Henry J. Allen, Kansas	1919
Governor William C. Sproul, Pennsylvania	1919-22
Governor Channing H. Cox, Massachusetts	1922-24
Governor E. Lee Trinkle, Virginia	1924-25
Governor Ralph O. Brewster, Maine	1925-27
Governor Adam McMullen, Nebraska	1927-28
Governor George H. Dern, Utah	1928-30
Governor Norman S. Case, Rhode Island	1930-32
Governor John G. Pollard, Virginia	1932-33
Governor James Rolph, Jr., California	1933-34
Governor Paul V. McNutt, Indiana	1934-36
Governor George C. Peery, Virginia	1936-37
Governor Robert L. Cochran, Nebraska	1937-39
Governor Lloyd C. Stark, Missouri	1939-40
Governor William H. Vanderbilt, Rhode Island	1940-41
Governor Harold E. Stassen, Minnesota	1941-42
Governor Herbert R. O'Connor, Maryland	1942-43
Governor Leverett Saltonstall, Massachusetts	1943-44
Governor Herbert B. Maw, Utah	1944-45
Governor Edward Martin, Pennsylvania	1945-46
Governor Millard F. Caldwell, Florida	1946-47
Governor Horace A. Hildreth, Maine	1947-48
Governor Lester C. Hunt, Wyoming	1948
Governor William P. Lane, Jr., Maryland	1949
Governor Frank Carlson, Kansas	1949-50
Governor Frank J. Lausche, Ohio	1950-51
Governor Val Peterson, Nebraska	1951-52
Governor Allan Shivers, Texas	1952-53
Governor Dan Thornton, Colorado	1953-54
Governor Robert F. Kennon, Louisiana	1954-55
Governor Arthur B. Langlie, Washington	1955-56
Governor Thomas B. Stanley, Virginia	1956-57
Governor William G. Stratton, Illinois	1957-58
Governor LeRoy Collins, Florida	1958-59

*At the initial meeting in 1908, President Theodore Roosevelt presided.

Governor J. Caleb Boggs, Delaware	1959–60
Governor Stephen L. R. McNichols, Colorado	1960–61
Governor Wesley Powell, New Hampshire	1961–62
Governor Albert D. Rosellini, Washington	1962–63
Governor John Anderson, Jr., Kansas	1963–64
Governor Grant Sawyer, Nevada	1964–65
Governor John H. Reed, Maine	1965–66
Governor William L. Guy, North Dakota	1966–67
Governor John A. Volpe, Massachusetts	1967–68
Governor Buford Ellington, Tennessee	1968–69
Governor John A. Love, Colorado	1969–70
Governor Warren E. Hearnes, Missouri	1970–71
Governor Arch A. Moore, Jr., West Virginia	1971–72
Governor Marvin Mandel, Maryland	1972–73
Governor Daniel J. Evans, Washington	1973–74
Governor Calvin L. Rampton, Utah	1974–75

Appendix VII

POLICY STATEMENTS ON CRIME REDUCTION AND PUBLIC SAFETY

ADMINISTRATION AND IMPLEMENTATION OF THE OMNIBUS CRIME CONTROL AND SAFE STREETS ACT

The National Governors' Conference commends the Law Enforcement Assistance Administration for its extensive and helpful cooperation with the States in implementing the Omnibus Crime Control and Safe Streets Act of 1968 as amended by the Crime Control Act of 1973. Its actions in fostering the development of qualified staff at the state level, providing wide latitude to the States in developing plans for improving the entire criminal justice system, promoting a spirit of cooperation between the various criminal justice disciplines, and generally supporting the state partnership required in a block grant program set an outstanding example that could well be emulated by other federal departments.

Therefore, the National Governors' Conference expressly reaffirms its confidence in the LEAA program and urges the Congress to form a partnership with the Governors in working to strengthen the LEAA to assure effective intergovernmental action to deal with one of the Nation's most serious domestic problems.

STATE-CITY COOPERATION

The National Governors' Conference restates and reemphasizes its commitment to vigorous and effective action to control the burgeoning crime problems in the urban areas of our States. Recognizing that the plague of crime knows no jurisdictional boundaries, the Governors of the States pledge their active support to the comprehensive planning and intergovernmental action called for in the Omnibus Crime Control Act of 1968. The Governors are firmly committed to the need for a working partnership with elected and other policy-making officials in the counties and municipalities of our States to accelerate efforts in developing comprehensive metropolitan crime control programs and facilities.

The National Governors' Conference recognizes the need and shares the concern of large cities and counties for additional crime control funds. The States are responding to this need by continuing to make additional block grant funds available to cities and counties through the state planning agencies. We, therefore, urge the Administration to request and the Congress to appropriate the full amount authorized by the Crime Control Act of 1973 with the major portion thereof for the specific purpose of funding block grants to the States.

CRIMINAL CODE REVISION

The National Governors' Conference finds that one of the most critical needs in the improvement of many States' criminal justice systems is in the

revision, modernization and simplification of the criminal code. The Governors of the States pledge their commitment to request the state legislatures, in cooperation with the appropriate state and local criminal justice officials and members of the bar, to review and, where necessary, revise the state criminal code immediately, and at least once each decade thereafter.

To facilitate revision efforts, the National Governors' Conference urges the United States Department of Justice to establish a clearinghouse for state criminal code revision efforts, to serve as a source of advice and information-sharing among the States.

THE PREVENTION AND CONTROL OF JUVENILE DELINQUENCY

In recognition of the key role which state governments play in the intergovernmental effort to prevent and control juvenile delinquency, the National Governors' Conference urges each State to act as the focal point for the coordination of planning and services of all state and federal agencies which contribute to the prevention, control and treatment of juvenile delinquency.

To achieve that objective, greater emphasis should be placed on coordination of effort between the numerous federal agencies with juvenile delinquency programs and between federal and state agencies.

Recognizing that juvenile delinquency is a problem broader than the criminal justice system, planning for programs should promote coordination and utilization of private and public, social and educational services to youth to the maximum extent feasible.

Further, recognizing that the key to a meaningful reduction in juvenile delinquency lies in its prevention, each State should emphasize and strengthen its commitment to basic prevention programs giving particular emphasis to home, school and community centered programs aimed at youth in danger of becoming delinquent.

The States have increasingly recognized the importance of preventive programs and made notable progress in implementing new programs and experimenting with new ways of preventing delinquency. What is lacking is a federal commitment to the prevention of juvenile delinquency. The National Governors' Conference, therefore, urges the Congress to adequately fund and amend legislation to support state juvenile delinquency prevention efforts. Such legislation should focus on the following objectives:

- A. Improving federal programs affecting juveniles. Such improvement should provide expanded juvenile jurisdiction and funding by the Law Enforcement Assistance Administration and those programs at the state and local level. Further improvement should also be sought in coordination with those programs recently being funded by the Department of Health, Education, and Welfare with those of the LEAA including its expanded juvenile authority.
- B. Broadening and planning structure and capabilities at the local and state levels.

- C. Substantially increased funding for action and special impact by States and localities. A portion of the federal funds under the act should be available for the matching requirements of other federal funds, thus increasing the scope of the funding.
- D. Providing an ongoing capability for legislative and staff monitoring and evaluation of all programs and activities funded under the act as a basis for developing hard data for making decisions on long-range needs.
- E. Utilization of the existing structure of the State Planning Agencies for law enforcement in the achievement of the above objectives.

ORGANIZED CRIME

The National Governors' Conference pledges full support and cooperation in the intergovernmental war on organized crime and urges that state action include creation of state level programs to investigate organized crime, including public corruption and infiltration by crime syndicates into legitimate business. Organized crime units should include investigators with the professional training to trace the financial transaction of organized crime.

To assist the States in their organized crime programs, the Law Enforcement Assistance Administration should broaden its technical assistance and training programs to assist in the development of competent staff for state and local jurisdictions, and increase its financial support for the development of state intelligence systems.

Building on the work of the National Advisory Commission on Criminal Justice Standards and Goals, the Law Enforcement Assistance Administration should develop and broaden standards and goals for the guidance of federal, state and local governments in improving their effectiveness in dealing with organized crime.

DRUG ABUSE

The National Governors' Conference is concerned with the proliferation of narcotics and drug abuse problems. Because of its multifaceted nature and complexity, it is both proper and necessary that the problem be addressed by this Committee as well as the Committee on Human Resources. The Governors recommend that the following action be undertaken at the federal level.

- A. Efforts already under way to coordinate federal drug abuse programs and to develop goals, objectives and priorities should be continued and strengthened.
- B. Diplomatic pressure to halt the illegal importation of narcotic substances should be intensified and programs to reduce the production of such substances should be promoted.

The Governors recommend that the following state action should be undertaken.

- A. Enactment of the Uniform Controlled Dangerous Substances Act, as well as other legislation which would grant courts and correctional authorities sufficient flexibility to permit individualized sentencing and treatment for users and appropriately severe sentences for sellers for profit.
- B. Unification of all state drug control programs and coordination of public and private drug control efforts.
- C. Disorderly and other criminal conduct accompanied by drunkenness should remain punishable as separate crimes. Public drunkenness should be decriminalized and addressed as a health problem.

CRIMINAL JUSTICE STANDARDS AND GOALS

The National Governors' Conference considers the establishment of standards and goals for the criminal justice system essential to the achievement of a meaningful reduction in crime and delinquency. To facilitate this process, the National Governors' Conference urges each State and unit of local government to begin evaluation of its law enforcement and criminal justice system. The Governors in conjunction with the individual State Planning Agencies are urged to take the lead in this effort.

The National Governors' Conference endorses the goal of reducing in ten years the rate of high-fear crime by 50 percent from its 1973 level. As used in this context, high-fear crime refers to homicide, rape, aggravated assault, burglary and robbery committed by people who are strangers to their victims.

To reach this goal, the Governors pledge their best efforts and leadership to improve and reform the criminal justice system.

EXTRADITION REFORM

The National Governors' Conference expresses its concern with the ever-increasing number of extradition requests which pass through Governors' offices and the bewildering variety of forms and procedures utilized by the various States in the extradition process. The resulting delay serves neither justice nor efficiency, and serious questions of due process foster an increasing volume of litigation in extradition cases.

We, therefore, request that the National Association of Extradition Officials study the problem and the various solutions that have been offered and propose model legislation if deemed desirable for adoption by the States. Recognizing that the NAEO may not have the funding required for such study and proposals, we strongly support efforts by that association to procure funding, and in particular, we urge the Law Enforcement Assistance Administration to consider favorable support immediately for a comprehensive study in the field of extraditions and related problems.

THE NATIONAL GUARD

The National Governors' Conference recognizes the unique role of the National Guard as the primary reserve force for both the Army and the Air

Force in our Nation's defense and as our emergency law enforcement and disaster backup for state civil authorities. We reaffirm our belief in the National Guard militia system which has supported and sustained the United States throughout its history as the most fitting, economical and effective method of providing military support to both State and Nation.

We, therefore, encourage the Department of Defense and the National Guard to reexamine the requirements for enlistments, training, retention, as we are deeply concerned over the ability of the National Guard to maintain the desired manning levels by purely voluntary means. Further, greater emphasis and support must be given to incentives to enlist and retain members in adequate numbers with a proper balance of experience and leadership.

Inactivations of National Guard Air Defense Forces

The National Governors' Conference strongly opposes reductions in the strength of the Army and Air National Guard, and urges Congressional action to mandate retention of existing Air National Guard flying units in our defense structure for fiscal year 1975 and beyond. The Nation's Governors believe the units are necessary to avoid waste, to preserve the Nation's air defense capabilities, and to retain the highly trained and experienced personnel with essential skills now assigned to the units.

Use of National Guard Aircraft

The Governors express their concern that Department of Defense regulations relating to the use of National Guard aircraft by Governors are unduly restrictive and hamper the Governors in carrying out their responsibilities as commanders-in-chief of the Guard units within their States and as administrators of federally sponsored programs.

The National Governors' Conference therefore urges the Department of Defense to amend its regulations to permit the use of such aircraft by Governors in the conduct of official business deemed to be in the national or state interest.

DISASTER PREPAREDNESS

Recognizing the high incidence of severe natural disasters in this country during 1972 and 1973 and continuing into 1974, and the consequent great cost not only to the people directly affected but also to all the people whose taxes pay for the disaster relief and recovery efforts of the federal, state and local governments, the National Governors' Conference supports the principle of disaster preparedness by all levels of government in order to mitigate the effects of disasters, increase capability to cope with them and reduce their cost.

The National Governors' Conference therefore specifically endorses the following legislative efforts and administrative programs.

A. Enactment of new or improved disaster legislation by the States as a high priority.

The Council of State Governments, in cooperation with the Federal Disaster Assistance Administration, Department of Housing and Urban Development, has developed an Example

State Disaster Act as an aid to States seeking to upgrade their disaster preparedness, response and recovery activities. To date, fewer than a third of the States have enacted disaster legislation based on provisions of the example act. The National Governors' Conference urges the Governors to actively consider revision and updating of current disaster law, particularly to meet the requirements of new federal legislation.

B. Implementation of the federal legislation for disaster preparedness and assistance, the Disaster Relief Act of 1974.

The National Governors' Conference supports the newly enacted Disaster Relief Act of 1974 and its implementing regulations as to strengthening and streamlining existing capability to reduce and cope with the effects of disasters, and urges corresponding state administrative action to comply with those new requirements.

C. The National Flood Insurance Program, as recently expanded and strengthened by the Flood Disaster Protection Act of 1973.

The National Governors' Conference urges the Governors to support participation by their States' identified flood-prone areas in the program and to encourage owners of property within those areas to take full advantage of this federally subsidized insurance.

D. Federal financial assistance through the FDAA disaster preparedness program (Sec. 201 of the Disaster Relief Act of 1974) and the HUD Comprehensive Planning Assistance Program (Sec. 701 of the Housing Act of 1954 as amended).

The National Governors' Conference acknowledges the advantages of these grant-in-aid programs--especially the new 100 percent federally funded program grant for disaster preparedness--for state and local disaster mitigation and response purposes and recommends their use to the fullest extent possible.

E. The On-Site Assistance program of the Defense Civil Preparedness Agency, Department of Defense.

The National Governors' Conference recognizes the value and utility of this activity toward enabling state and local governments to respond more effectively to disasters as well as war emergencies and urges the use of this and other programs of technical assistance.

CRIMINAL JUSTICE INFORMATION SYSTEMS

Recognizing that certain basic standards are needed to assure the confidentiality and security of criminal history data, the National Governors' Conference urges development of legislation establishing minimum standards for the development, structure and operation of criminal justice data systems. The legislation should define the kind of information to be contained in the system, provide for the inclusion of dispositional data, opportunity for

review and expungement of outdated or inaccurate data and sanctions for the misuse of confidential information. Access to individually identifiable information should be strictly limited. States should, however, be permitted to exceed such minimum standards through their own legislation and to have such standards prevail over less restrictive federal or sister state standards.

In the case of automated data systems, States should be permitted to determine whether information should be stored in a shared or dedicated facility.

Any federal legislation pertaining to the privacy and security of criminal justice data should expressly provide for full participation by States in the development and promulgation of regulations and in the administration of the act.

PROPOSALS FOR A NATIONAL INSTITUTE OF JUSTICE

The proposal to create a National Institute of Justice would undermine state and local control of law enforcement and the administration of justice and would endanger the federal assistance role created by Congress in the Omnibus Crime Control and Safe Streets Act of 1968. The National Governors' Conference, therefore, opposes this measure as it would any other direct or indirect federal effort to control or regulate state courts.

ENERGY CRISIS

The National Governors' Conference recognizes that energy shortages will have a profound and continuing effect on all governmental institutions including those related to law enforcement and criminal justice. The Governors further recognize that to the greatest extent possible, energy supplies should be conserved and shared equitably. Therefore, insofar as it is consistent with the requirements of public safety, the Nation's Governors will support an intergovernmental effort to improve the energy utilization efficiency of law enforcement and criminal justice agencies.

FIRE PREVENTION AND CONTROL

The National Governors' Conference recognizes that destructive fires are taking a growing toll of American lives and property. Fire destroys the products of our past labors, current efforts, and lays waste to our future. The increased density of population in vertical and horizontal dimensions as well as the growth in fuel and ignition sources have increased the chance of incident. Every individual finds himself in an increasing threat of fire initiated by product use, misuse, or abuse.

The National Commission on Fire Prevention and Control estimates the direct and indirect cost of fire exceeds \$11 billion annually. The toll in lost lives exceeds 12,000 annually and thousands are permanently scarred from fire. This appalling carnage of property loss and lost lives can and must be drastically reduced.

The Governors feel that a successful fight against fire will require a cooperative and aggressive approach involving local governments, the States

and the federal government. Considering the magnitude of the problem and the growing threat, we can no longer set this complex problem aside.

The Governors support national legislation that would provide:

- A. A central office for fire prevention and control with the authority to mount an effective program of research and development;
- B. A National Fire Academy to provide specialized training to higher-level officers and to assist state and local jurisdictions in their training programs;
- C. A National Clearinghouse of Information on Fire Prevention; and
- D. Improved facilities for the treatment and rehabilitation of burn victims.

POLICY STATEMENTS ON EXECUTIVE MANAGEMENT AND FISCAL AFFAIRS

GENERAL REVENUE SHARING

The National Governors' Conference went on record in 1965 in support of the principle that the federal government share a portion of its revenues with the States, unfettered as to functions for which it is used.

With passage of General Revenue Sharing in October 1972, the Conference reiterates its strong support and calls upon the Congress and the Administration to keep General Revenue Sharing free of categorical restrictions and cumbersome administrative guidelines.

