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1976

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CONTENTS

*Now the Committee on Community and Economic Development

APPENDICES

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Governor Calvin L. Rampton, Utah
Governor James E. Holshouser, Jr., North Carolina
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*As of July 4, 1976

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Governor James E. Holshouser, Jr., North Carolina
Governor Ella T. Grasso, Connecticut
Governor Calvin L. Rampton, Utah

Governor Robert D. Ray, Iowa—Chairman of the National Governors' Conference — served as an ex-officio member of all committees.

ATTENDANCE

Earl B. Ruth, Governor of American Samoa
Raul H. Castro, Governor of Arizona
Richard D. Lamm, Governor of Colorado
Sherman W. Tribbitt, Governor of Delaware
Reubin O'D. Askew, Governor of Florida
George Busbee, Governor of Georgia
George R. Ariyoshi, Governor of Hawaii
Cecil D. Andrus, Governor of Idaho
Dan Walker, Governor of Illinois
Otis R. Bowen, Governor of Indiana
Robert D. Ray, Governor of Iowa
Robert F. Bennett, Governor of Kansas
Julian M. Carroll, Governor of Kentucky
Edwin Edwards, Governor of Louisiana
James B. Longley, Governor of Maine
Marvin Mandel, Governor of Maryland
Michael S. Dukakis, Governor of Massachusetts
William G. Milliken, Governor of Michigan
Wendell R. Anderson, Governor of Minnesota
Christopher S. Bond, Governor of Missouri
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Hugh L. Carey, Governor of New York
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Richard F. Kneip, Governor of South Dakota
Ray Blanton, 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
Daniel J. Evans, Governor of Washington

Arch A. Moore, Jr., Governor of West Virginia
Patrick J. Lucey, Governor of Wisconsin
Ed Herschler, Governor of Wyoming

GUEST SPEAKERS

Louis Harris, President, Louis Harris and
Associates, New York, N. Y.

Neal R. Peirce, Contributing Editor,
National Journal, Washington, D. C.

PROGRAM

Sunday, July 4

12:00 noon **"Meet the Press"**
NBC Philadelphia Studio

Panelists:

Governor Robert D. Ray, Iowa
Governor Michael S. Dukakis, Massachusetts
Governor Wendell R. Anderson, Minnesota
Governor Milton J. Shapp, Pennsylvania
Governor Mills E. Godwin, Jr., Virginia

5:00 pm **Briefing for Governors' staff**
Aztec Room, Convention Center

6:30 pm **Assembly of Governors and spouses only**
Iberian Lounge, Hotel Hershey

6:30 pm **Old-fashioned Pennsylvania Fourth of July picnic for all registered conferees**
Front Lawn, Hotel Hershey

10:00 pm **Fourth of July fireworks display**
Back Lawn, Hotel Hershey

10:30 pm **Reception for Governors and families only**
Iberian Lounge, Hotel Hershey

Monday, July 5

Conference Theme:
The Sovereign States in the Nation's Third Century

7:00 am **NGC Executive Committee breakfast meeting**
Garden Terrace, Hotel Hershey

9:00 am **Plenary Session**
Chocolate Ballroom, Convention Center

Presiding:
Governor Robert D. Ray

Call to Order

Invocation

Welcoming Remarks:
Governor Milton J. Shapp

Opening Remarks:
Chairman Ray

Adoption of Rules of Procedure

9:30 am **The Role and Purpose of the Sovereign States in the Nation's Third Century**

Panelists:

Louis Harris, President, Louis Harris and Associates
Neal R. Peirce, Contributing Editor, *National Journal*

Discussion

10:45 am **National Welfare Reform**
Discussion led by Governor Cecil D. Andrus, Idaho (Chairman, NGC Committee on Human Resources), and Governor Daniel J. Evans, Washington (Vice-Chairman)

12:30 pm **Concurrent working lunches and meetings of NGC Standing Committees**

5:30 pm **Reception for all registered conferees**
Fountain Plaza, Founders Hall

6:00 pm **Reception for Governors and spouses only**
Brown & Gold Room, Founders Hall

7:00 pm **State Dinner for all registered conferees**
Camelot Room & Rotunda, Founders Hall

Tuesday, July 6

7:00 am **Concurrent breakfast meetings for Democratic and Republican Governors to select new NGC Executive Committee and conduct NGC business**

9:00 am **Concurrent work sessions to enable Governors to share views and experiences concerning state problems**