Specifically, the Conference applauds language in the act which calls for reliance on the laws and procedures used by state and local governments in administering their own funds as the basis for administering revenue sharing. The Conference feels this language to be the basic foundation of General Revenue Sharing and thus all administrative regulations and procedures should build upon this principle. States are particularly concerned that federal accounting regulations not impose additional requirements on existing state accounting practices.

Further, the National Governors' Conference calls upon Congress to reenact General Revenue Sharing legislation during the first session of the Ninety-fourth Congress to provide States adequate lead time for proper budget preparation. Reenactment should include features sought by the National Governors' Conference during debate over the current program. These include: funding based on a fixed percentage of federal income tax collections, a permanent program not requiring periodic reenactment, and clear statement of Congressional intent that the program not be viewed as a substitute for existing categorical grant-in-aids. Finally, because the most valued feature of the program is the fact that funding is known in advance, revenue sharing should be specifically excepted from new Congressional budget procedures requiring that advance spending authority be subject to annual appropriations review.

The Conference urges all Governors to begin early preparation and communication of their views of the program to their Congressional delegations and the NGC staff.

STATE AND LOCAL BONDS

The municipal bond market is a vital source of funds for financing the capital expenditure requirements of state and local governments. In order to meet the strong and growing demand for new and expanded capital facilities faced by these governments, it is imperative that this market provide a dependable source of funds at reasonable rates of interest. To this end we recognize the desirability of broadening the market for state and local bonds.

Specifically, at the federal level we urge Congress to enact legislation: to permit mutual funds holding municipal bonds to pass the exemption through to their stockholders; and to require a portion of the reserves of the Unemployment Trust Fund to be invested in municipal securities.

At the state level we encourage where feasible and relevant the examination of state initiatives such as: the state bond bank; constitutional and/or statutory changes in debt and interest rate limitations; collateral deposit requirements in municipal bonds for insurance companies; direct issuance of low-denomination bonds; and public finance assistance departments.

The last several years have witnessed a growing number of bills introduced in the Congress which would shift state and local borrowing from the tax-exempt to the taxable market. In most of these cases, federal line agencies would act as intermediaries between state and local governments and the public in marketing municipal bonds. Regarding further Congressional action in this area, we recommend the following criteria:

- A. Use of any federal credit assistance programs by state and local governments should be entirely voluntary.
- B. Such assistance should be free of federal interference and intervention in matters of state and local concern.
- C. Such assistance should be simple, dependable, and free of delay.
- D. Such assistance should not be viewed as an alternative to federal grant assistance where the latter is appropriate and necessary.

The Conference reasserts that any proposal should not in any way impair the access of state and local governments to the tax-exempt market or infringe upon these governments' independence in debt financing or repeal or limit the exemption of state and local government bond interest from federal taxation.

The National Governors' Conference calls upon the Secretary of the Treasury to provide in the implementation of the Tax Reform Act of 1969 opportunity for state and local governments to make reasonable investments and derive reasonable returns on proceeds of tax-exempt bonds. The National Governors' Conference opposes the use of tax-exempt bonds to earn unreasonable "arbitrage" profits through investment in taxable obligations. However, we urge the Secretary of the Treasury to recognize the necessity to cover legitimate administrative costs associated with certain kinds of important revenue-producing public improvements, including student loans and lower-income housing. The Conference calls upon the Secretary to provide through administrative regulations for a permissible yield sufficient to cover reasonable costs incurred in the operation of these and similar programs. Finally, the Conference recommends that current exemptions from Industrial Development Bond provisions of the Internal Revenue Code not be deleted or further restricted by the Congress.

INTERSTATE TAXATION OF BUSINESS

For a number of years the National Governors' Conference has expressed opposition to federal legislation which would restrict the taxing jurisdiction of the State and provide preferential tax immunity to favored multistate businesses, and has expressed full support for legislation which would give Congressional approval to the enactment of the Multistate Tax Compact by the States.

This Conference now goes one step further in supporting an expanded and/or specific version of a Congressional consent bill for the Multistate Tax Compact to allay expressions of concern in the Congress that the original consent bill set out only a broad statement of purpose, and to counter claims that the States were seeking a sort of blank check in the area of multistate taxation.

The Conference therefore urges Congress to enact legislation, drafted by the Advisory Commission on Intergovernmental Relations in collaboration with the Council of State Governments, which incorporates the Multistate Tax Compact and expresses Congressional consent to enactment by the States of a compact substantially the same thereto, plus the following additional provisions:

- A. The three-factor formula (Uniform Division of Income for Tax Purposes Act), developed by the National Conference of Commissioners on Uniform State Laws, is made mandatory for net income taxes upon States which have not enacted the compact by July 1, 1971;
- B. States are given jurisdiction to require collection of sales tax by sellers making interstate deliveries into a State if the seller makes regular household deliveries there; and
- C. Income taxes may be imposed on Congressional salaries only by the district and State represented by the Congressman.

FEDERAL ROLE IN STATE PLANNING

Planning has always been a vital element in the decision-making process, and in recent years much effort has been made at the federal and state levels to improve the methods by which it is done. The federal government has shown its concern and interest by many programs of assistance to state and local governments for planning. However, many problems have arisen: a multiplicity of planning grants with different federal requirements; uncertain funding; and no integration of plans, especially at the federal level.

The National Governors' Conference urges that:

The Congress and the Administration take immediate action to correct the confusing, contradictory, duplicative and overlapping mass of federal requirements and definitions concerning both long-range and annual operational plans. Federal agencies should recognize the Governor as the chief state policy-maker and planner responsible for the coordination of all statewide and multijurisdictional sub-state planning. The elected heads of local government should be recognized in the same capacity for all state and federal programs operating within their jurisdictions.

An appropriate share of the funds of each functional federal grant program should be made available to the Governor for the purpose of relating functional plans to each other, to statewide goals and policies and to local development policies.

Major federal planning assistance programs should provide for forward funding on a two- or three-year basis; minimum annual funding for each State; interprogram service agreements; evaluation machinery; technical assistance training and tuition fees as eligible project costs; and minimum standardization and coordination of federal planning definitions and requirements.

FEDERAL AID INFORMATION SYSTEMS

There is a critical need for a better exchange of information between levels of government as a result of the continuing growth of federal assistance programs. Great progress has been made by the States in creating information systems for their decision-makers. Additional progress has been made by the federal government under the Intergovernmental Cooperation Act of 1968 and subsequent implementation guidelines.

However, it is increasingly clear that further progress could be greatly enhanced by developments at the federal level which are unifying and coordinating in effect. Clear commitment from the Office of Management and Budget, with strong support from the States, could result in substantial progress in the following areas:

- A. Early involvement of the States in federal spending decisions directly affecting state budgeting, through continuing information flow to policy levels.
- B. Action toward uniform data requirements and formats among federal agencies.
- C. Technical assistance to state and local governments in developing uniform information systems and more effective management techniques. Vigorous assistance from the federal level would implement the States' desire for information systems which are compatible both among the States and between States and the federal government.
- D. Sustained funding for model projects whose purpose is to develop techniques and systems for effective management in many areas of government.
- E. A continued emphasis on the elimination of federal agency policies requiring single-purpose or designated use of federally supported data processing facilities. At present, state central management staff may be denied the use of state functional agency equipment because of regulations promulgated by counterpart federal agencies.

The National Governors' Conference requests of OMB that the "standard application" attachment to Circular A-102 provide that the face sheet on each application for a federal grant-in-aid should include the requirement that the Governor and OMB receive a copy of the face sheet with an annotation indicating receipt, award, or denial.

FEDERAL GRANT-IN-AID OMNIBUS

The National Governors' Conference acknowledges the importance of federal grants-in-aid in the financing of state and local programs. These aids now amount to nearly one-fifth the total federal domestic budget and one-fifth of total state expenditures. Aid programs have proliferated in the past several years and now number over 1000 separately funded activities.

The number of programs and the large amounts of dollars involved make imperative the proper administration of these programs so that the national objectives toward which they are aimed can be achieved. Many of the policy statements of this Conference deal with this issue with respect to individual

programs. The federal government-- the President, Congress, and the administering agencies-- should work closely with state officials in developing appropriation and administrative procedures to provide maximum flexibility in carrying out program objectives and maximum certainty of federal action. Specifically the Conference endorses the following concepts:

- A. Utilization of the block grant approach for new aid programs in support of broad national purposes.
- B. Fundamental reorganization of a large number of existing programs into several broad areas on a permanent basis. Grouped programs should be those that share a consistent pattern of purpose. The following provisions represent concepts embodied in this type of proposal:
 - 1. Automatic allocation of grant funds by careful and meaningful formulas rather than narrow project specifications.
 - 2. Flexible and dependable formulas for passing certain funds directly to local governments.
 - 3. Deletion of matching and maintenance of effort requirements as a prerequisite to receiving aid.
 - 4. Clear definition of the State as critical to program coordination, planning and evaluation, with gubernatorial review replacing cumbersome federal approval processes.
 - 5. Reasonable transitional stipulations such as hold harmless clauses, which would guarantee state and local jurisdictions at least as much revenue from each new program as from the total of the old programs being consolidated.
- C. Joint funding simplification, to allow federal agencies to cooperate with state requests to combine several grants in the administration of one state program.
- D. Appropriations consonant with authorization, to provide a greater degree of certainty in the amount of funding to be expected.
- E. Advance funding for at least two years, especially for construction projects, so that the necessary contracts can be let with assurance of fulfillment.
- F. Annual appropriations prior to start of fiscal year, to provide the States sufficient lead time for planning the program and hiring the staff.
- G. Resolution by the President and Congress of their divergent policies on appropriations and expenditures by procedural or structural means.
- H. Full consideration of the special needs of Puerto Rico, the Virgin Islands, American Samoa and Guam be given by Congress in the distribution of fiscal aid funds.
- I. Continued decentralization of federal agency decision-making and program administration to the ten standard federal regions, with

particular emphasis on providing regional federal agency administrators with broad authority to tailor the administration of programs to meet the unique and diverse needs of the States within each region.

The National Governors' Conference asserts that any changes in the grant-in-aid system must be directed toward the simplification of procedures. The mechanisms of federal assistance must not be allowed to impede the intent of that assistance. The National Governors' Conference supports the President's special federal assistance review program for the streamlining of the administrative mechanisms used to process and distribute federal funds. Further, the National Governors' Conference asserts that economic, social and ecological challenges can be dealt with at state and local levels, and that operational changes in aid programs must allow and encourage problem-solving ability at these levels.

SUB-STATE DISTRICT DEVELOPMENT

Sub-state districting is an issue of growing concern to state and local elected officials. The concept is an organizational one. It proposes a structure which cuts across the array of substantive programs, enabling elected officials to effectively coordinate the use of federal, state and local resources in solving areawide problems.

The following principles are recommended in the development of such systems:

Multijurisdictional planning and policy development organizations should be public bodies with governing boards composed at a minimum of a majority of elected officials, selected by and representing general purpose local governmental units, representing at least a majority of the population of the region served. There should be clear authority for localities to work toward boards made up entirely of elected officials if the localities choose.

Umbrella multijurisdictional organizations should be the general-purpose organization in a given region, providing a forum for locally elected officials to address problems, issues and functions of an areawide nature. Such organizations should be empowered to make decisions in order to resolve competing objectives and to set regional priorities which should be recognized by federal and state funding agencies.

Functions of an umbrella multijurisdictional organization should include:

- A. development and coordination of areawide policies and plans;
- B. coordination of the policies and plans of separate functional organizations;
- C. promotion of mutual problem-solving and exchange of information; and
- D. such other services as requested by local governments.

Federal and state policies should recognize a single umbrella multijurisdictional organization as the desirable objective for each designated region of the State. Until the desirable objective is attained, it may be necessary to fund separate multijurisdictional organizations within the same region; if so, the governing board of such separate organizations should be composed predominantly of elected officials.

The umbrella multijurisdictional organization should function as the review and comment agency for all federal and state-funded programs and projects that will have an impact within the region.

Federal, state and local governments should contribute funds for the operation of the umbrella multijurisdictional organizations. State governments should to the extent possible:

- A. provide broad, flexible enabling legislation for umbrella multijurisdictional organizations;
- B. conform state planning areas to the regional boundaries of the umbrella multijurisdictional organizations;
- C. conform administrative areas of state programs which are exclusively administered by States to the regional boundaries of the umbrella multijurisdictional organizations;
- D. provide general policy guidance and reasonable criteria for umbrella multijurisdictional organizations; and
- E. cease the establishment of separate, single-purpose multijurisdictional organizations, except where the purpose is directed to an area that is compellingly unique.

Federal and state programs administered on an areawide basis should move toward integration with the umbrella multijurisdictional organization. Such programs should include specific requirements for coordination with multijurisdictional organizations in accordance with the Intergovernmental Cooperation Act of 1968.

The weighting of the votes of the representatives on the umbrella multijurisdictional organization boards should be left to the determination of the localities represented on the board.

Boundaries of the umbrella multijurisdictional organizations should be set by the States, but acceptable to local general-purpose governments.

In interstate urban areas, the thrust of federal programs concerned with areawide planning and intergovernmental coordination should be on increasing the abilities of local and state governments to act effectively in a concerted fashion, notwithstanding the multistate character of the area. Toward this end, priority among federal programs in large interstate areas should be to strengthen the ability of the interstate umbrella multijurisdictional organization to deal with areawide problems. In small interstate urban areas, due recognition and coordination should be given to the affected state planning and development agencies.

EDUCATION FINANCE REFORM

The state role in financing elementary and secondary education is the most vital issue currently facing the States. Education is and must continue to be a state responsibility. State action to achieve equal educational opportunity must begin immediately, progress rapidly and have the aggressive leadership of elected officials in state government.

The National Governors' Conference urges all States to undertake immediate action toward equalizing educational opportunity. There is great variety in educational finance systems available to States as they seek to achieve this objective. Review of the issues and approaches underscores one critical point -- the wide variety of alternatives prevents a "best solution." Nevertheless, States must focus on one prime objective -- elimination of local wealth as the major determinant in educational opportunity.

In order to meet the State's responsibilities for providing equal educational opportunity and at the same time to avoid serious financial and administrative disruptions and the potential misuse of resources involved in immediate full equalization, it is recommended that each State develop plans, programs, and a specific timetable to accomplish this reform with all deliberate speed.

While achieving educational equality is primarily the responsibility of individual States, it is likely that new federal assistance will be proposed to assist States in doing this. Federal programs developed to provide such assistance should include the following principles:

- A. New assistance should not be aimed at encouraging a single federally prescribed approach to educational equalization. Differing state political traditions and fiscal situations must be recognized, since an attempt to impose a national structure which violates these variations will hinder rather than advance equalization.
- B. The States should not be by-passed in federal education legislation, directives or policy decisions since States have constitutionally and historically maintained ultimate responsibility for education.
- C. Federal assistance toward equal educational opportunity should not be tied to other objectives such as property tax relief. Local tax relief and reform is a state concern and must ultimately depend upon state action.
- D. Federal financial assistance for education should continue to be appropriated from the general revenues of the U.S. Treasury to assure flexibility in the face of changing needs.

NATIONAL LEGISLATION FOR PENSION PLAN REFORM

The Conference recognizes the vital importance of adequate and assured pension plans for employees of both the private and public sectors.

Since the regulation of public pension plans is the sole responsibility of state government and since most States already provide regulations for public pension plans, the Conference agrees that national legislation should not regulate public pension plans. The Conference urges each State to reexamine its regulations to provide for adequate and assured pension plans for both the public and private sectors.

If the Congress decides that federal regulation of private pension plans is necessary, such legislation should not preempt existing state regulation of private plans and should provide for full coordination of federal and state regulatory policies for private pension plans.

FEDERAL MERIT SYSTEMS

The National Governors' Conference applauds recent federal efforts directed toward improving intergovernmental personnel relations as embodied in the concept of New Federalism and the Intergovernmental Personnel Act of 1970.

Accordingly, the Conference urges that future federal activities in this area emphasize the adoption of broad guidelines based upon career service principles by the Civil Service Commission which will strengthen the States' traditional role of establishing and maintaining their own personnel management systems. Specific merit system standards or further expansion of the present inconsistent assortment of specific personnel requirements to grant-in-aid programs by federal agencies should be prohibited.

PROPERTY TAX RELIEF AND REFORM

The National Governors' Conference notes increasing interest in the issue of property tax reform and relief. Studies and recommendations of the Advisory Commission on Intergovernmental Relations, the Education Commission of the States, and the Subcommittee on Intergovernmental Relations of the U.S. Senate underscore the importance of action aimed at strengthening and at the same time improving public acceptance of this important revenue device.

The Conference believes that the administration of the property tax is and should remain the responsibility of the States and their local governments.

However, the Conference recognizes the federal interest in limiting the adverse impact of the property tax on certain classes of excessively burdened taxpayers. We believe that a federal effort in this area should avoid requirements for arbitrary national uniformity in use, impact and/or administration since such requirements would be an undesirable federal intrusion.

We further believe that federal incentives which would promote better assessment administration or encourage the States to assume greater responsibility for property tax matters are desirable.

Therefore, the Conference supports a federal program to assist States in alleviating the regressivity of their property tax systems, and calls upon Congress to explore means by which the States may be encouraged to assume greater responsibility with respect to more equitable administration of property tax assessments and appeals.

The Conference further calls upon all States to review the policies and procedures which guide use of the property tax by all taxing jurisdictions within each State. Such a review should focus at a minimum upon:

- A. policies, practices, and standards of assessment and general administration;
- B. devices used to provide relief to certain classes of property taxpayers;
- C. identification of state and local programs financed by the property tax which would more equitably be financed by other sources of revenue;

- D. identification and measurement of the property tax base that has been eroded by exemption; and
- E. alternate remedies for appealing assessments and adjustment of excessive assessments.