1. New Initiatives in State Economic Development: How are Governors acting to strengthen their States' economy?
   Moderator: Governor Julian M. Carroll, Kentucky

2. New Initiatives in State Government Productivity: How are Governors getting improved services from limited state dollars?
   Moderator: Governor James E. Holshouser, Jr., North Carolina

3. The New Sunset Laws: How real is their promise?
   Moderator: Governor Richard D. Lamm, Colorado

10:45 am	**Plenary Session** *Chocolate Ballroom, Convention Center* Presiding: Governor Ray Presentation of "Today" Program Bicentennial Salutes: Jim Hartz, "Today" Program, NBC Reports by Chairmen of the Standing Committees Voting on Proposed Policy Positions Election of Chairman and Executive Committee Other Business Adjournment
3:00 pm	**Visit with Her Majesty Queen Elizabeth II in Philadelphia**
6:30 pm	**Meeting of newly elected NGC Executive Committee**
9:00 pm	**Grimethorpe Colliery Band concert for all registered conferees and invited guests** *Auditorium, Founders Hall*

FIRST PLENARY SESSION

Monday, July 5, 1976

CHAIRMAN ROBERT D. RAY: As Chairman of this National Governors' Conference, I call the 68th Annual Meeting to order. And now, I would like to call on our host, the Honorable Governor Shapp.

WELCOMING ADDRESS

GOVERNOR MILTON J. SHAPP: Thank you very much, Bob. Fellow Governors, guests, it is my very distinguished pleasure to welcome you to Pennsylvania and the National Governors' Conference on this, the first business day of our third century as a nation.

I think it's particularly fitting that we are assembled here in Hershey, so close to the birthplace of our nation, Philadelphia. I was glad that so many of you were able to join us last night at the Hershey Hotel to stroll through the beautiful gardens and . . . see every conceivable type of flower and bush, the trees and the rolling lawn . . . . As I have been here at Hershey, I just wonder what God could do throughout the whole world if only He had the capital.

In the past 200 years, America has made considerable progress. It crafted a democratic government which not only has survived domestic crises and international confrontations, but also has grown stronger in the process. We have amassed the greatest wealth of any nation on earth, a wealth which has contributed to vast improvements in the quality of life. And we have made great strides in the search to bring justice and equality to the lives of all citizens.

Yet today, as we begin our third century, we cannot rest upon these achievements for we still face a host of challenges. We still have a great distance to travel before we can say, in true honesty, that we have banished poverty, inequality and injustice from our shores.

And we cannot rest while millions of our fellow citizens are suffering from illness, while countless numbers of the elderly are struggling in misery and while millions of able-bodied and willing Americans are searching for employment.

Over the past two centuries, we have progressed mightily because we have had the will to do so. Today, and in the next century, we can move ahead if we have that same will. We can move closer to achieving the ideals of liberty and freedom embodied so strongly in our Declaration of Independence. And we can conquer the most serious challenge to our way of life, the eroding of public confidence in government and the political process. Over the past decade, Americans have become increasingly cynical of government and deeply distrustful of politics, with good reason.

To some extent, we are all to blame because America's federal, state and local governments have carefully developed and refined a highly complex system, distinguished all too often by non-cooperation and buck-passing.

The average American who experiences government firsthand, who reads newspapers and watches television, can recite innumerable examples of this buck-passing. I'm sure that each of my fellow Governors has had enough experiences in this area to fill a book.

Almost daily, we wrangle with Washington about who is responsible for creating or solving a particular problem, and we argue with the mayors of our cities, our county commissioners and township supervisors as well.

In one area after another, Washington is likely to say that the solution lies with the States; the States in turn say Washington doesn't provide the resources to do the job. Likewise, the cities point the finger toward the state and national capitals, while Governors and the national administration feel that the cities must solve some of these problems themselves.

We in government tend to forget that the voters don't make the fine distinction among what goes on in Washington or in state capitals or in city hall. To them, government is all the people they elect, all the officials who serve, and when one level of government doesn't live up to their expectations, then the people turn their wrath against all levels of government.

Sometimes we also tend to forget that we elected officials are all really on the same team, that we have been elected by the people to work for them, to manage government efficiently, to uphold the laws equally, to solve problems quickly and, above all, to provide services the people demand.

In the past two centuries, the responsibilities entrusted to government have grown enormously, and there has been an increasing differentiation of roles by the federal, state and local governments. That differentiation can be very valuable since each level of government has unique resources and abilities. But it should not be considered immutable or inflexible. As circumstances change, so should responsibilities.