Improvements in state and local policies and procedures surrounding use of the property tax are critical if administration of the tax is to be fair, equitable, and effective.

IMPOUNDMENT/BUDGET REFORM

The National Governors' Conference commends Congress for its efforts to reform its budget procedures. In viewing these Congressional efforts, the Conference emphasizes the need for Congress to recognize the growing interdependence of federal and state budgets. Most important to the States is the ability to know in advance the funding levels for federal aid programs. Such advance knowledge will be of major assistance in the preparation of state and local budgets which rely heavily on federal assistance funds. Accordingly, the Conference encourages the Congress to adopt and utilize budgeting procedures which allow multiyear advance appropriations for federal aid programs.

In addition, the National Governors' Conference urges Congress to assure that its budgetary procedures include analysis of the impacts of major changes in funding levels upon state and local programs.

Finally, the use of impoundments as a tool to achieve fiscal policy objectives causes major problems in state and local budgeting. Sudden and unplanned shifts in the availability of federal funds introduce unacceptable uncertainty into the delivery of state and local services. Accordingly, the National Governors' Conference:

- A. opposes the use of impoundment as a means of imposing executive rather than Congressional priorities;
- B. calls upon the President to release currently impounded funds;
- C. supports responsibly adopted spending limits as an alternative to impoundment, and urges Congressional action to reestablish its role in controlling federal spending; and
- D. authorizes and directs the Executive Committee to initiate appropriate legal action to resolve the impoundment issue.

WORKMEN'S COMPENSATION

Since their inception at the turn of the century, workmen's compensation programs have been the responsibility of state government. The provision of adequate compensation for workers who are disabled, killed, or afflicted with occupationally related disease as a result of their employment is a continuing state concern.

In its 1972 report, the National Commission on State Workmen's Compensation Laws concluded that while many state programs were in need of updating, "the States' primary responsibility for the program should be conserved." The National Governors' Conference supports this view.

The National Governors' Conference urges all Governors to take action toward bringing state programs into conformance with appropriate standards recommended by the National Commission and the Council of State Governments.

NATIONAL ECONOMY

The condition of the national economy has direct and significant impact upon state governments and our citizens. The costs of state government operations, effectiveness of ongoing programs, and pressures for creation of new programs are directly linked to economic decisions at the national level.

There is not now in existence a procedure or forum through which the economic policies of the federal government can be evaluated in terms of their impact upon States, or coordinated with appropriate state decisions aimed at minimizing adverse economic impacts on our citizens.

The National Governors' Conference calls upon the Congress and the President to recognize the impacts of national economic policies upon the States and to cooperate with the National Governors' Conference in evaluating and reacting to these impacts.

Further, the Conference directs the NGC staff, through its newly created Center for Policy Research and Analysis, to develop a procedure through which States can have an effective influence upon national economic decisions.

GAS TAX REVENUES

Virtually every State in the country is facing the prospect of significant decline in gas tax revenues over the next few years as a result of the energy crisis.

This decline coincides with a rapid increase in highway construction and maintenance costs, and a period of great uncertainty about long-term state transportation revenues and expenditure commitments.

The Conference calls upon the Congress and the President to take appropriate steps to help States meet their highway construction and maintenance needs during the period of reduced motor fuel revenue collections.

Such steps should include:

- A. release and distribution on an equitable basis of currently impounded highway trust funds with no matching or reduced matching requirements; and
- B. distribution of current and future federal highway trust funds with no matching or reduced matching requirements.

ETHICS IN GOVERNMENT

Two centuries ago, the American people went to war in order to assure open and accountable government. Now, as we approach our Bicentennial, there is a growing citizen distrust of elected officials and government on all levels that has been the inevitable result of too many years of public decision-making

in private, of political processes abused and misused, of justifications where justice was called for. A shadow has been cast across this land that can best be erased by the bright light of public scrutiny. In 1974, the first obligation of every elected official in this Nation is to lead the fight to restore citizen confidence in government.

As Governors, we are proud of the fact that in the past year almost 40 States have acted to reduce the influence of money and secrecy in their policy processes. Building on this foundation, we now urge and promote action at all levels of government to ensure:

- A. Loophole-free campaign finance regulations that provide for a limit on campaign contributions and expenditures and their complete and timely disclosure; selected pilot projects to determine feasibility of financing; independent enforcement procedures, with strong statutory penalties.
- B. Stringent ethical codes for government officials, which clearly define conflict of interest; assure appropriate and timely disclosure of personal finances by public officials and candidates; and set up an independent enforcement procedure.
- C. Open meetings of all public decision-making bodies, except in limited, specific circumstances; penalties for officials who do not comply; and advance public notice and written minutes.
- D. Registration and full disclosure of lobbying activities by all special interest groups.

As Governors, as elected officials, and politicians, we reaffirm our faith in the capacity of our democratic system to reform and renew itself in a time of crisis, and to maintain the confidence of the governed as well as the consent of the governed. We pledge our most vigorous efforts toward that end.

OMB CIRCULAR A-70

Office of Management and Budget Circular A-70, as proposed, would seriously impair the ability of state and local governments to finance needed programs by removing federal guarantees for tax-exempt bonds.

The National Governors' Conference, meeting in annual session at Seattle, Washington, June 5, expresses its appreciation for the position of the National Administration as announced at the Conference by Mr. Kenneth R. Cole, Jr., Assistant to the President for Domestic Affairs, that Circular A-70, as proposed and circulated by the Office of Management and Budget, will not be issued without the approval of a majority of the Nation's Governors.

On the basis of this public commitment made by Mr. Cole, it is understood that this Circular will not be issued and particularly that part of the Circular identified as Section 5(c) will not be issued by the National Administration unless it first receives approval of this rule by a majority of the Governors through action taken through the National Governors' Conference.

POLICY STATEMENTS ON HUMAN RESOURCES

PREAMBLE

The Human Resources Committee of the National Governors' Conference has reviewed the NGC Human Resources policy positions for 1973-1974. Although these statements do reflect the position of the Nation's Governors on a variety of human resources issues, the Committee believes that its time and efforts can be better channeled in directions other than the development of detailed policy statements.

It is our preference that we deal less in specifics with these statements and, instead, concentrate on brevity. This will allow us to follow the same pattern which has met with success in dealing with social services, health planning and manpower.

The human resources policy statements for 1974-1975 reflect the Committee's desire for brief, concise statements which will provide the foundation for continuing multistate involvement in making in-depth suggestions to the federal government on a situation-by-situation basis.

The annual report of the Human Resources Committee, which is issued separately from these statements, discusses the directions in which this committee has worked during the past year. In addition, it outlines in greater detail the specific projects and goals of the committee during the coming year.

The National Governors' Conference believes that these policy statements encompass the major human resources issues which the States will be faced with during the coming year. However, of these issues, several are considered to be of the highest priority. These issues, not necessarily in order of importance, are: health financing, social services legislation, the effects of the national economy on human resources programs, and education financing.

HUMAN SERVICES PROGRAM REFORM

A. Supports concept of eligibility for income maintenance, social services, subsidized medical care, and food programs based on income. Supports equal treatment for families, working poor, childless couples and individuals regardless of marital status or family composition.

B. Supports federal financial responsibility for a national minimum standard income maintenance program.

C. Supports structuring human services programs based upon common goals, for example, social services and rehabilitation programs might be directed to the following specific goals, as appropriate, for particular families and individuals:

1. Self-support goal: to achieve and maintain maximum feasible level of employment and economic self-sufficiency.
2. Self-care or family-care goal: to achieve and maintain maximum personal independence, self-determination and security in the home, including, for children, the achievement of maximum potential for eventual independent living.
3. Community-based care goal: to secure and maintain community-based care which approximates a home environment when living at home is not feasible and institutional care is inappropriate (including care in half-way houses, foster homes, group homes, etc.).
4. Institutional-care goal: to secure appropriate institutional care when other forms of care are not feasible.

D. Supports basic purposes of pending federal proposals which would remove some barriers to States planning and administering a broad range of allied human services programs in a coordinated manner and in a manner which more adequately reflects the state priorities. Such action would be an important first step toward accomplishment of needed basic reforms including consolidation of existing categorical programs and a strong leadership role for the States. Provisions of the pending federal proposal which should be supported include:

1. State-designated sub-state services areas recognized as the common geographical areas for planning human services programs.
2. Options available to States to transfer a portion of funds available to a certain program to other federal programs included in a State or sub-state human services plan.
3. Options available to States to have certain statutory requirements and administrative regulations waived if they impede the development of a coordinated services program.
4. Special funds for comprehensive planning activities in the field of human services both for state and sub-state services areas, and administrative start-up costs for the implementation of such plans.
5. Provisions which would allow States to consolidate HEW funds available for planning under various programs.

E. Supports a prompt legislative solution to the current impasse in the social services program which would have the following essential characteristics:

1. Requirements for limiting services to welfare recipients and the poor with "poor" defined by the use of state-adjusted living standards plus possible higher standards for partially subsidized services.
2. Provide opportunity for welfare recipients to obtain social services that they need but repeal of present 90-10 limitation on services required to go to welfare recipients.
3. Allowing use of social services funds for medical and subsistence costs which are incidental to a comprehensive service program, but with time limitations for such use for an individual.

4. Allow use of social services funds for related human services planning, coordination, and case management and linkage with the Comprehensive Employment Training Act and other human resources planning activities.
5. Broaden options for States in designation of responsibility in state government for social services program administration and planning.
6. A clear statement of federal interests and requirements in the statute specifically with respect to ineligible services, income eligibility, and other key features of federal financial participation so that the States can plan and execute their programs in an atmosphere of certainty.
7. A public planning and accountability process within each State for developing and executing a comprehensive social services program rather than excessive federal regulations governing state activities.

The Governors urge the Secretary of HEW to support legislation to this end; and further urge the Congress to enact promptly such legislation. If the enactment of such legislation cannot be accomplished expeditiously, the Governors urge the continuation of the current moratorium on new regulations until such legislation becomes effective.

F. Urges that the Supplemental Security Income Program provide for automatic cost-of-living increases and full federal financing of these increases.

G. Provides for the continuation after June 30, 1974, of food stamp benefits or the cash-out option for the aged, blind, and disabled receiving SSI benefits.

H. The National Governors' Conference urges that federal legislation and programs contain provisions for increased experimentation among the various States and allowances for differing approaches in implementation and administration of these programs, so that different needs and situations of the States can be met.

I. We support improved federal and state efforts to combat hunger and malnutrition, including the improved administration and coordination of present food programs and the continued purchase by the federal government -- at market prices, if necessary -- of commodity foods for distribution to school and supplemental feeding programs.

J. The NGC supports positive management and initiatives by both federal and state governments to increase efficiency and reduce errors in public assistance payment programs. The NGC does not consider that the punitive program of fiscal sanctions levied against States and localities on the basis of error rate samples represents a contribution toward these goals nor a recognition of the equal responsibility of both federal and state members of the partnership for high levels of error.

The NGC therefore urges HEW to revoke its regulation imposing fiscal sanctions to focus instead on efforts to stabilize regulations, simplify administration, and to assist States to develop constructive programs to minimize error.

K. Urges Congress to provide in all grant-in-aid legislation a specific section that allows for the timely and legitimate state legal and budgetary process to occur prior to the implementation of any new program or changes in existing programs.

L. Urges continued financial assistance to programs now funded through the Economic Opportunity Act including partial financial assistance to Community Action Agencies only upon the approval of the Governor or a local official designated by the Governor.

INFLATION AND THE HUMAN RESOURCE PROGRAM

Inflation is having a disproportionate and very severe impact on the poor, unemployed, and the disabled, the aged and other persons served by human resources programs and on the amount of financial support available to support the human resource programs designed to assist such persons.

The National Governors' Conference urges the federal government to make a special effort (1) to provide financial adjustments for inflation in human resources programs and (2) to take a new initiative to stop the rise in the prices of basic human needs, such as food, medical care and home energy needs.

A. Federal financial adjustments for inflation in human resources programs should be made through:

1. Additional appropriations for cost-of-living adjustments in the welfare program, for higher stipends in manpower training programs, for larger basic grants for higher education students, and other related human resources programs.
2. Minimum wage increases consistent with inflation increases.
3. Higher income eligibility criteria for participation in human resources programs, such as education aid for disadvantaged children.
4. Increase in statutorily set authorization ceilings when increases in the minimum wage or inflation reduce the net amount of services that can be offered within such a ceiling.

B. A special federal effort should be made to control the rise in the price of basic human needs.

1. Through the use of national guidelines, long-range planning and wage and price controls as appropriate; and
2. Through national legislation restructuring inflationary economic arrangements, such as might be done with national health insurance in the health sector.

CHILDREN'S SERVICES

A. The National Governors' Conference recommends revising existing state child neglect and abuse laws to:

1. Expand the definition of abuse to include emotional, physical and sexual abuse as well as neglect.
2. Include provision for preventive and remedial measures, and not simply punitive ones.
3. Mandate reporting of suspected neglect by all persons regularly coming into contact with children.
4. Ensure coordinated reporting and service functions.

B. We urge the States to enact legislation requiring health insurance companies to begin coverage of children at birth.

C. We believe that one of the important stages in assuring normal physical and mental development in children is to provide early and periodic screening, diagnosis and treatment for all children. We urge health care providers to make special efforts to provide necessary treatment to such children.

D. We support all efforts to assist in the elimination of nutritional deficiencies in children.

E. We urge the States to strengthen and support family foster care for children separated from their natural parents.

HEALTH

A. Federal Responsibility for Financing Health Programs

1. The National Governors' Conference recommends national policy which establishes health financing as primarily a federal-level responsibility.
2. As its first priority for health, the National Governors' Conference urges prompt enactment of federal legislation:
 - a. to guarantee an adequate set of comprehensive health benefits to every citizen regardless of his personal financial resources;
 - b. to finance such benefits through a federal-level mechanism which combines public and private contributions in the most efficient and equitable manner feasible;
 - c. to include in the method of financing health benefits the financing that may be needed for meeting the health manpower and health facilities needs of the future as established by state and local comprehensive health plans;
 - d. to utilize the existing private enterprise medical services system and to reimburse private vendors of health services in a manner
 - (1) which encourages flexibility and innovation;
 - (2) which is consistent with state and local planning and regulation efforts; and
 - (3) which promotes efficient delivery and proper utilization.
 - e. and to recognize that, to the extent that governmental financing is involved, such financing shall be primarily

a federal responsibility, and, to provide further that if Medicaid is continued it shall be one hundred per cent (100%) federally financed.

3. The National Governors' Conference urges the federal government to reinstate financial support for needed medical research efforts.
4. The National Governors' Conference asks Congress to provide full funding, longer term authorizations and flexibility for existing health manpower, health maintenance organizations, drugs, alcoholism, mental health and mental retardation programs. Congress should act immediately for continuation after June 30, 1974, of such federal health programs as the Hill-Burton program and the Community Mental Health Centers program and other programs the authorization for which expires on June 30, 1974.
5. The National Governors' Conference urges the federal government to establish, along with national health insurance coverage, a comprehensive program to reduce or prevent the affliction of the major cripples or killers of the American people using basically the presently existing system of health care delivery.

B. States' Responsibilities for Financing Health Programs

The National Governors' Conference urges the States to provide continued financial support for:

1. the development of state health manpower and education programs;
2. the support of professional staff needed for the new planning and regulation efforts on the state level.

C. Federal/State Responsibility for Health Planning and Regulation

1. The National Governors' Conference recommends national policy which clearly establishes health planning and regulations as primarily a state and local governmental responsibility.
2. The National Governors' Conference urges the passage of federal planning and regulatory legislation:
 - a. which maintains straight line accountability to elected state and local officials and does not mandate the use of non-public instrumentalities;
 - b. which mandates functions, not structure, in order to allow for flexible state and local relationships;
 - c. in which States should be allowed to choose the agency or agencies they believe to be most capable for their own State to carry out the following functions:
 - control over rates, charges or prices paid to health care providers or researchers by government agencies or third-party payors;
 - right of access to service and financial information possessed by health care providers;
 - power to allocate capital among competing or alternative health providers or classes of health providers; and
 - power to qualify, license or register health manpower.

- d. which provides for coordination of federal reimbursement policy for nationally financed health benefits and federal health manpower and facility funds with state plans and regulations; and
- e. which evaluates States' efforts on the basis of performance and not on arbitrary federally devised structural and procedural requirements.

D. States' Responsibilities for Health Planning and Regulation

The National Governors' Conference urges the States to enact needed planning and regulatory legislation. Such legislation might include: establishment of Certificate of Need Legislation for facilities and health services; prospective budgeting and other cost control legislation for health vendors; provision for strong state comprehensive health planning; coordination of the expenditures of federal and state funds; encouragement of local planning; and the development of more flexible licensing laws.

E. The Nature of the Health Delivery System

The National Governors' Conference supports the maintenance of the private nature of the health delivery system until and unless proved unsatisfactory, and encourages the federal government and the States to shape legislation which provides for:

- 1. Greater flexibility and financial support for innovation and improvement in the health delivery system, such as support of health maintenance organizations.
- 2. Recognition that health delivery is primarily a personal service and is best performed in a decentralized and deinstitutionalized manner on a community basis.

EDUCATION

A. Recognizing the major responsibilities the States have for education and in light of questions raised by recent court decisions regarding the financing of elementary and secondary education, all Governors are urged to review the present system of financing elementary and secondary education in their States. This is especially true in light of the Supreme Court decision which focused responsibility for the financing of education upon the States. Governors feel that the States should take immediate action toward assuming greater responsibility for financing local education in order to eliminate the influence of local wealth in education opportunities and so as to guarantee educational spending in accordance with educational needs. States should implement alternative methods of financing education designed to relieve the undue burden on the local property tax.

B. While achieving equality of educational opportunity is primarily a state responsibility, the Governors are hopeful that new federal assistance will be forthcoming to aid the States in this endeavor. Federal programs designed to assist intrastate equalization efforts should be mindful of the differing state political traditions and fiscal preferences and, therefore, should not be aimed at encouraging a single, federally prescribed approach to education finance reform. Moreover, federal assistance should not be tied to other objectives

such as property tax relief, since local tax relief and reform are state concerns and must ultimately depend upon state action.

C. The National Governors' Conference supports the assumption by the federal government of far greater responsibility for the financing of education. Such increased federal financial participation should take the form of grants to the States for educational purposes.

D. Federal grant-in-aid programs should continue to encourage new and innovative solutions to the serious problems that face our educational systems.

E. The National Governors' Conference supports adequate advance funding of existing federal programs commensurate with critical educational needs.

F. The Conference supports consolidation of existing federal grant-in-aid programs for education into broad functional categories. We further support maximum administrative simplification of planning, application, allocation, accounting, and reporting procedures for all consolidated grant-in-aid programs. Every effort should be made to develop the necessary fiscal and administrative capacity in the States to effectively assume responsibility for consolidated grant-in-aid programs.

G. The National Governors' Conference believes it should be the responsibility of each State, as an integral part of a free public education, to provide for special education services sufficient to identify and meet the needs of all handicapped children.

H. Recognizing the tremendous additional financial burden which would be incurred in providing for the education of all handicapped children, the National Governors' Conference calls upon the federal government to increase its assistance to the States in fulfilling this commitment. Federal assistance, however, should allow maximum flexibility and discretion to the States in providing the essential services they deem appropriate, since these services in many States are administered by more than one agency.

I. The National Governors' Conference supports recognition by federal and state governments of their responsibility to help preserve the contributions of private education.

J. The funding of postsecondary education has rapidly become one of the Nation's biggest problems. In a recent survey, Governors identified postsecondary education finance as one of their three top priorities and concerns in the field of education. It is most appropriate, therefore, that the National Governors' Conference undertake a review of such surveys and related studies related to postsecondary education.

MANPOWER TRAINING AND DEVELOPMENT

The National Governors' Conference urges that implementation of the Comprehensive Employment and Training Act (CETA) be carried out in the spirit of the legislation. Specifically, we urge that the regulations governing the administration of programs under CETA be kept brief; provide maximum flexibility to prime sponsors; and take into consideration existing state and local laws, as well as existing federal regulations.

As consolidation and decategorization of programs take place under CETA, the Congress and the Administration are urged to review the program effectiveness and planning and delivery of manpower services under CETA and also under the Wagner Peyser Act together with the linkages of these two acts with vocational education and vocational rehabilitation.

PREVENTION AND TREATMENT OF CHEMICAL ABUSE, DRUG ABUSE,
NARCOTICS ADDICTION AND ALCOHOLISM

A. The National Governors' Conference supports the development of a national commitment to deal with the problems of narcotics addiction, drug abuse, and alcoholism.

B. We support full funding of federal drug and alcoholism prevention and treatment legislation which provides the first stages toward a national commitment to combat chemical abuse. Additional action by the federal government will be required to provide support, on a scale commensurate with the need, of research and for a full range of treatment resources for all addicts, drug abusers, and alcoholics who can benefit from it. Such funds should be made available on a flexible basis and in accordance with state established priorities so that state and local governments can use them in the most effective manner possible.

NON-DISCRIMINATORY TREATMENT FOR PUERTO RICO AND THE TERRITORIES

The National Governors' Conference urges that federal programs be revised to provide non-discriminatory treatment for the people of the Commonwealth of Puerto Rico and the Territories in all Human Resources legislation.

The National Governors' Conference urges the removal of ceilings on the amount of federal expenditures for Medicaid in the Commonwealth of Puerto Rico and the Territories.

The National Governors' Conference supports removal of "set-asides" on the amount of federal expenditures for education in the Commonwealth of Puerto Rico and the Territories and of formulas which do not treat them in the same way as the States.

PROGRAM ADMINISTRATION

Each State should develop and administer all of its programs in a completely non-discriminatory manner.

POLICY STATEMENTS ON NATURAL RESOURCES AND ENVIRONMENTAL MANAGEMENT

NATIONAL GOALS ARE NEEDED

There is a need for the President and Congress to set national goals in the fields of ecology, environment, conservation, and population. It would simplify the direction of state and local efforts if they could mesh their goals with national goals.

There must be a constant recognition of the need to place as much responsibility as possible in planning and action at the state and local levels, including such action as might necessitate interstate compacts. The unique abilities of state and local governments to recognize priorities at the grass-roots level should be respected and understood by the federal government. State governments should be permitted to set higher minimum standards than the federal government in the fields of environmental management and conservation.

The States need as much flexibility as possible in adjusting state and local programs to those needs unique to the area, economy, etc. Therefore, the block grant approach to federal planning and action funds disbursement is preferred over categorical grants.

Environmental management and conservation become excessively costly because of the severe population imbalance between the overpopulated States and those which are underpopulated.

The federal government, through its inadvertent and uncoordinated planning and programs, is one of the major factors in creating population imbalance.

EDUCATIONAL EFFORTS IN ENVIRONMENT, CONSERVATION, AND POPULATION

We must recognize the urgent need for the teaching of environment, conservation, and population as a major basic educational requirement in primary, secondary, and higher education and an integral part of adult education. Curricula of traditional offerings at all levels of education need to be examined for their relevance to the rapidly changing conditions of environment, natural resources, and population. Environmental education should be viewed as an essential component of a comprehensive attack on ecological problems.

The competition for students' attention to a wide range of study matter should not be allowed to prevent a full understanding of the natural forces at play on this planet. Too often in the past, students have not been adequately taught on the subjects of environment, conservation, and population and have not learned the interrelationship of these matters. Yet failure to understand this relationship could possibly spell mankind's doom if informed action based on knowledge is not taken by the public.

States should require a constant updating of educational curricula in order to strengthen the offerings in environment, conservation and population. Specifically, curricula need to be revised in the light of relevance to topics such as:

- A. State resource outlook: quality and quantity
- B. Environmental effects of economic development
- C. Decaying inner cities
- D. The changing field of conservation
- E. Pollution abatement

NATIONAL ATTITUDES TOWARD NONREPLACEABLE NATURAL RESOURCES

The National Governors' Conference recognizes that there is a finite supply of the earth's mineral resources. This Nation, and other Nations, have a responsibility to future generations to conserve these nonreplaceable, nonreplenishable natural resources.

For example, we should examine the wisdom of our present system of reduced electric power rates as a reward for heavy consumption when that consumption might be beyond the electric consumption needed for a specific business or residence.

A uniform rate for an adequate amount of electric energy based on the size of family or industrial need could be established. Sharply rising rates for electric consumption above the adequate standard set might provide a penalty for that waste which does not contribute to our economy or to the quality of living. Such a study should also review the entire range of regulatory tax and promotional policies and programs to determine the impact of each on the goal of encouraging recycling of resources and recommend revision of such programs.

The consumption of nonreplaceable coal in the thermogeneration of electricity which is wasted does not add to the quality of life and is an example of squandering natural resources without significant benefits to mankind.

Waste of fresh water cannot be tolerated indefinitely. Less than one percent of the water on the face of the earth is potable. In the face of rising populations and per capita water use, we are faced with the need to conserve our precious water resources by eliminating unnecessary waste. Wasted water adds nothing to our quality of living.

The same principle which applies to the wasteful use of electric energy and potable water can be applied to the use of petroleum products in our automobile engines. States should consider a policy of encouraging smaller but adequate engines through sharply graduated license fees which discourage larger than necessary engines that on balance detract from the quality of living. There are far too many personal vehicles in use today which inefficiently consume the nonreplaceable crude oil resources and add unnecessary pollutants to the air.

The national attitude which equates some forms of waste with a high quality of life needs to be changed. Waste does not add to the quality of life but, in fact, denies a high quality of life to future generations.

For example, at present, the Interstate Commerce Commission enforces interstate freight rates which discriminate against certain types of waste metal, discouraging their transportation and eventual reprocessing and reuse. In addition, depletion allowances established for the mining of certain metals might provide incentive to continue to deplete supplies of virgin nonreplaceable resources, while recyclable materials are piled up or buried. Congress should sponsor an independent comprehensive study to determine the effects of these policies.

Furthermore, emphasis should be placed on the development and implementation of resource recovery systems and programs which are more efficient from economic and energy standpoints.

STATE RESPONSIBILITY FOR RESOURCE MANAGEMENT

The States are in a unique position of responsibility for coordinating the use of our resources. There is a prime responsibility for both planning and the commitment necessary for the judicious utilization of all resources.

Our society can no longer afford to allow the various agencies and organizations within the States to develop their programs without a strong commitment to the general welfare to all its citizens.

We the Governors call upon the States to undertake the development and implementation of comprehensive planning. State governments must exert the leadership required to insure the protection of our environment as we search for a balance between environmental quality and needed economic activity.

A NATIONAL ENERGY POLICY

Events of the year since the 1973 National Governors' Conference meeting have documented the wisdom of the energy policy declarations issued in June 1973. Our judgment that the rate of increase in demand for energy was too rapidly outstripping our domestic capacity to meet those demands was confirmed even before the Arab embargo. The vulnerability of the United States to foreign nations which use oil as a political weapon was demonstrated and could be again in the future.

The agenda for state and national action set forth by the Governors last year has been partially undertaken but much more remains to be done. The fact is that our country does have an energy shortage which must be acknowledged frankly and be a cornerstone of any national policy. We consume more energy than we produce or import from secure sources and this picture is not likely to be changed in the near future unless there are substantial increases in domestic production and alternative sources of energy are developed.

The United States still does not have a national energy policy although we are finally moving toward that goal. Project Independence is the President's aim: a Nation which can meet its energy needs without depending on uncertain external sources of fuel. However, the details of the President's proposed

program are still unknown and the judgments and aims of the Congress and the States must be added if comprehensive national policy is to be derived. The Governors seek a process for producing a national, not merely a federal, policy.

Each of the major components of our enunciated policy of one year ago needs updating only for the purpose of refinements or priorities. The programs we solicited were needed last year as guides for the future and are no less necessary this coming year.

In the field of conservation, the States have taken the lead and we are committed to continue. Governors have brought forward effective programs both for public activities and for private citizens. Our efforts have been handicapped by excessive optimism when the Arab nations announced the end of the embargo. To say that the end of that embargo means we have no problems is to ignore the obvious. The research and development of new technologies, materials and techniques must be accelerated and better coordinated between the federal and state governments and the private sector. The newly enunciated building code standards for energy efficiency should be implemented. This means not only upgrading existing codes but upgrading the methods by which we enforce them.

In production and supply more remains to be done than has been started. Here, again, there must be an acceleration of the research effort and meaningful coordination between various levels of government and between the public and private sector. The mandatory allocation program which was started in the fall of 1973 did much to permit us to survive the embargo without extensive disruption to the economy, but we are troubled by failure to involve the States more effectively in its design and implementation. The financial costs of the program fell disproportionately on the States and were particularly aggravating because they arose well into the budget year of virtually every State.

The States should be given more power to move available products within their boundaries to meet critical shortfalls by taking it from areas of relative surplus. The States' performance during the winter of 1973-74 showed their skill at meeting their citizens' needs.

Finally, we share the Nation's frustration about the nature and extent of the problem inherent in the energy problem. Conflicting statistics come from public and private sources. Measuring the need and effectiveness of programs is too often sidetracked into a pointless debate about numbers. We urge that a public agency be designated to collect and evaluate reports on supply, inventory and use of fuels and energy. Reliance on private sources of information was acceptable in an era of abundant energy at reasonable prices. As we seek to develop and implement a national strategy, involving evaluation of alternatives, we must have a more generally accepted source of continuing information which is reliable and current. By this means, we can overcome much of the confusion and suspicion that is an obstacle to the progress we all seek.

To accomplish these ends, the National Governors' Conference hereby directs its Chairman to designate the Committee on Natural Resources and Environmental Management to continue to serve as the Energy Committee of the National Governors' Conference having responsibility for assisting the States in resolving their energy problems and to work with the federal government in formulating national energy policy and developing and implementing a strategy for its achievement. As part of its responsibility, the Energy Committee shall:

Monitor and evaluate the effectiveness of federal programs in achieving the National Governors' Conference policy on energy matters;

Act as the permanent and continuing representative of the National Governors' Conference to consult with the federal government on the solution of energy problems;

Collect and report to the federal government the recommendations of the Nation's Governors toward the solution of energy problems;

Report to each member of the National Governors' Conference critical information which will enable each Governor to respond intelligently to his constituents; and

Cause a current report to be made by a member of the Energy Committee, if requested, to each regional Governors' Conference at its annual meeting.

Energy Conservation

The Nation's Governors are dedicated to promoting the conservation of energy to slow down the increase in demand which far exceeds our population increase. The saving of energy will help relieve the depletion of resources and increase the time period for developing more efficient energy sources.

- A. States must take the lead in national efforts to conserve energy.
- B. Both state and federal procedures should be established for requiring energy resource statements on all projects as part of the existing systems of environmental impact statements.
- C. States, at least, should require that all state agencies follow sound energy conservation practices in their operations (including construction of public buildings) and program activities.
- D. State building codes should be revised to require a minimum standard of insulation and other heat-saving or shielding devices, including ventilation to reduce the need for mechanical air conditioning.
- E. Utility rates, tax rates, license fees, and other regulatory or revenue-raising practices should be reviewed for their impact on energy consumption:
 - 1. The utility rate structure could be altered to discourage wasteful use of energy.
 - 2. Personal and real property tax rates can be set to encourage utilization of energy-saving devices or practices.
 - 3. Registration fees for automobiles or other vehicles can be used to promote less fuel consumption. Lower speed limits would also discourage high-powered cars.
- F. Efforts to construct and to improve the efficiency and attractiveness of mass transit systems should be supported at the state and federal level.

- G. Major programs to educate the public on energy conservation practices should be undertaken. The use of utility funds for this purpose should be considered.
- H. An inventory of energy needs should be made for each State, and contingency plans for meeting these needs should be developed.
- I. An interstate energy clearinghouse should be established which would provide an inventory of available fuel sources, including amounts and types. Procedures for the voluntary transfer of supplies to fuel-short areas, or of low-sulfur or other low-polluting fuels to more heavily polluted areas should be established. This will require establishment and coordination of state-level energy resource clearinghouses.
- J. Land use control remains the most hopeful long-range tool for changing the patterns of energy consumption. In the short term, land use planning procedures are necessary for balancing environmental protection against the need for surface-mined energy-producing resources and for resolving differences over the need of generating facilities.

Energy Production and Supply

- A. A long-range policy that encourages domestic self-sufficiency in the production of energy should be adopted and underlie our foreign and economic policy decisions as well as our basic research and development efforts.
- B. Research and development efforts should contribute to the integrity and adequacy of our Nation's energy resources. Recognizing that far more than technology is involved in decisions relating to the development and use of specific energy sources, the following areas should be the subject of intensive research and development endeavors:
 - 1. New fuel and energy sources including: shale oil, coal gasification, coal liquefaction, nuclear fast-breeder reactor, nuclear fusion tar sands, solar energy, geothermal, Magneto-hydranomics (MHD), and wind and more efficient forms of electrical generation and transmission.
 - 2. Development of outer continental shelf.
 - 3. Development of deepwater port facilities.
- C. In attempting to insure an adequate supply of energy, environmental standards must be maintained to the maximum feasible extent. Exceptions should be granted only for specific limited time periods and after appropriate show cause proceedings.
- D. To facilitate needed construction with minimum environmental harm, procedures must be established for the siting and certification of energy production and transmission facilities.
- E. Federal administrative procedures and responsibility for implementing national energy programs must be consolidated and coordinated with state energy programs.

- F. In order to stimulate increased exploration for natural gas, federal regulations limiting well-head prices should be raised, and adjusted with continuing review of the effect such regulations have on increased production.
- G. Federal mandatory petroleum allocation programs need to assure that retailers receive a continuing supply, and also assure sustained supplies for agriculture's current requirements and other priority needs. Gasoline shortages must not be used as a pretext to eliminate small, independent distributors who have provided price competition which benefits the public.

STATE LAND USE PLANNING

There is a need to face the issue of national and statewide land use planning and decision-making in this decade. The proliferating transportation systems, large-scale industrial and economic growth, conflicts in emerging patterns of land use, the fragmentation of governmental entities exercising land use planning powers, and the increased size, scale and impact of private actions have created a situation in which land use management decisions of national, regional and statewide concern are being made on the basis of expediency, tradition, short-term economic considerations and other factors which are often unrelated to the real concerns of a sound land use policy.

Across the Nation, a failure to conduct sound land use planning has required public and private enterprise to delay, litigate, and cancel proposed public utility and industrial and commercial developments because of unresolved land use questions, thereby causing an unnecessary waste of human and economic resources and a threat to public services, often resulting in decisions to locate utilities and industrial and commercial activities in the area of least public and political resistance, but without regard to relevant environmental and economic considerations.

The land use decisions of the federal government often have a tremendous impact upon the environment and the pattern of development in local communities. The substance and nature of a national land use policy should be formulated upon the expression of the needs and interests of state, regional, and local government, as well as those of the federal government. Federal land use programs should recognize that the long-range resolution of land use matters lies in a significantly increased participation of state government in land management policies and programs.