Welfare reform, which is one of the themes of this meeting, provides a clear example of the need to shift responsibilities. Two centuries ago, welfare was the joint undertaking of private benevolent groups and local governments. The role of the States in this area grew slowly over the past 150 years, but the federal government had no real welfare responsibilities until the Great Depression of the 1930s.

Today at this meeting we will address the question of whether Washington should take on even more responsibility in some key areas. I believe strongly that it should, because only Washington has the ability to replace the maze of conflicting welfare programs, regulations and requirements with a single national standard, and to ensure that those States and localities which attempt to meet the social and human needs of people are not penalized by an influx of the needy from other areas of the nation.

I believe just as strongly that the States must continue to maintain responsibility in this area. We must be prepared to work with Washington to create a welfare program which meets the fundamental economic and social goals of our nation.

The great strength of America is that the American dream has survived unaltered for two centuries. It is still a dream rather than a reality. Fundamental hopes of our forebears are still as relevant as ever.

In our third century we must not forget these hopes. As elected political leaders, we all have a deep responsibility to continue directing the efforts of our people toward the goals of freedom, equality and justice. Sometimes the path will be difficult, but we must not shrink back for the goals will be achieved only if we make an unbending commitment to these ends.

We have virtually unlimited human talent and great physical and financial resources in America and I believe that our people still have the will to be great. That will, the resources, the wealth and the human talent that have carried us forward over the past two centuries can continue to move us ahead in the future.

We began, not as a single nation, but as a loose confederation of States. Our great strength has been our political ability to meet changing circumstances without losing sight of the fundamental economic, social and humanitarian principles.

The business of our third century is to continue our progress as a nation, so that in 2076 our children and our children's children will be able to look back in pride at the accomplishments of America's third century. I hope that our deliberations here will prove beneficial to the future of this great nation.

CHAIRMAN RAY: Thank you very much, Milt. The first formal act of this meeting is to adopt the rules of procedure. Each of you should have a copy before you. I doubt there are any questions, but if there are please ask.

GOVERNOR PATRICK J. LUCEY: I move that the rules be adopted as presented to the members of the Conference.

GOVERNOR EDWIN EDWARDS: I second.

CHAIRMAN RAY: The rules are adopted.

OPENING ADDRESS

CHAIRMAN RAY: I am pleased to add my welcome to each of you. This day, the first day of the nation's third century, is an especially appropriate time, as Milt Shapp said a moment ago, for Governors of the States to convene. For it was the colonies that became States which led the fight for independence and in 1789 formed a "more perfect union" by creating the Constitution and our federal system.

Thus, the theme of our 68th Annual Meeting is "The Sovereign States in the Nation's Third Century." That theme emphasizes the concerns that are central to us as Governors in 1976.

These United States have become so rich and powerful as a world leader that it is easy to forget or fail to realize the size and strength of each of our respective States.

Each State has social and economic potential, and each is a tremendous force in itself. The American nation really consists of 50 nation States.

In the World Atlas, the table of contents lists the following names under the letter P: Pakistan, Panama, Paraguay, Pennsylvania. Yes, our host State of Pennsylvania is listed as a nation state and rightly so. Pennsylvania has as many people as Norway and Sweden combined. Its land area is far larger than Portugal or Austria, and almost twice as large as Holland and Belgium together. Pennsylvania's economic strength, the gross state product, is immense in comparison with the gross national product of most members of the United Nations.

So, in addition to all the many other reasons, these measures of population, size and economic strength illustrate why it is exciting and challenging to be a Governor.

I predict an increasing role for our sovereign States in our federal system in the nation's third century. I believe that the States have been demonstrating new strength and greater capability, particulary during the past decade. They have again begun to assume the role of a creative fulcrum in our federal system.

Each one of us responds to the different needs in our respective States in varying ways which are consistent with the needs and wants of our own citizens. In many areas such as openness in government we are well ahead of the federal government. Hopefully, Lou Harris will enlighten you this morning about how state government is viewed in terms of how responsive it is. While surveys will not rate us as high as we would ever like to be, they do show better marks for us than the federal government.

At the beginning of this first plenary session, it is customary for the Chairman to report on the progress of the National Governors' Conference over the past year. I have done this in some prepared remarks that you will have before you. I'm not going to take the time to go through all the points. However, the National Governors' Conference is building on the good foundation that was given to me by people like Arch Moore and Marv Mandel and Dan Evans and Cal Rampton who were chairmen before me.