There should be undertaken the development of a national policy, to be known as the National Land Use Policy, which shall incorporate environmental, economic, social and other appropriate factors. Such policy shall serve as a guide in making specific decisions at the national level which affect the pattern of environmental and industrial growth and development on the federal lands, and shall provide a framework for development of interstate, state, and local land use policy.

The National Land Use Policy should:

- A. Foster the continued economic growth of all States and regions of the United States in a manner which is compatible with a quality environment and consistent with other public and private rights.

- B. Favor patterns of land use planning, management and development which offer a range of alternative locations for specific activities and encourage the wise and balanced use of the Nation's land and water resources.
- C. Favorably influence patterns of population distribution in a manner such that a wide range of scenic environmental and cultural amenities are available to the American people.
- D. Contribute to carrying out the federal responsibility for revitalizing existing rural communities and encourage, where appropriate, new communities which offer diverse opportunities and diversity of living styles.
- E. Assist state government to assume responsibility for major land use planning and management decisions which are of regional, inter-state and national concern.
- F. Facilitate increased coordination in the administration of federal programs so as to encourage desirable patterns of environmental, recreational and industrial land use planning.
- G. Systematize methods for the exchange of land use, environmental and economic information in order to assist all levels of government in the development and implementation of the National Land Use Policy.
- H. Insure that the continuing land use planning process provides a definite linkage between the planning of both private and public lands, especially in those States where an intermingled pattern of federal and non-federal lands exists. There must be an effective and reasonable procedure for the States to interact at an early stage in federal decisions in order to avoid inconsistencies with approved statewide plans and programs.
- I. Insure that federal urban and metropolitan programs and activities be consistent with approved statewide land use plans and programs.
- J. Provide adequate grant assistance to States to facilitate implementation of the preceding objectives (including the training of qualified land use planners, which would alleviate the prevailing shortage of such).
- K. Refrain from the imposition of economic sanctions against States which are unable to comply with federal land use policy requirements. Because of the highly sensitive nature of land use control, major accommodations will have to be made between state and local governments before such controls can be exercised equitably and judiciously. Furthermore, sanctions generally have proved an ineffective tool in bringing about desired change. In this instance, they would be even less likely to be effective since they focus on the Governor alone when it is the equal responsibility of state legislatures and local government officials to develop the joint relationships necessary for exercising land use control. In the effort to bring about this necessary congruence of public and private interests, major emphasis must be placed on educating the public to its desirability.

- L. Encourage States to regain their sovereign responsibilities for the protection of critical environmental areas and for assuring that adequate developmental standards and guidelines are enacted at all levels of government.

Intelligent land use planning and management provide the single most important institutional device for preserving and enhancing the environment and for maintaining conditions capable of supporting a quality of life while providing the material means necessary to improve the national standard of living.

NATIONAL AND STATE COASTAL ZONE POLICY PLANNING MANAGEMENT

The coastal zone presents one of the most perplexing environmental management challenges. The thirty-one States which border the oceans and the Great Lakes contain seventy-five percent of our Nation's population. The pressures of population and economic development threaten to overwhelm the balance and best use of the invaluable and irreplaceable coastal resources in natural, economic, and aesthetic terms. It is clear that coastal pressures are signs of even more pervasive pressures that will soon occur in our inland areas as well.

To resolve these pressures, two actions are required. First, a reordering of our administrative and legal framework is needed to facilitate cooperative and coordinated activities affecting coastal resources.

Second, efforts must be made to gain additional knowledge of the nature of coastal zoning and the multiple effects that different uses would have upon our environment.

Planning and management activities for the coastal zone must be only the essential first step in a comprehensive statewide land use policy plan. Effective planning and management must also be more closely associated with land evaluation and assessment undertaken on a regional basis. Costs and benefits derived from land use allocations must be distributed throughout the region affected rather than accruing to just one municipality. States must assume primary responsibility for assuring that the public interest is served in the multiple use of the land and water of the coastal zone. Local government cannot be expected to cope with the broad spectrum of interrelated coastal problems, nor can local political subdivisions be expected to make their judgment consistent with those of many interlocking political jurisdictions.

Coastal States, because of unique conditions existing along their shorelines, have advantages in coping with coastal zone planning and management that the federal government does not have. The federal government, however, should establish incentives and assistance to help the coastal States prepare plans and action.

The ultimate success of a coastal management program will depend on the effective cooperation of federal, state, regional, and local agencies. At the federal level, this would require the development of goals and an administrative framework which would avoid the existing duplication, conflict, and piecemeal approach that is too often typical of federal planning assistance programs. Any federal legislation which attempts to establish a coastal

program must allow States the necessary flexibility for creating management instruments most suited to their specific conditions.

Basic to a coastal zone management program are the funds necessary to plan and take action. The requirements for coastal zone management are so urgently needed in the Nation's interest that federal monies must be made available to the States at a level which will not only provide incentive, but will allow an adequate program to be developed based on federal, state and local participation.

Any attempt to diminish the federal financial participation or to shift the burden to the States will result in irreparable delay and inadequacy in bringing under control the serious coastal environment and natural resource conservation problems.

The National Governors' Conference urges appropriation of the funds necessary to allow the development by the Nation's coastal States of effective coastal zone management programs.

In 1969, the National Governors' Conference adopted a resolution authorizing the establishment of a coastal states organization to represent the collective interests of the coastal States. The Coastal States Organization has performed that task, especially in support of the Coastal Zone Management Act of 1972 (PL 92-583). There are, however, still many important coastal and marine-related problems facing the Nation and its coastal States which can be addressed by CSO and the NGC. The Governors, in this statement, resolve that CSO continue its efforts to focus on major coastal and marine-related issues such as coastal zone management, national ocean policy development, coastal energy resources and facilities and other such matters such as the delegates of coastal States may consider important. We urge that CSO work closely with the NGC Committee on Natural Resources and Environmental Management and that the coastal States continue to support CSO with adequate resources.

SURFACE MINING

The National Governors' Conference, in taking notice of current proposals in Congress dealing with surface mining, supports federal legislation to assist States in developing and carrying out programs to regulate surface mining.

Regulation of surface mining operations to protect adequately the environment should reside with the States since they have knowledge of and are sensitive to great diversity of terrain, climate, biologic, chemical and other physical conditions. States are more responsive to the needs and aspirations of their citizenry and local government interests in areas where surface mining occurs. States have or can develop the qualified staff and the enforcement authority necessary to effective regulation of surface mining. Since surface mining is a form of land use, its regulation and control must be considered within the context of the broad and competing demands upon the State's land resources.

Any federal surface mining legislation must:

- A. Include all minerals;
- B. Set forth broad federal guidelines to be implemented by the States;

- C. Preserve basic state regulatory and enforcement powers;
- D. Maintain the right of States to set stricter standards than those set by the federal government;
- E. Recognize different conditions existing in the States by leaving to them establishment of any slope limitations; and
- F. Provide for the study of the effect on mining operations and the environment of such slope limitations.

FEDERAL SUPPORT FOR STATE WATER POLLUTION CONTROL PROGRAMS

The Federal Water Pollution Control Act Amendments of 1972 establish a new approach to national water pollution abatement efforts. The success of this new program will depend entirely upon effective cooperation between the States and the federal government. This is especially true in light of the limited funding of the new act. Because of these fiscal restraints, severe problems are being experienced by the majority of States at the very time that overall federal funding for water pollution control is increasing. Restrictions on funding the new congressionally mandated national strategy for clean water, coupled with inconsistent regulations, have placed the States, and therefore the national water pollution abatement program, in serious jeopardy. Unless the Administration and Congress move quickly, we will not achieve our goals for water quality by the 1983 deadline.

The Governors, through the National Governors' Conference, hereby further resolve to seek intervenor status before the U.S. Supreme Court in any related appeal for the purpose of obtaining an early disposition favorable to the States.

Finally, the National Governors' Conference adamantly opposes any attempt to curtail federal assistance to state and local governments for water pollution abatement construction until attainment of national clean water goals has been financially assured.

Therefore, the Governors strongly urge that the Administration and the Congress act to ensure full funding and effective implementation of the Federal Water Pollution Control Act Amendments of 1972. As part of this policy, the Administration should:

- A. Cease to contest litigation related to allocation or release of authorized funds, including the court orders issued in N.Y. City vs. Ruckelshaus, and as affirmed by the U.S. Court of Appeals, compelling full allocation of such funds;
- B. Allocate all funds authorized by the Act;
- C. Proceed promptly to obligate within each of the States such of those funds for which qualified applications have been received;

Moreover, because pollution abatement programs in many of the States have been seriously disrupted by withholding of funds, the Administration should, for the meantime, provide that:

- D. No State should receive less money in fiscal years 1973 and 1974 than it received in fiscal year 1972;

- E. The regulations should be drafted to include phased funding so that Governors may establish priorities to implement the program;
- F. Timetables should be reasonably adjusted to accommodate any delays occasioned by previous impoundment of authorized funds.

A SYSTEM FOR ENERGY PRODUCTION FACILITY SITING

The Federal Power Commission has predicted that 1990 may see a quadrupling in the amount of power produced. This translates into the installation of an additional one billion kilowatts of new generation capacity in the next 20 years, plus about 200,000 circuit miles of new bulk transmission facilities.

The construction and operation of these power stations and other energy production facilities pose a series of critical land use questions in every State of the country, in addition to compounding and increasing the already serious problems of air pollution, nuclear waste and safety, and thermal pollution. There needs to be a system for the siting of facilities.

At issue is the development of a procedure whereby environmental foresight and safeguards as well as economic and social determinants can be adequately incorporated into the specific site-certifying process for the construction of energy production facilities. To achieve this goal, long-range planning must be undertaken at the federal and state levels, with particular attention to regional needs. Certification procedures for energy production facilities siting must be established by each State.

Certification of specific facilities should be the responsibility of state certifying bodies. These bodies should have authority to issue certificates once all federal, state and local requirements respecting environmental protection have been met.

SOLID WASTE MANAGEMENT

Federal legislation is being introduced to amend the Solid Waste Disposal Act of 1965, as amended by the Resource Recovery Act of 1970. Such legislation should set federal policy and establish national goals in order to provide reliable, economic solid waste management service, improve the environment, and maximize the recovery of material and energy resources from solid waste. Because of the States' unique responsibilities and powers, and because of their proximity to the problems of solid waste, state government must be recognized as a major focal point for planning and action in solid waste management.

The implementation of the federal policy and the attainment of the national goals can best be achieved by: the establishment of minimum federal management standards for solid waste and hazardous wastes which may be set higher by the States; the enforcement of such standards by the States, supported by a federal consolidated environmental program grant; continued federal support, in partnership with the States, of solid waste management manpower and technology development and technical assistance programs; and, the provision of incentives at all levels of government, to broaden the markets for material and energy resources recovered from solid waste.

Furthermore, emphasis should be placed on the development and implementation of resource recovery systems and programs which are more efficient from economic and energy standpoints.

The Interstate Commerce Commission's regulations and tariffs relating to the transportation of recyclable materials should be revised so that such materials have the tariff advantage over raw materials.

STATE COMPREHENSIVE OUTDOOR RECREATION PLANS

Remaining unspoiled natural areas of seashores, wetlands, forests, plains, deserts, and mountains are being exploited and despoiled at an alarming rate. The expenditure of a larger portion of the available outdoor recreational funds should be directed towards the urgent need to acquire and protect these natural areas.

Crash funding programs that seek to carve urban parks in the midst of urban glut are dramatic examples of inadequate piecemeal planning. The overcoming of inadequate planning in the past through crash programs should be avoided. Overcrowding and overuse of some park land is posing a serious threat. Consideration in these instances should be given to limiting visitations. Additional funding is warranted for the acquisition and development of more scenic and recreational land, particularly for those locations which can best serve impacted urban areas. Skillful planning properly integrated into man's environmental needs must be implemented. Such planning to be effective in meeting the needs of the people must be long-range. It must further carefully consider long-range benefits as opposed to stop-gap, short-range approaches. Full funding and implementation of state comprehensive outdoor recreation plans is the best means of solving both short-run and long-run recreational problems of megalopolis.

Many States are concerned with the number and magnitude of wilderness areas within their borders, whereas others have little or no wilderness areas. The States urge the Congress to attempt to achieve a more equitable distribution of wilderness areas among the several States.

Methods and criteria other than the wilderness area designation need to be developed by the Congress which encourage the multiple use of our public lands and, at the same time, protect our unspoiled lands.

The National Governors' Conference expresses its appreciation to the Bureau of Outdoor Recreation of the Department of the Interior for the successful administration of this program and the many benefits it has provided the States and encourages the Bureau of Outdoor Recreation to maintain the excellent working relationships that now exist between it and the fifty States.

The National Governors' Conference urges that the Bureau of Outdoor Recreation should immediately begin to develop the technical assistance capability that is needed to fully implement the intent of the Land and Water Conservation Fund Program and develop criteria for natural area designations in addition to the wilderness designation and further that the relationship between the Bureau of Outdoor Recreation and the several States ought to be one of cooperation and assistance to minimize the proliferation of disjointed and incremental long- and short-range planning.

FORESTRY

The National Governors' Conference recognizes that there is a shortage of many forest products, including paper and lumber. This shortage has led to Administration policies calling for increased timber yields from National Forest Lands, sometimes at the expense of other uses of our national forests such as recreation and wildlife management. Balanced use of National Forest Lands is statutorily directed by the Multiple Use-Sustained Yield Act of 1960, and is endorsed by the National Governors' Conference.

At the same time, there are presently substantial acreages of state, private and federal lands potentially capable of producing forest products, but many are in need of reforestation. In addition, millions of tons of recyclable fiber products are incinerated or buried in landfills daily.

Such benefits as establishing and improving watersheds and water quality, arresting soil erosion, improving flood control and stream sedimentation, wildlife habitat and recreational opportunities would result. The increased fiber would contribute to the housing needs of a growing Nation and would immeasurably enhance the landscape beautification of the country.

The National Governors' Conference finds that the federal and state governments need to establish a policy to encourage reforestation of denuded, publicly owned and commercial forest lands. Existing programs should be strengthened to offer greater inducements for private landowners to reforest their lands with special emphasis on poor land that may be unsuited for other purposes, including improved timber management practices. The federal and state governments must also place emphasis on the research, development, and implementation of efficient recycling systems for fiber products and other recyclable materials.

PROCESSING ENVIRONMENTAL IMPACT STATEMENTS

We, the Governors of the States, recognize and endorse the concept of environmental impact studies on projects using federal monies, as a necessary and effective means to insure the preservation of environmental quality.

By law the Federal Government requires the States to have a clearinghouse to handle Environmental Impact Statements. We call upon the federal government to adopt a clearinghouse to process the statements which interested departments are required to examine.

Furthermore, there should be an office at the regional level which has the responsibility of handling routine impact studies as well as act as a clearinghouse to expedite the processing of statements. If the responsibility cannot be delegated to the regional bodies, then the Council on Environmental Quality must develop the ability to handle impact studies in an expeditious manner to prevent unnecessary delay.

INTERSTATE ENVIRONMENT COMPACT

The National Governors' Conference urges early enactment of the Interstate Environment Compact. This bill, introduced by Senator John L. McClellan of Arkansas and passed by the Senate in the 93rd Session of Congress, was re-introduced this year as S. 9. It asks the consent of the Congress to an

interstate compact which would facilitate the subsequent establishment of "supplementary agreements" between the States for the purpose of taking joint action to abate pollution problems which affect more than one State. It would strengthen the ability of States to deal effectively with environmental pollution problems which ultimately affect the health and welfare of all the peoples of this Nation.

OCEAN POLICY

The National Governors' Conference recognizes the enormous potential of the world's oceans as a supply of valuable living and non-living resources, including protein, raw mineral materials, and energy. Oceans are of great importance in world commerce, and that importance is likely to increase in future years.

At the same time, oceans are threatened with increasing pressures from pollution and resource exploitation in many areas. Coastal areas of the United States and other developed countries are under increasing pressure due to their desirability for siting of commerce, industry, and habitation, and due to increasing needs for recreation, transportation, and urbanization.

The National Governors' Conference finds that the utilization of ocean resources and the solution of ocean-related problems depend upon developing oceanic knowledge and technology, resolving conflicts of national and international jurisdiction over the ocean, protecting the quality of the marine environment and, foremost, upon establishing a clear and comprehensive national oceans policy.

Therefore, the National Governors' Conference fully supports the undertaking of the National Ocean Policy Study by the U.S. Senate as authorized by Senate Resolution 222.

SCS STREAM CHANNELIZATION

The Small Watershed Program administered by the U.S. Soil Conservation Service and established by PL 83-566 provides many benefits to the States' local governments, and private landowners.

However, one aspect of the Small Watershed Program, stream channelization, has caused significant problems to state governments. These problems have primarily resulted from inherent conflicts between the environmental effects of channelization and the responsibilities of the States to protect fish, wildlife, and water quality.

The environmental effects of channelization, a technique which is utilized primarily as a flood control measure, include increased downstream flooding, the destruction of prime game and fowl habitat as refuge areas are drained and cleared, the death of increasingly scarce bottomland hardwoods as water tables are lowered and root systems wither, and degradation of water quality from non-point source pollution both at the site of channelization and downstream.

In addition, recent years have seen a change in national attitudes and approaches to water resource management, and in particular, flood control. Specifically, flood-plain management and land use controls are now seen to

be the most desirable methods of reducing flood problems, with structural and engineering approaches utilized as a last resort.

The National Governors' Conference urges the Administration and Congress to study, redefine, and improve the role of the Soil Conservation Service in stream channelization, and to implement a two-step authorization procedure for Small Watershed projects.

FLOOD-PLAIN MANAGEMENT

The National Governors' Conference commends Congress and the President on the enactment of PL 93-234, the Flood Disaster Protection Act of 1973, an excellent first step in implementing sensible flood-plain management of the Nation's streams, rivers, and coasts.

The National Governors' Conference further urges the federal and state governments to prepare and implement flood-plain management programs to:

- A. inform and educate citizens of the value of flood-plain management and the value of adopting regulations which limit or substantially reduce damage from floods;
- B. encourage state and local authorities to adopt and enforce adequate flood-plain ordinances, subdivision regulations, building codes, health regulations, and other measures designed to reduce damage and loss of life from flooding;
- C. expedite and accelerate the identification of the hundred-year flood-prone areas and floodways;
- D. make maximum use of flood-prone lands for such activities as recreation, agriculture, and other open-space needs; and
- E. assist and encourage communities, counties, and municipalities to become eligible for and participatory in flood insurance programs under Flood Disaster Protection Acts of 1968 and 1973.

DAYLIGHT SAVING TIME

Strong measures are necessary to guarantee that our Nation, as a result of an energy shortage, will not suffer economic damage nor will the quality of life for our people be diminished.

The extension of Daylight Saving Time into the winter months has proven to be counterproductive in some instances by greater amounts of heat and light being consumed in pre-dawn hours than would normally have been consumed in Standard Time days and in January and February, 1974, plunged millions of moving vehicles and school children into pre-dawn darkness, increasing their peril manyfold, causing many injuries and even deaths.

The National Governors' Conference believes that Daylight Saving Time should be used as an energy-conserving measure to be in effect only from the third Sunday in April through the fourth Sunday in October of each year and that such schedule be enacted into law by the Congress. This time schedule should be adopted for 1974 immediately and the Conference calls

on the President and Congress to take necessary steps to implement such a time schedule immediately for the conservation of our Nation's resources, our citizens' well-being and the protection of our school children.

REEVALUATION OF WATER RESOURCE PROJECTS

Federally financed and federally assisted water resources public work projects have long been, and continue to be, of great importance and benefit to the States.

However, Congress has authorized on occasion projects which have of late been shown, by state agencies and others, to be questionably justified from economic or environmental standpoints.

Congress has exhibited wisdom in its recently enacted Water Resources Development Act of 1974, PL 93-251, by requiring the reevaluation, and possible deauthorization, of certain water resources projects which have been authorized for more than eight years and for which no construction funds have been appropriated in those eight years. Congress also wisely initiated, with the passage of PL 93-251 a two-step authorization procedure which further decreases the likelihood of authorization of questionable projects.

The National Governors' Conference finds, however, that certain questionable projects have either been authorized in the last eight years, or have been appropriated construction funds although actual construction has not been initiated. NGC therefore urges Congress to call for the reevaluation of all U.S. Army Corps of Engineers projects authorized prior to the enactment of PL 93-251, for which construction has not been initiated.

SIGNIFICANT DETERIORATION OF AIR QUALITY

The Clean Air Act has established the basis for major improvements in air quality as it affects the health and welfare of the American people. The 1970 amendments to the act in particular continued this impetus, but have also had unconsidered effects as they have come to be interpreted by the Supreme Court.

The declared purpose of the 1970 amendments was "to protect and enhance the quality of the Nation's air resources." The federal courts have interpreted this to preclude any "significant deterioration" of the existing air quality of an area, regardless of how pure that quality happens to be.

EPA, in conjunction with the proposed Clean Air Act Amendments of 1974 and a Court mandate to establish standards to prevent "significant deterioration," has recommended that Congress should consider all the possible alternatives before seeking to resolve this issue.

The National Governors' Conference urges the Congress to act as deliberately and reasonably as possible to define the degradation issue without an ultimate sacrifice of air quality.

POLICY STATEMENTS ON RURAL AND URBAN DEVELOPMENT

PREAMBLE

In the continuing national effort which must be resumed and expanded at the earliest possible moment to meet America's needs in the fields of housing, community development, rural development and planning, it is absolutely essential that in the design and the continuing management of these programs, the States play a full and proper role of direction and coordination -- a role essential to the proper operation of our federal system of government.

It is our conviction that if our resources are to be well and wisely used in these endeavors, if we are to reduce unnecessary bureaucracy and achieve efficiency and economy, federal financial resources should be made available in the form of broad block grants, and -- most important -- the state governments should be assigned the principle authority and responsibility for the administration of these programs. We do not propose substituting a state functional bureaucracy for a federal one, but we believe that the assignment of responsibility for project review and coordination at the state level means strengthening the state-regional-local partnership in which local and state projects fit into a comprehensive set of community development objectives.

We are resolved, through continuing discussion with mayors, members of Congress, and the Administration, to increase the role of state government in this area.

COMPREHENSIVE NATIONAL COMMUNITY DEVELOPMENT

Congress and the Administration should develop a comprehensive National Community Development Policy with the effectuating funds, agencies, and programs. The policy should provide the means whereby federal, state and local elected officials should participate directly in the formation of national policies and goals and the establishment of major strategies and programs for implementation of such policies and goals. The formulation and implementation of such national community development policies in coordination and consonance with state development policies is essential to achieve the objectives of balanced growth.

A National Community Development Policy should embrace the major areas and issues of concern for the quality of life within the United States. The most basic components for consideration in the formulation of this policy are policies relating to population growth and distribution and to economic development. Other components are policies relating to allocation of natural resources, agriculture, transportation, housing, human resources development, and financing and administration -- all established in a manner that will support policies concerning these two basic components.

Rural (non-metropolitan) development and urban (metropolitan) development are interrelated. Programs which are optimal for urban areas might not be effective in rural areas and vice versa. A distinct set of policies and programs tailored to the needs, resources and structure of rural areas must be developed to permit rural areas to make a maximum contribution to the Nation's economic growth, and to allow rural people to share equitably in the productivity of the Nation's economy.

NATIONAL POPULATION GROWTH AND DISTRIBUTION POLICY

There should be a National Population Growth and Distribution Policy, developed in concert with state and local planning policies, to lessen the congestion and reduce pressure on the already overburdened resources of our cities, to offer opportunities for the free movement of all our citizens to realize their maximum personal potential, to match manpower and job training programs with the needs for community development, and to lessen the problems of transportation, environmental decay and social service delivery that are not being adequately dealt with for today's population. Such a policy should be consonant with a rural-urban balance of needs and regional potentials.

NEW COMMUNITIES DEVELOPMENT

To effectuate a population growth and distribution policy, there should be a comprehensive New Communities Development Program which would include expanded communities, new towns-in-towns and new towns as major components of a national policy designed to relieve growth stresses upon existing metropolitan areas and to promote growth in appropriate areas which have growth potential. In addition to federal and state activities in fostering new community development, vigorous efforts should be made to stimulate greater participation by the private sector, particularly the financial community, in the development, financing and construction of new communities.

Congress and the Administration should use all means at their disposal to carry out this policy and to insure that sufficient funds are set aside for the provision of essential public facilities, low and moderate-income housing, and needed infrastructure.

NATIONAL ECONOMIC DEVELOPMENT

A National Economic Development Policy should be adopted to coordinate economic assistance measures with a national population growth and distribution policy, thereby providing the employment concentrations and economic base that will make such a policy workable, offering more efficient operating environments for industry and concentrated employment centers accessible to workers in either rural or urban areas. Such policy should provide additional incentives to private business and look to new ways in which public and private interests can be combined to meet public needs. Congress should adopt a system of tax incentives to encourage business and industry to locate in non-metropolitan areas.

Unemployment and underemployment in rural areas continue below those in urban areas. Programs to increase off-farm employment in rural areas should be initiated. Rural job creation programs should include financial incentive systems. Underemployment should be included as a criterion for individual program eligibility.

NATIONAL AGRICULTURAL DEVELOPMENT

There should be a National Agricultural Development Policy as an integral part of a National Community Development Policy to assure the Nation it can feed itself and meet its responsibilities to other people in the world. Such a policy should reflect the importance of and a system for the preservation and maintenance of agricultural land for future supplies and as a necessary habitat for wildlife, water resources and hunting and fishing, all of which are a necessary part of providing a quality environment in consonance with a population growth and distribution policy. Further, this policy should focus attention on improving agricultural production capabilities, transportation, foreign market development, processing agricultural products near the source of production, and efforts aimed at developing rural America.

In addition, Congress must act on viable farm programs to assure rural America "parity of opportunity" with the rest of the Nation.

Congress and the Administration should adopt the concept of stability and parity of resource earnings as the long-term policy goals for modern agriculture, and then establish an appropriate vehicle, such as a National Food and Fiber Board, to develop the detailed production management programs necessary to insure an adequate supply of food and fiber for the future.

A new farm bill by Congress should be shaped to give rural producers an equal opportunity to share in the Nation's prosperity and growth with all other areas. A federal farm program should be continued by the federal government until the market can maintain an adequate price for producers.

Fertilizer and Food Production

The Nation and the world face potentially dangerous shortages of food, in part attributable to a lack of fertilizer. Currently, many of the States do not have sufficient fertilizer supplies to meet federally established quotas for crop production. The National Governors' Conference urges the federal government to establish an advanced planning program, in cooperation with the States, to insure that: (1) sufficient energy supplies are allocated for fertilizer production; (2) available fertilizer supplies are distributed equitably among the States; and (3) farmers receive highest priority in the distribution of fertilizer among all users.

A strong farm program is recognized as a deterrent to further out-migration from rural areas to crowded metropolitan centers, a necessary element for a growing economy, and vital to providing reasonable food prices for consumers while assuring a fair return for all agricultural producers.

RURAL COMMUNITY DEVELOPMENT POLICY

As part of any comprehensive Community Development Policy, the Administration should design programs to enhance the economic and physical

viability of rural America. Such a policy should take account of the following issues:

- A. Avenues of cooperation between existing HEW, Agriculture, Commerce and HUD programs and state community development programs;
- B. Restructuring of federal field operations to support and complement emerging state and local efforts for comprehensive rural development-- as federal departments decentralize, they should utilize to the fullest extent possible the personnel, administrative and technical services of state and local government, rather than building up federal field staff to handle delegated authorities for decision-making accompanying the federal field office reorganization;
- C. Recognition of state designated multicounty planning and development districts, primarily composed of local officials and in coordination with state planning agencies, as the appropriate planning and policy development organizations for most state and federal programs in rural areas;
- D. Recognition and support of several States as pilot projects for the purpose of coordinating federal and state programs into a package of rural development services.

Consistent with the foregoing, the Rural Development Act should be amended to recognize state governments as the central policy-makers in their States for all community development activities coming within the purview of the act, and in the interim the Department of Agriculture should administer the act in a manner consonant with the policy. Further, the Congress is urged to appropriate all funds authorized for full implementation of the Rural Development Act.

NATIONAL LAND DEVELOPMENT POLICY

There should be a National Land Development Policy providing guidance as to what lands are appropriate for urban development, agricultural production, conservation and open space and recreation. Such national policies must be related to the allocation and conservation of water, air, minerals and other natural resources, and be an integral part of a National Community Development Policy.

NATIONAL HOUSING POLICY

There should be a National Housing Policy to coordinate housing investment and construction programs with a National Community Development Policy to carry out the social objectives of making a place for all social and economic groups, to take advantage of the environmental and efficiency advantages of such a policy, to provide needed governmental aids for supporting housing construction and marketing, with special support programs to assist those who cannot secure decent housing through normal channels, to make maximum use of new technologies, and to stimulate additional investment by private industry and home property owners, thus adding to the overall housing supply, and to insure the availability of sufficient long-term mortgage financing. Such a policy should support positive efforts at the national, state and local levels to remove all racial discrimination practices

which may impede the construction, sale or rental of housing. The problem of the availability of subsidized housing should be attacked on a market area basis.

Congress and the Administration should give careful consideration to an overall housing program which provides a balance between subsidies to "producers" of housing and housing "consumers." To this end, the experimental housing allowance program currently under way in HUD should be greatly expanded, and the results of such broadened experiment should be carefully weighed as future housing programs are designed and current programs are revised.

A new housing subsidy delivery system should be established by federal block grants to the States for housing assistance, and state governments should be given the broadest possible discretion to review and approve local projects, and to allocate such money to a wide range of state and local housing programs. A transitional federal administrative structure should remain to deliver housing assistance to States developing their own delivery capabilities. In the interim, until new housing subsidy programs are enacted, existing and new state housing programs should be considered "specific program commitments," and their potential as a basic unit for a new housing delivery system should not be allowed to atrophy in the immediate future. The existing federal FHA mortgage insurance (FNMA and GNMA) programs should be preserved and coordinated with the state block grant programs.

A growing disparity between family income and the cost of housing means a larger proportion of the Nation's households will be unable to find adequate housing at prices they can afford to pay. The challenge to private industry and government is great. National economic trends exert a dominant influence on the State's housing market and upon the personal incomes of families. The housing needs of low and low-moderate income families simply cannot be met without housing assistance which only the federal government can provide. Congress and the Administration should move immediately to establish and implement improved programs of housing assistance designed to meet those needs.

The Nation's goal of providing greater access to housing through vigorous enforcement of equal housing opportunity laws should be maintained. All levels of government should continue to pursue efforts to achieve technological innovations in housing production and marketing methods, and particular attention at the state level should be paid to simplified housing codes, landlord-tenant relations and efforts to develop housing management training programs.

All housing subsidy and assistance programs should be funded and implemented at a level adequate to meet the housing needs of the Nation.

COMMUNITY DEVELOPMENT GRANTS

Rational state community development policies cannot become a reality unless the States provide the link between various local community programs. Congress and the Administration should, therefore, adopt a program of community development assistance which assures that:

- A. Federal funds for community development activities, both rural and urban, be in the form of broad block grants to the States, allowing them to develop and operate their own state systems for setting and directly implementing community development priorities; and

- B. At the same time each State should effectively implement its system for establishing state goals, ordering priorities at state, regional, and local levels, and preparing the procedure for achieving these through a comprehensive community development effort.

Without such reasonable state involvement, it will be impossible to meaningfully coordinate and implement any comprehensive growth, development and land use policy.

UNIFORM FEDERAL RELOCATION AND LAND ACQUISITION POLICIES

The Uniform Relocation Policy and Real Property Acquisition Act of 1970 (PL 91-646) should be amended so as to delete all cut-off dates for the federal funding of the first \$25,000 of relocation expenses.

GRANTS FOR COMPREHENSIVE PLANNING AND COORDINATION

Assistance should be provided to plan comprehensively at the interstate, regional, metropolitan and local levels, to encourage local governments to cooperate in solving areawide problems through comprehensive planning, review, and coordination; to foster intergovernmental attacks on problems of national, urban and rural development; and to establish a method for the exchange of development information among local, state and federal governments.

Federal planning funds should be in the form of broad grants to state governments for distribution to cities, metropolitan areas, sub-state regions and counties. Such funds should be adequate for long-range financing of planning and management activities, with authority in the use of such funds sufficiently flexible to allow for the planning and management work necessary to achieve state and area priorities. State government should be provided discretionary authority to administer comprehensive planning and management funds for all areas of the State, including metropolitan cities and urban multijurisdictional planning agencies.

RURAL SERVICES AND FACILITIES--PUBLIC EDUCATION

Talented and capable human resources, reared and educated in rural areas, must have more attractive opportunities to remain in rural areas. The quality of life in rural areas deteriorates and economic opportunities decline when the investment in human resources is not maintained.

Rural people have traditionally been educationally disadvantaged. Better educational opportunities must be provided to make rural areas a more attractive place to live and work. Providing a better quality education, including general and vocational education, is an essential element of rural area development. Special federal grants should be made to the States for improving the quality and quantity of rural education. Consideration should be given for basing it on the level of per capita income and the migration rate within a designated geographic area.

RURAL SERVICES AND FACILITIES-- HEALTH

Economic delivery of health services is a national problem. It is much more severe in rural than in urban areas due to the sparsity of population, low incomes, and current structure of medical facilities which characterize rural areas. The increasing share of the Nation's gross national product devoted to health services accentuates the importance of improving health service facilities as a means of making rural areas more productive places to live and work and to stimulate economic development. It is essential that federal support for comprehensive health planning, both at the state and sub-state planning region level, be increased.

RURAL SERVICES AND FACILITIES-- RESEARCH AND EDUCATION

A necessary condition for a viable rural development program is a co-ordinated program of research and education. Rural development research must include the derivation of principles, facts, and relationships considering human, natural, and institutional resources. Results of such research need to be interpreted in terms of local conditions and dispensed to state and local leadership. Further, there is a need for the establishment of a limited number of centers to educate individuals to staff state and local development programs. These same centers could provide short courses to update and supplement the educational base of university graduates who wish to prepare themselves to serve development agencies.

A major share of the research relevant to rural development which is currently under way is being carried out in the various Land Grant Universities. For this reason, given appropriate financial support through federal grants, these institutions, through their Agricultural Experimental Stations and Resident and Extension teaching programs, have the capacity to develop both research and educational programs in support of rural development efforts. Special grants should be given these institutions to permit them to develop appropriate research and education efforts in rural development.

STATE-FEDERAL PARTNERSHIPS

The National Governors' Conference Task Force on National Regional Development Policy has formulated a statement of principles to guide federal legislation relating to an improved national development program, and multistate and sub-state program partnerships. At the direction of the NGC Executive Committee, this statement has been transmitted to the appropriate Congressional committees.

The Administration has recently submitted a proposal calling for an eventual end to federal support for the Economic Development Administration and the "Title V" Regional Commissions, and the establishment of an "Economic Adjustment Program" to provide block grants to States for economic adjustment and development.