I want to thank those people and the Executive Committee and the standing committee chairmen and our staff and, in particular, Steve Farber, our Director, who has been performing so superbly well, and a special thanks to each and every one of you for your cooperation.

There has been increased activity in the legislative area. We have had a degree of success in revenue sharing and the Fair Labor Standards Act suit. Cal Rampton was greatly responsible for helping to get that suit funded and argued before the Supreme Court. We owe him a debt of thanks for that.

We have had some success in LEAA (Law Enforcement Assistance Administration) regulations, which is a never-ending battle, and in health planning. On the sovereign immunity question we are meeting with some success in Congress. We've established a rapport with the White House. Good work has been done in the area of welfare reform.

As I mention these positive accomplishments during this bicentennial year, I do so with a great sense of respect, a respect for you Governors of the States and territories, a respect for the resiliency and flexibility of our 200-year-old nation, a respect for the work, the largeness of spirit, the good humor and the boundless enthusiasm of the American people, and a reverent respect for the essential goodness of this country.

George Washington said: "I do love my country's good with a respect more tender, more holy and more profound than mine own life. After what I owe to God, nothing should be more sacred than the respect I owe to my country."

As I look back at our history, I see that prevailing American dream, the dream of self-respect and independence through hard work, the dream which often isn't totally reached, but which has been more completely fulfilled here than anywhere else. A dream that has been possible because of our careful system of checks and balances, by the often subtle distinctions among our federal, state and local governments, distinctions that are continuously evolving and being debated.

It has been said that our form of government functions best in a state of mild chaos. Perhaps that is true, but the secret is to determine when the chaos is becoming too great.

In the past decade, that sense of chaos approached the point of overwhelming us. Nearly eight years ago when I first became a Governor, we were embroiled in a traumatic and painful war, and our cities and college campuses were restless with violence erupting all over.

Two years ago, careful watchers of our federal system were speaking in low tones of the possible fall of our government. A year ago, we were deep in recession. But look where we stand today after weathering the crises of the past few years. Today, the mood of the country has moved far along the spectrum toward optimism. We are at peace. Confidence in the Presidency is being restored through honesty and openness. Our economy has experienced a remarkable recovery in nearly every area—inflation, employment, the stock market.

We are and have always been a pragmatic people who believe that the best way to solve problems is to work hard and make an honest effort. In addition to that practical approach, there is an idealism that has stretched the spirit. As the late Adlai Stevenson said: "When an American says he loves his country, he doesn't refer to the purple mountain majesties and amber waves of grain. Instead he means that he loves an inner air, an inner light in which freedom lives and in which a man can draw the breath of self-respect."

As I think about the celebrations I attended in my own State Saturday, what I experienced yesterday in Philadelphia, and those celebrations in New York and Washington, D.C., and all across the country, I sense a rekindling of the spirit of optimism, of hope, of pride, of faith. I think about the tall ships which have sailed across the Atlantic in honor of our Bicentennial, and which now rest at anchor not far from here, and it reminds me of the men of the sea who played such a big part in our history.

There is a quote that captures the American spirit, I think. It goes something like this. "Ideals are like stars. We may never succeed in reaching them, but like the seafaring men we can use them as our guides, and in following them we will reach our destiny."

THE ROLE AND PURPOSE OF THE SOVEREIGN STATES IN THE NATION'S THIRD CENTURY

Now, the first phase of our very tight work program is a discussion of the role and purpose of the sovereign States in the nation's third century. Our first speaker is a veteran analyst of public attitudes. Five years ago, the U.S. Senate commissioned the first congressional poll to examine the attitudes of Americans toward government officials. The Senate chose one of the foremost analysts of public opinion for that task, Mr. Lou Harris.

After an earlier career polling for private clients, including a President, U.S. Senate candidates and enough gubernatorial candidates to produce a quorum at this meeting, Lou started his syndicated column in 1963. He is a pioneer in election night forecasting which, if it takes some of the thrill out of watching the returns, at least lets you get the kids to bed early.

Lou Harris is a native of Connecticut, a graduate of the University of North Carolina, is syndicated through a Chicago newspaper and resides in New York. He has measured attitudes toward public officials, would-be public officials and institutions of government. Lou Harris has much to tell us, and I want to welcome him to this meeting.

LOUIS HARRIS: Governor Ray, distinguished Governors. You meet at a watershed moment in time, this first day of the third century of the American Republic. It could well be a time of writing a new record on a clean slate.

As far as the American people are concerned, confidence in the Establishment in this bicentennial year has hit new lows in both the public and the private sectors.

Let me take off on some of the institutions. I'll begin with doctors who have long been sacred cows in our society. In the 10 years we've been measuring these doctors, people's confidence in them has gone down from 71 to 41 percent.

Businessmen, long viewed as the heart of the Establishment, have also lost the people's confidence over the same 10-year period, from 55 to 16 percent. The military haven't really recovered from the throes of Vietnam; the figures are down from 65 to 21 percent.

The leaders in higher education are down from 61 to 31 percent. Union leaders never were very high; now they are down from 22 to 11 percent.

The press, which I've been associated with, got a little hard to live with for a while. They went up from 21 to 31 percent in 1973 in the wake of the Watergate revelations. You might be pleased—I'm not—that the press is now back down to 20 percent.

Television news showed the same pattern. It started out a decade ago at 26 percent, rose all the way to 41 percent, and now it is back down to 27 percent.

Now let's look at government, and I'm not sure we'll get much applause. The Executive Branch of the federal government dropped in 10 years from 41 percent all the way down to 11 percent. Congress slipped even more, from 42 to 9 percent.

I'm sure you'll be interested in the last three. Local government dropped, not as much, but from 31 to 20 percent; state government 32 to 21 percent; and Governors, whom we didn't ask about ten years ago, are slightly higher than state government at 23 percent. You're a little more precious.

All this could be summed up in two twin crises of credibility, and the best way I can put it is to report two critically key things that people have said to us.

The first one isn't even close. By an 81 to 12 percent majority, the American people say: "The trouble with most leaders is they think the public has a 12-year-old mentality and is treated that way, rather than as adults who can take the hard truth about inflation, recession, sacrifice and the real problems facing the people and the nation."

Second, by almost that high a majority, 67 to 19 percent, they say: "The trouble with most leaders is that they don't understand that most people don't want more of nearly anything; what they demand is more and better quality of nearly everything."

And there's a bottom line to this. A 57 to 34 percent majority thinks the quality of life today is worse than it was ten years ago. Yet, there is a cop-out which I think a lot of people use—I know people in the media do. People in politics don't say it publicly, but they think the public is apathetic, that people don't care, that they are so turned off they have become cynical and want to pursue their own things in their own way, and let the public sector go by the wayside.

I don't think the enormous outpouring that took place yesterday across this country in every hamlet, town and city would have happened if people felt that way. The truth is, by every measure we can find, people want in on the process of government, want to participate in making their own and the lot of their community better. They are looking for the doors of government, they are searching as hard as they can for cracks, so that they can open them wide and let themselves in for a piece of the action. The central question which is asked every day, just about every hour across this land of ours is this: "Who in authority is really listening?"

Where do people look for leadership today? Where will confidence in government be restored, if it is? Well, I didn't come here to please you this morning, but I do have some startling results taken from surveys in the field not less than a fortnight ago. I took up some of the most telling criticisms of government at all levels, and first we asked, which is more out of touch with what people think? Here's the first result: The federal government, 56 percent; state government, 12 percent; no difference, 21 percent.

Who is more wasteful? Federal government, 58 percent; state government, 8 percent; no difference, 26 percent.

Who is more corrupt? The no difference category goes up to 34 percent here, the federal government is 41 percent, and state government 12 percent.

Finally, which gives the taxpayer less value for the tax dollar? Now we put the question that way because we have found that the number of Americans who think they don't get good value for their tax dollar has risen precipitously from 59 percent to

79 percent over the past three years. When we asked which gives the taxpayers less value for their tax dollars, the result is: The federal government, 44 percent; state government, 23 percent; no difference, 21 percent.

Now there is a positive side to all this, and I suggest you mark it well. In really caring what happens to the people, the federal government is rated at no more than 14 percent and state government at 36 percent. However, the no difference category is 40 percent.

Which can be trusted more? That's kind of a bull's-eye, gut reaction one. Federal government, 15 percent; state government, 39 percent; no difference, 35 percent. Then, perhaps as key a question as any, which is closer to the people? Federal government, 12 percent, no more than that; state government, 65 percent; no difference, 16 percent.

This last result is in many ways the most important one that I can relate to you this morning. You Governors are viewed by the American people as being closer to the people. What they are saying is, potentially you can be more responsive. I think responsiveness is the key. You can be responsive, then you'll be trusted. If you're trusted, then we're going to proceed a long, long way toward restoring confidence in government.