The Nation's Governors believe that elements of both proposals have merit and should be carefully examined by both houses of Congress in the coming months. We further believe, however, that any national development legislation should provide for the following elements:

- A. Improved state and local program management capabilities and authorities, with appropriate and significant involvement in the development of policy for and the administration of federal grants and programs;
- B. Continuation and strengthening of multistate and sub-state cooperative arrangements, with appropriate federal, state, and local participation, and with adequate transition time to implement subsequent legislative changes;
- C. Maximum flexibility in the planning and program activities of state, multistate and sub-state entities, including provisions for development projects involving States not within the same multistate entity;
- D. Provision for concentrating available resources on selected priority goals in each area to achieve balanced urban and rural development and the revitalization of lagging areas;
- E. A funding level for all multistate regions adequate to provide a significant development impact; and
- F. To the extent possible, federal regional administrative and program boundaries should be consistent with multistate arrangements which may be established by States.

In the meantime, it is essential that the Public Works and Economic Development Act be extended in essentially its present form to maintain existing programs. To allow time for consideration of improved national and area development legislation, both houses of Congress are urged, following passage of such an extension, to hold extensive hearings during the last half of 1974 on the future of national and regional development legislation.

POLICY STATEMENTS ON TRANSPORTATION, COMMERCE AND TECHNOLOGY

THE STATE ROLE IN BALANCED TRANSPORTATION PLANNING AND DEVELOPMENT

The Governors of the States pledge their continued action to deal with the expanding and changing transportation needs in the decade of the Seventies.

- A. We commend the U.S. Department of Transportation for relving on the States in the development of the National Transportation Needs Study. We urge the federal government to continue this cooperation by consulting fully with the States in the development of a National Transportation Policy. We recommend the data contained in the National Transportation Needs Study, the National Transportation Study, and subsequent national transportation studies by the Department of Transportation be used as inputs for setting continuing priorities in the National Transportation Policy.
- B. We express appreciation to the Department of Transportation for its generally excellent communication with States. We urge that any consolidation of federal departments which would place the Department of Transportation in a larger agency should preserve the working integrity of existing federal transportation activities. We endorse the view that the transportation system is a primary factor in the development of our social, economic, and environmental conditions. For this reason, we support the concept that federal transportation programs be fully coordinated with these other concerns. However, we believe the existing functional agencies within the DOT should remain in one department.
- C. We call upon all States to develop administrative and legal structures equal to the challenge of balanced, integrated transportation systems required by the citizens of our States. Many States responding to the need for a central agency have created departments of transportation to coordinate all modal programs.
- D. The Governor, as elected chief executive, is best able to determine the transportation needs and priorities of his State. Under any program which permits flexibility in expending federal transportation revenue, the Governor is the key decisionmaker. He should have the ability to transfer funds among various programs to meet his own State's priority transportation needs.

Finally, we call for the creation of a single, unified Transportation Trust Fund incorporating existing transportation revenues presently earmarked for use within a specific mode of transportation or by beginning a phased program of percentage transfers from the highway and aviation trust funds and other funds made available for transportation into a unified National Transportation Trust Fund. Also, with the Governor being best able to de-

termine the transportation needs and priorities of his State, the distribution of the National Transportation Trust Fund should be allocated through the Governor.

TRANSPORTATION AND THE ENVIRONMENT

The Governors pledge full cooperation in providing environmental impact statements on transportation construction. We strongly endorse efforts to strengthen the A-95 program to provide the Governors with a stronger role in the evaluation, analysis, and implementation of all transportation projects, so as to avoid duplication and waste, as well as environmental damage.

The Governors pledge a continued fight against the pollution of our environment by the wastes and by-products of our growing transportation system.

The Governors call upon the federal government to provide effective minimum standards to protect the basic health and safety of every citizen, while leaving state governments free to deal with the problems that have reached extraordinary severity, or to respond to citizen demands for a higher level of environmental quality than that which would be supported nationwide.

The Governors call upon the federal government to join with the States in a vast research effort to measure pollution and to apply innovative technology in discovering new sources of energy and new techniques of reducing and disposing of wastes produced by our transportation system.

The Governors pledge increased emphasis in the design of highways and other transportation systems so that these facilities complement rather than conflict with the total environment in both its natural and man-made aspects. Further, programs for the preservation and development of historic and scenic vistas along transportation corridors should be encouraged by the reward of additional federal financial assistance for increased state and local action, rather than by the present threat contained in the Highway Beautification Act, of a ten percent penalty in highway funds. We oppose any federal penalties where Congress has failed to appropriate funds which have been authorized to aid States in carrying out beautification programs.

HIGHWAYS

The National Governors' Conference supports continued development of a national, state and local network of highways, streets and roads which are well planned, coordinated, and safe. Highways will continue to be the principal mode in America's transportation system.

The Governors urge the following action as part of the partnership between state and federal governments in highway construction.

- A. The management of the federal Highway Trust Fund continues to exemplify the problems which have persisted since 1967 by severely hampering the capital planning and programming capability of the States. If we are to attain and retain any stability in constructing the Nation's highway system, efforts must be made to eliminate the up and down obligational authority of the highway

program. The continued practice of using the Highway Trust Fund as a stop-gap effort to adjust the economy must be ended. Congress should reaffirm its intent that the yearly obligational level rather than the current quarterly basis be the method of allocating Highway Trust Funds.

The National Governors' Conference supports Congressional action that would provide for suspension of all federal motor fuel and related taxes during any period when the apportioned amount of the Highway Trust Funds are impounded or otherwise withheld from expenditures.

- B. Apportionments from the Highway Trust Fund should be made as soon as possible after the 1st of July for the following fiscal year to enable the States to adequately implement their highway construction program.
- C. The revolving fund within the Highway Trust Fund, set aside for the advance purchase of right-of-way, should be made available as soon as possible, and continued as a measure of economy and planning.
- D. Federal fuel taxes should not be increased to the detriment of the States' ability to use the fuel tax as a source of revenue for the construction and maintenance of the highway system.
- E. Primary authority for coordination, planning and flexible distribution of trust funds within the States should continue to be at the state government level.
- F. An unbiased study should be made to determine the sufficiency of the planned 42,500 mile Interstate System in fulfilling the intent of the system as described in the 1956 act and developed since that time.
- G. After completion of the present Interstate System, the Highway Trust Fund should be continued as part of the flexible fund described above. The basic purpose of the Highway Trust Fund in the post-Interstate period should be to strengthen the primary and secondary system, as well as urban systems. Completion of the Interstate system links the Nation together as never before, thereby encouraging additional travel which has placed a heavy burden on those portions of the urban primary and secondary streets and road systems that are outdated and inadequate.
- H. We endorse the concept of developing a system of scenic highways to allow access to national and state parks and improved recreation areas. We urge the Congress to consider the concept of removing obstacles to state authority to appropriately construct public highway signs designating official historical sites and features of public interest.
- I. Transportation systems have a major role in implementing economic development and growth policies. Economic growth center highways can help reverse the depopulation of rural America and the overburdening of megalopolis, and we commend the federal government for its program to construct such highways. However, the appro-

priation is totally inadequate and will be spent with little impact if limited funds are divided among all States. Instead, we urge these funds be spent on a small number of carefully selected demonstration projects.

- J. A study should be developed to review the continued need for a highway trust fund, with particular emphasis given to the tax contribution the people of each State make to the trust fund, with respect to the funds they receive back from this trust fund. This study should not attempt to interpret each State's highway or transportation needs but merely reflect the contribution each State is making to a national and state highway system. An objective of the study would be the establishment of the feasibility of a formula which would provide that each State would not receive less than 80 percent of tax payments it makes into the highway trust fund. The remaining 20 percent would be allocated in a manner to insure a balanced, integrated, national transportation system.

HIGHWAY AND MOTOR VEHICLE SAFETY

The National Governors' Conference views with alarm the tragic number of preventable highway and traffic crashes and casualties. We urge the following action to strengthen the intergovernmental effort to make our streets and highways safe.

- A. Congress, with the passage of the Highway Safety Act of 1966 and its amendments and the Highway Act of 1973, has called for a comprehensive and coordinated attack upon the problem of highway safety. While Congress has mandated comprehensive action, sufficient funds have not been provided to meet the requirements of the act. Action should be taken to bring the authorization and appropriations up to a level to meet the mandates of the act. A major step toward funding sufficiency was accomplished with the provision in the Highway Act of 1973 for full funding of the federal safety effort from the Highway Trust Fund.
- B. We commend the National Highway Traffic Safety Administration and the Federal Highway Administration for its efforts in moving toward a programmed approach for highway safety funds by adopting flexibility in administering the Highway Safety Program. We recommend that Congress amend the Highway Safety Act to allow for a true block grant approach.
- C. The present 10 percent penalty clause in the Highway Safety Act should be replaced by a more positive incentive program to reward States with progressive highway safety programs. In this connection, we commend the Congress for authorizing the Secretary in the Highway Act of 1973 to make incentive grants to the States based on the adoption of safety belt legislation and significant reduction of the mileage death rate.
- D. In view of the preemption provision of the National Motor Vehicle and Traffic Safety Act of 1966 and in view of recent conflicts that have occurred in the setting of minimum vehicle equipment safety standards between the States and the National Highway Traffic Safety Administration, we strongly suggest more positive attempts

by the NHTSA to involve the States in the setting of these standards. Such action would fulfill the original intent of the Congress that national as opposed to federal standards for vehicle safety equipment be established and conflicts between NHTSA and the States be avoided. This can be accomplished through the Vehicle Equipment Safety Commission, consisting of 44 States and charged with the responsibility of establishing vehicle equipment safety standards, and through regional conferences between officials of the NHTSA and the States.

- E. We commend the President for seeking the advice and consent of the Governors when selecting representation from individual States for his National Highway Safety Advisory Committee and recommend this procedure be continued.
- F. There should be greater coordination of research conducted by the National Highway Safety Administration, the Federal Highway Administration, the States and private industry. The National Highway Safety Administration should act as a clearinghouse and information source for such an exchange of information and should provide this information to the States. The Administration should consult the States when determining minimum standards for vehicle equipment, and should design standards which are sufficiently flexible to permit States to impose additional requirements where conditions warrant.
- G. We recognize that over fifty percent of the highway fatalities are alcohol related and commend the National Highway Traffic Safety Administration for its efforts in developing new alcohol countermeasures and recommend the early implementation of these countermeasures, including use of the implied consent law.
- H. Congress, the National Highway Traffic Safety Administration, and the Federal Highway Administration should evaluate the effectiveness of the current highway safety standards and determine if these standards should be modified, eliminated, or if new standards should be promulgated.
- I. The National Governors' Conference recommends that a study be undertaken to relate decreased highway-related accidents, deaths and property damage to the lowered speed limits. This effort could then lead to recommendations to revise allowable speed limits and design standards on our highway system.

AERONAUTICS

The Governors note with satisfaction current studies under way within the Department of Transportation and Federal Aviation Administration to implement the New Federalism by transferring certain aviation programs and responsibilities from federal to state administration. The Airport Development Aid Program and Planning Grant Program funds should accompany any transfer or delegation of responsibility for administering those programs to the States.

State capabilities to finance their share of the costs of airport development and improvement were severely constrained by the Airport and Airway Development Act of 1970 (ADAP) which imposed new or increased taxes and user charges,

particularly on traditional state sources of aviation revenue. Because of this, and in view of the larger aviation role the States will be expected to plan in the near future, the Governors urge Congress to enact legislation to increase federal aid to state and local sponsors for airport development. We commend the Congress for increasing the federal share of airport project costs during the past year.

All States are urged to join the 27 States which have adopted the "Uniform State Channeling of Federal Airport Funds Act," drafted by FAA, the Council of State Governments and the National Association of State Aviation Officials in 1947 and amended in 1972 to reflect the change from FAAP to ADAP.

We note that all but five States currently provide state funds for airport development, and we urge all States to broaden their financial and technical assistance to airport sponsors, thus strengthening States' ability to fulfill their responsibilities for the development of air transportation. We again urge the Congress to recognize the essential state role in the development of our air transportation system and to reflect that recognition within the Airport and Airways Development Act at the appropriate time.

The Governors reiterate their support for the requirement contained in the ADAP that each State develop an airport system plan and we note that all but four States have either completed their plans or have them under development. Local and regional airport plans should be considered as integral elements in the overall state plans. The National Airport Systems plan must reflect essential elements of component state plans.

We continue to urge all States to make every effort to encourage effective local airport zoning laws to achieve land use that is compatible with airport and aircraft operations. The National Governors' Conference applauds recent EPA and DOT/FAA proposals and regulations designed to further reduce aircraft noise. We also applaud the initiative taken by certain States to control and mitigate aircraft noise. In view of the federal government's total authority over aircraft certification and its almost total control of airspace use, we urge the federal government to clarify the responsibility in civil suits brought against local airport operators by plaintiffs residing in the vicinity of airports.

The Governors endorse the policy of joint use of military airport facilities by civil aircraft wherever feasible and urge that this policy be implemented expeditiously at the highest federal level. We also call upon the federal government to join the States in recognizing airports as a vital asset which must be protected from incompatible encroachment in urban areas. We believe that the "land banking" concept must be employed to preserve future airport sites in some areas. Further, privately owned, public-use airports are being threatened with sale and closure in many parts of the Nation, and we believe that they should be made eligible for federal assistance grants on the same basis as publicly owned facilities.

The problem of providing scheduled air service to smaller communities remains a continuing concern of the Governors. Not only is scheduled service being curtailed to many smaller communities, but those who depend upon a single air carrier for scheduled service suffer serious economic penalties and inconveniences when that carrier is affected by a strike or other limitations. We, therefore, urge the Civil Aeronautics Board to obtain greater assurance of continued service by the single carrier before it grants route authority to the carrier.

We commend the Civil Aeronautics Board for initiating the North Atlantic Route Proceeding to examine the International Gateway status of 16 international airports in this country. We hope the investigation will be concluded expeditiously. Further, we urge the Civil Aeronautics Board to authorize International Gateway status for those airports which are found to warrant such service.

The changing complexion of certified air carrier service indicates a stronger role for commuter air service to many smaller communities. The National Governors' Conference recommends:

- A. That meaningful research be undertaken which would allow for the development of low-density, low-cost commuter aircraft with strong passenger appeal.
- B. That the Civil Aeronautics Board policy be developed which recognizes the need for commuter service and that the CAB actively promote this policy.
- C. That the States and the federal government be encouraged to initiate new means of financial support which would provide strong incentives for self-sufficiency in the commuter airline industry.

URBAN AND RURAL PUBLIC TRANSPORTATION

States are employing broad and varied tools to aid public transportation systems. A majority of States have exercised their authority to form area-wide public transit districts, and to grant them taxing authority and bonding powers. Several States are now providing direct capital grants for the construction of mass transit facilities. Some States are involved in providing operating subsidies, and many have used their powers of taxation and tax exemption to stimulate the development of transit service. In this connection, Congress should act to exempt public and private transit systems from the federal gasoline tax, thereby providing these systems a measure of financial relief.

State action is a must because of the nature of mass transit problems. The State has the responsibility to give each urban region the appropriate assistance it requires and/or to provide strong incentives for local solutions to local transit problems. The State also has a responsibility to coordinate among the individual governmental units in a region and to help resolve conflicts between city and suburban political subdivisions.

The development of adequate, modern systems of urban transportation, including urban mass transit, is essential to the continued life of the urban areas within our States. Therefore, the National Governors' Conference commends the introduction of the Unified Transportation Assistance Program (UTAP) which provides for the unification of the States' transportation programs under the leadership of the Governors and further recognizes the need to address the difficult problems of transportation in and around our urban areas. Present resources are inadequate and a stronger financial commitment of federal, state and local governments is essential.

We particularly endorse the concept that mass transit federal assistance programs should be coordinated by the Governor, and we strongly support the

UTAP proposals which call for a significant and meaningful role for the Governors in the planning and development of urban mass transit systems. We believe this role for the Governors will help to ensure equitable treatment of the various political subdivisions within the respective States and achieve a balanced transportation system. In addition, the States will be in a position to coordinate their transportation programs with an emphasis on the area of greatest need. We recognize the urban mass transit needs of large and small areas alike. We encourage provisions be made which will enable States and communities to address these needs with federal financial assistance in a fair and equitable way, regardless of their scale.

The National Governors' Conference calls for flexibility in the application of federal urban transportation programs, giving state and local governments the right to exercise their own prerogatives. This flexibility should be exercised in the context of a unified national transportation policy and federally assisted programs designed to help achieve well-defined national goals and objectives.

The National Governors' Conference applauds the concept of federal urban transportation programs with an assured source of federal funds over several years so that long-term planning can be done at the local level. This will lend continuity to program planning and implementation in the face of ever-increasing requirements for public involvement, comprehensive planning, analyses of alternatives, environmental concerns, and interagency coordination.

Finally, each State must recognize the potentially beneficial impact of rural public transit service on the life of its rural areas. Federal, state and local governments should join in a concerted effort to respond to the needs of persons living in rural areas for improved public transportation.

RAILROADS

The National Governors' Conference notes with concern the serious problems confronting the Nation's railroads. The Governors have long believed that our Nation's railroads are a major element in the American transportation system and an essential component for the movement of persons and the vital flow of goods. We strongly urge the Executive and Congressional branches of our national government to focus attention promptly upon these serious problems by implementing the Regional Rail Reorganization Act and by enacting meaningful and effective legislation this year to avoid future national crises.

- A. We are concerned with reduced rail passenger service. We urge a reassessment of basic passenger needs and adequate federal funding to meet these needs. In addition, there should be a more significant role for the States in the determination of necessary services and facilities for a balanced rail transportation system. We strongly urge the federal Congress to review possible expansions of the Amtrak route system at an early date, and we further urge Congress to provide adequate procedures and administrative mechanisms for independent review of Amtrak decisions as they affect the various States.
- B. We continue to urge the National Railroad Passenger Corporation (Amtrak) to reevaluate its current approach to the problem of rail passenger service in the Nation. Amtrak must define long-range goals for rail passenger programs in consultation with the

States in addition to its current emphasis upon operational problems. The Governors urge Amtrak to place more emphasis on its planning and thinking upon new and creative technologies and systems that will lead to an increase in rail passenger programs throughout the United States. In addition, Amtrak must strengthen its communications with state governments in order that Governors can play an important role in shaping the rail passenger systems of the future. We call for the creation of regional gubernatorial advisory councils to meet periodically with Amtrak officials to discuss problems of mutual concern. The Governors recommend that the Amtrak Board exert vigorous leadership for improved rail passenger service throughout the Nation and urge Congress to affirm this commitment to improved rail passenger service in any confirmation hearings relating to the new board.

- C. We urge the Executive and Congressional branches of government to increase the funds made available to those agencies of government, both state and federal, concerned with the development of viable railroad freight services. We support those provisions of the Transportation Improvement Act of 1974 which would establish federal loan guarantees of \$2 billion to spur investment in rail plant and equipment, and initiate a \$35 million research effort to materially improve freight car utilization by means of a national rolling stock scheduling and control system. We are concerned that not enough funds are being made available for research and demonstration projects in the railroad industry; rights-of-way acquisition programs to preserve valuable rights-of-way that have been or are about to be abandoned; and long-range planning efforts needed to assure the preservation of growth of the railroads as a major element in the American transportation system.
- D. State and local governments should completely review their laws and regulations affecting taxation of railroad property and imposition of unneeded manpower requirements. A careful study should be made of the cost burden paid by railroads for construction and maintenance of grade separations and crossings to determine an equitable method of sharing the costs between the beneficiaries.
- E. The railroad crisis in the eastern section of the United States will seriously affect the economy of the entire country if not handled promptly and successfully. The Northeast Rail Reorganization Act of 1973 should be amended to provide more time for orderly planning and evaluation. Specifically, Congress should:
 - 1. insure explicit evaluation of economic, environmental and highway impacts that will result from the adoption of recommendations in the plan;
 - 2. extend from 60 to 120 days the period for the ICC Rail Services Planning Office to inform the public, take testimony and make recommendations for the Final System Plan;
 - 3. direct the Rail Services Planning Office and the Department of Transportation to coordinate their proposals

for granting and administering subsidies and permit for review and comment by the public through September 30, 1974;

4. provide for the review of the plan by Congress instead of merely having the right to veto or accept the entire Final System Plan prepared by USRA;

5. guarantee that USRA does not eliminate competitive service in the guise of "elimination of duplication"

F. There continues to be a serious crisis in the Nation with respect to the movement of our grain supply. We have historically faced the annual problem of providing sufficient box cars for the transport of this commodity. The effect of this problem is felt by every farmer, grain elevator operator and consumer in the Nation. This problem is being further compounded by the growing number of rail abandonments which increased the difficulty of getting the goods and products of the Nation to market. We urge the U.S. Department of Transportation, Department of Agriculture and other responsible Congressional and federal agencies to develop a comprehensive, nationwide plan of action which would result in specific plans for providing a more effective and efficient method of rail transportation. These recommendations should be utilized by the Congress to insure sufficient trackage and equipment for the movement of these goods.

G. The problems outlined above and the uncertain impact of the energy crisis on prevailing consumer preferences for various modes of transport all point to the need for a reevaluation of potentially counterproductive regulation of rates, capital structure and entry in all modes of transportation. Policies currently being implemented are based upon assumptions about fuel costs, consumer attitudes and technologies which are already several years behind the times. Current policies should be evaluated to ensure that programs meet the needs of the future, not of an environment which existed several years ago. In this connection, we urge the Congress to give prompt consideration to those provisions of the proposed Transportation Improvement Act of 1974, which would improve the regulatory climate by removing a number of regulatory constraints that adversely affect the economic performance of the railroad industry. Further, the National Governors' Conference recommends the formation of a National Commission on Transport Regulation to critically evaluate and recommend changes in the broad range of state and federal regulatory policies.

WATERWAYS

The National Governors' Conference supports the establishment of national, uniform standards for safety in the manufacture and maintenance of boats. We support continued state licensing and regulation of boat operators and operations.

We recognize the growing need for ferryboat and water surface transportation systems where these are the least expensive and most practical way of

extending transportation connections. We call upon the federal Department of Transportation to create a Marine Highway System which will aid those parts of the Nation in need of water transportation development.

COMMUNICATIONS

The National Governors' Conference recommends to the Congress and to the Federal Communications Commission the full reexamination of the present allocation of the frequency spectrum.

Special attention should be given to the increasing need to allocate radio frequencies for emergency and public service. A special frequency, common across the Nation, should be established for emergency medical services to facilitate communications between ambulances and hospitals.

The Federal Communications Commission, pursuant to recommendations made by the Office of Telecommunications Policy, is now studying the feasibility of allocating special emergency frequencies. The National Governors' Conference supports this on-going emphasis directed to national communications needs.

COMMERCE

The National Governors' Conference endorses development of a commercial freight rate structure which is non-discriminatory and does not promote inefficiency, and we urge Congress to undertake a study to this end. Regulation is vital where only one operator serves an area, or where only one mode is available. However, where greater competition exists, close study should be made of the "zone of reasonableness" method as contrasted with detailed rate setting.

We call for new and aggressive programs aimed at increasing export trade to expand the economy of the individual States. To this end, we support the concepts of 1) strengthening the role of the United States Department of Commerce in international trade negotiations; 2) expanding trade center activity abroad; and 3) making federal funds available to the States for use in promoting the export of their respective manufactured products and agricultural commodities.

The National Governors' Conference views the promotion of interstate tourism as a unique opportunity to strengthen national and state economies. We endorse the concept of a United States Travel Data Center and call upon the United States Travel Service and Bureau of the Census to assist in this effort. We also believe that federal matching funds should be available for promotion of interstate tourism, just as such funds are presently available for attracting foreign tourism. Further, we urge that tourism be given an equivalent priority rating with other major industries in any allocation of energy resources.

INSURANCE

States have historically had the basic responsibility for regulating the insurance industry. In response to an increasingly felt need, some forty-seven States have enacted auto insurance insolvency fund guarantee laws, providing consumer protection with no loss of state regulatory powers. State

response to this problem has again demonstrated insurance regulations need not pass to the federal level.

A subject of growing interest is the establishment of a "no-fault" system of automobile insurance. Again, some have argued a uniform national system must be imposed from the federal level. However, we believe if "no-fault" is to be adopted, that individual state action and interstate cooperation could produce a "no-fault" system which is uniform enough to meet the needs of interstate vehicle accidents and flexible enough to suit the conditions in each State.

States have many automobile accident insurance systems available for study. We urge those States who have not enacted no-fault legislation to continue to examine options available and to achieve maximum interstate coordination in any actions they may take. We note the extensive research and drafting done by the National Conference of Uniform State Law Commissioners and by the Council of State Governments and urge each State to consider this model legislation.

The best possible solutions to the problems of auto insurance lie in continued state regulation and experimentation. We again urge Congress not to take any action that would preempt state action in effectively bringing about meaningful reform in our auto reparations system. The adoption of national no-fault or federal standards is not an acceptable option to individual state action.

TECHNOLOGY

As the leading technological Nation, the United States generates tremendous new discoveries in many fields including medicine, communication, transportation, and data processing. Federal research and development investment in programs such as defense, space exploration and nuclear energy involve large sums. Because of this public investment, technical discoveries should become available for maximum public benefit through application in housing, solid waste management, water quality, as well as other areas of importance to state and local governments.

The support of civilian-oriented research and development is important for solving the many technologically based problems of state and local governments. While there are tremendous technological resources generated by defense, aerospace and nuclear energy programs, there must be specific research and development focused on the problems of state and local governments. At the same time, these resources must be directed toward the development of significant state capabilities in the area of technology. These capabilities should be responsive to state and local governmental officials and directed toward the resolution of problems in transportation, housing, communications, data processing, solid and liquid waste management, air and water quality, and other areas.

The federal government is a major supporter of programs which generate new technologies. There should be programs at the federal level to identify and document the opportunities and problems created by these developments. A vital part of this information system is channels of direct communication between those creating new technology and those seeking to adapt and apply it to public purposes.

To fully complement a federal technology information system, States must act either independently or through state-related public interest groups. Using technically competent people, they must identify and describe problems of importance which could be favorably affected by application of technology and communicate those problems to the federal government, industry and the academic research community.

There is a need for cooperation among federal, state and local government to produce the large market required by certain types of technology. Orders based on standard performance specifications from many jurisdictions will reduce unit costs in each, and will make possible the development and manufacture of software systems, hardware, and services particularly suited to the needs of government at all levels.

There is an urgent need for a factual and unbiased review and development of all of the energy resources within or available to this Nation prepared by the highest levels of competency available and without regard to special interests. There is, with the same sense of urgency, a need to project and evaluate the "real" energy needs of the Nation with regard to energy waste and without regard to commercialism. From this effort, the Nation and States must establish realistic energy policies giving full consideration to the availability of all forms of energy and to protect the environment. To this end, the National Governors' Conference urges that any new federal energy legislation include a strong state role in the formulation of national energy technology development policy.

The federal government should establish a strong and dedicated effort to resolve the energy problems of this country. A large-scale energy research and development program must be established to explore the application of our nuclear, solar, geothermal, hydro, and fossil-based energy resources. It is important that state leadership and policy advice be sought in the development of such a program in order to provide the maximum benefit to the public.

In his message to Congress on Science and Technology in March 1972, President Nixon launched a major national policy initiative for the enhancement of technology and innovation, as a strategy for economic growth and productivity. We support this new national effort which includes a start on a system for organizing and delivering technology--an intergovernmental partnership in cooperative technology for the strengthening of state and local governments.

The National Governors' Conference continues to support federal government actions designed to increase the attention being paid to civilian-oriented research and development, and supports the dedication of federal government resources as an aid to problem-oriented research designed to provide policy analysis and options to state government decision-makers.

The Governors object to any action by Congress or federal agencies requiring the development of single-purpose, single-agency computer systems within the States. The States are effectively managing computer utilization and costs through multiagency utilization of computer resources; thus there should be no requirements for federal guidelines and regulations in this field. Joint utilization of computers has been customary for highly classified material in corporate business systems for many years.

CABLE TELEVISION

The National Governors' Conference commends those States that have established a leadership role in guiding the development of the cable television industry. It is essential that the States provide a leadership role in nurturing cable television growth to realize its full potential in both rural and urban development and, at the same time, control its application to protect public interest communications rights and privacy of our citizens.

The National Governors' Conference further believes that States should play a major role in the regulation of cable television primarily through providing guidance and assistance to local authorities in their franchising activities; in establishing minimum requirements for safety of cable system construction and implementation; and through assurance that cable systems provide substantial public benefits and do not abuse their natural monopoly positions.

The National Governors' Conference recognizes the need for the establishment of broad national communications goals with respect to cable television. It also recognizes a place for FCC involvement in cable television regulation. However, the Conference is opposed to federal regulatory intervention that, by usurping the rights of States, would overstep FCC's constitutional and statutory limits.

The Conference believes that the regulatory program adopted in any individual State should be designed to reflect the particular circumstances and needs of the State. It also strongly believes that such programs should avoid unnecessary duplication. An intelligent division of responsibility among federal, state and local levels of government can ensure complementary rather than duplicative regulation. States are in a position to implement national goals and policies in a manner that is sensitive and responsive to local needs. The Conference believes that cable television is uniquely suited to a "creative federalism" involving the three levels of government.

The National Governors' Conference urges the Congress to give prompt consideration to actions recommended by the report of the cabinet-level committee on cable communications including the role outlined for the States in that proposal.

The Conference urges the executive and legislative branches of the federal government to take whatever action is necessary to preserve the role of States consistent with the policy outlined above, and urges the FCC not to adopt any proposed rules impacting upon the responsibility of States in cable regulation such as the recently promulgated "Clarification of Rules and Notice of Proposed Rulemaking" of April 22, 1974, without comprehensive public hearings on the issues.

PRIVACY

The National Governors' Conference recognizes that the right of personal privacy is a fundamental right of every citizen in the United States. We also recognize that the increasing application of modern technology, the development of complex governmental programs which require collection of large quantities of information on individual citizens, threatens that right as never before in our history. Recognizing the need for protecting our citizens against invasions of personal privacy by both public and private agencies,

the National Governors' Conference supports the efforts of the States, the Administration and Congress to prescribe standards for the collection, maintenance, and dissemination of such personal data, and encourages the enactment of legislation to protect privacy.

The National Governors' Conference supports the following several principles to safeguard data collection:

- A. There should be no systems which collect and maintain personal data whose very existence is kept secret from the data subjects;
- B. Each individual about whom data are maintained should be able to easily learn what information about him is maintained in the system and how it is used;
- C. Each individual about whom data are maintained in the system should be able to challenge information about himself which is inaccurate or incomplete and to have corrections made or, if the data system declines to accept such a challenge, to have the challenge recorded and disseminated with the data;
- D. No data collected about individuals for one purpose should be used for an unrelated purpose without the consent of the data subject.

Recognizing that the development of safeguards to protect privacy is a complex and difficult task that must be pursued on both the federal and state level, the National Governors' Conference urges that no federal program, legislation or action undercut the ability of the individual State to protect the privacy of its citizens. Finally, the Governors urge the federal government to consult with and advise the States of programs potentially affecting the privacy of citizens prior to the establishment of these programs and their implementation.

IMPOUNDMENT OF HIGHWAY TRUST FUNDS

The Nation's highway system has greatly advanced the economic, geographic, and demographic development of these United States and the receipts to the Federal Highway Trust Fund continue to exceed authorization from the fund.

The executive branch of the federal government during the last decade has impeded the highway planning and construction programs of each State by impounding federal highway trust funds authorized and approved by Congress, and current proposals in the 1975 Fiscal Year budget indicate a continuation of this withholding practice.

The National Governors' Conference strongly deplores any intent or practice of this and future national administrations to impound highway trust funds, and urges all Governors to join in court actions to prohibit impoundment.

TRUCK TRANSPORTATION

The energy shortage has brought to the surface the difficult situation now facing the Nation's trucking industry.

Recent truck stoppages by independent operators have dramatized their dissatisfaction with the economic and productivity impacts of present fuel costs, disparate tax and licensing structures, regulations of size and weights, and similar issues.

It is evident that many essential commodities have no feasible alternative to truck service and many communities are completely dependent on truck operations for their transportation needs.

We, therefore, recommend that the Congress and the Interstate Commerce Commission conduct an investigation of the problems of the trucking industry, particularly the relationship between owner/operators and certified carriers.

We further recommend federal legislation to permit single axle weights of 20,000 pounds and tandem axle weights of 34,000 pounds on the Interstate system. In addition, Congress should authorize a gross weight formula based upon those axle weights and designed to protect the bridges on the system, such as the formula developed by the American Association of State Highway and Transportation Officials.

MISCELLANEOUS RESOLUTIONS

A RESOLUTION

RELATING TO THE NEED FOR STATES' DELEGATE TO THE UNITED NATIONS LAW OF THE SEA CONFERENCE

WHEREAS, the third United Nations Law of the Sea Conference will be held in Caracas, Venezuela, beginning June 20, 1974; and

WHEREAS, the Conference will define the legal right of nations to lay claim to living and non-living resources lying in and under the seas; and

WHEREAS, the decisions reached by this Conference will have a major impact on the rights and responsibilities of the Coastal States of these United States with respect to territorial sovereignty, fishing and commercial activities, environmental concerns, and scientific research; and

WHEREAS, it is appropriate in our federal form of government that Governors of the Coastal States be provided an input to the American delegation in order to ensure the protection of the rights of their States and their citizens.

THEREFORE, BE IT RESOLVED, that the National Governors' Conference should have an unofficial delegate at the Law of the Sea Conference to attend with the official U.S. delegation in order: (1) to provide rapid feedback to the Governors of critical issues as they evolve, (2) to register the concerns and positions of the Governors to the official U.S. delegates, and (3) to work closely with the official delegates in preparing and evaluating official positions; and

BE IT FURTHER RESOLVED that immediate action be taken to select a delegate to represent the Governors and to clear his or her access to the Conference with the U.S. State Department; and

BE IT FURTHER RESOLVED that an ad hoc committee of the Coastal States' Governors be established in order to provide a mechanism for coordinating the activities of the States' delegate and developing a consensus on pertinent issues and positions.

A RESOLUTION OF APPRECIATION

The 66th National Governors' Conference expresses its gratitude to its Chairman, Governor Daniel J. Evans, his gracious first lady Nancy, the citizens of beautiful Washington State and the Queen City of Seattle for making the 1974 Annual Meeting of the Conference such a rewarding and exciting experience.

We also extend our thanks to the Host State Committee, the personnel of the Olympic and Washington Plaza Hotels, as well as the many other individuals

and organizations whose time and effort contributed so greatly to the success of the Conference.

We are similarly indebted to our program guests whose stimulating ideas and comments contributed immeasurably to our sessions.

To the journalists that attended our sessions, we commend their excellent coverage and attention to the deliberations of our 66th Annual Meeting.

To the staff of the National Governors' Conference whose labors not only during this conference, but throughout the year, serve us so ably, we extend special thanks.

Finally, we express our deepest appreciation to Governor Dan Evans whose vision and leadership have left such an enduring mark not only on the National Governors' Conference, but national and state government as well.