I've left out one key ingredient in which the federal government comes out a good deal stronger than state government. Which attracts more able people to government? The federal government, 41 percent; state government, 20 percent; no difference, 27 percent. So the jury is still out on your ability to attract the ablest talent. Competency, believe me, is a basic, just as basic a component as you can find, along with the one you hear so much about, integrity.

Therefore, you must first of all make state government exciting, innovative, a place where the action is, in order to attract the talent that can do the job.

Another key finding remains. The public now appears to be willing to put the mantle of hope for rebuilding confidence in government at the state level rather than at the federal level. This marks a shift. I recall back around the late 1950s and early 1960s when power just seemed to flow endlessly to the federal government.

State government back then simply did not deal with cataclysmic issues such as national defense, war and peace, boom and bust in the economy. In addition, all the Governors then were bogged down in a quagmire of archaic instruments of government, saddled with rising taxes and seemingly invisible services.

Nationally, I find it no happenstance that every presidential candidate of both major parties from 1960 through 1972 had a background in the U.S. Senate, and not as a Governor of a State. Now, in 1976, I find it no happenstance whatsoever that nearly all the Senators did very poorly in this year's presidential primaries, while three of four who did best in both parties were former Governor Carter, Governor Brown and former Governor Reagan.

I think there's a key decision you all have to make. You can take advantage of the low faith that exists in the federal government, and you can weaken government at all levels. You can take back power and responsibility and not use it, let it lie fallow. Or you can seize on the basic principle of pluralism. I'd say that principle probably runs deepest among the people on our 200th anniversary.

You can strike out in innovative ways on quality-of-life issues. You can set the pattern, tone, mode, style and the substance of government for a generation to come, not at the city or municipal level, not at the federal level, but at the statehouse level.

But let me warn you that political power is very much akin to muscle power. If you use it it grows in strength; if you don't use it, it will atrophy and, sooner than you care to think, disappear.

My own view is that it is probably more exciting to be a Governor than any other job in public life today, given this small measure of confidence in Governors that we've been able to perceive in the American people, just in the past two weeks. But, as Archibald MacLeish said nearly 40 years ago: "America is promises. The promises are to take, so take them now, now before it's too late."

CHAIRMAN RAY: Lou Harris, thank you very much. If you'll hold your questions, we'll go on with our next panelist, and then you'll have a crack at both of them.

Next on the program is Mr. Neal Peirce, who has been closely observing state and local government for at least the past decade. Those who attended the Colorado Springs meeting in 1969 might well remember talking with him about two projects he was starting. One was a magazine he was helping to found, the *National Journal*, which has now become a fixture for those who follow government. The other project was a series of books on the States. Seven have now been completed, giving us an insight into these building blocks which collectively are the United States. His regular column on state and local government is a valuable chronicle of our times. We're very pleased that he was willing to join us at this meeting.

NEAL R. PEIRCE: Thank you, Governor Ray. Good morning, gentlemen. I'd say ladies and gentlemen, but I don't believe Governor Grasso has made it yet.

Not too many years ago, Senator Everett McKinley Dirksen suggested that the relative power of the federal government was advancing so rapidly that the time wasn't far distant when the only people interested in state lines might be Rand McNally.

You don't hear too much of that kind of talk these days. Despite continued efforts to expand federal authority, there has been a real renaissance in the States since the early 1960s. There is no need to dwell extensively on the long and impressive list of state reforms in recent years, new and substantially amended state constitutions that assign more clear-cut authority to Governors and make it easier for legislatures to act effectively, the reorganization of the executive branches, state legislative reform in the wake of the reapportionment decisions, development of more resilient state tax systems, judicial reform, dramatically increased state aid to local schools, and the like.

Behind it all has been a better educated, politically activist electorate that has broken the back of the old power monopolies that held so many state governments so long in the palm of their hands—the Pennsylvania Railroad and U.S. Steel in Pennsylvania, Anaconda Copper in Montana, the paper and power interests in Maine, and their counterparts in States from coast to coast.

Chesterfield Smith, the former American Bar Association president and father of the Florida Constitution of 1969, says: "We are currently living in an era of unexampled honesty in state government." I'm not sure I'd go that far. We all know what is revealed from time to time, but compared with the spoils system of the Gilded Age a century ago, the integrity of state governments has advanced light years.

I think it's fair to say that state governments are now more open, democratic, accessible instruments of the people's will than they were for 100 years, perhaps ever in our history.

You all know, however, that the scorecard on state government reform, and particularly on States taking advantage of their powers to act affirmatively to solve problems, is very uneven. The advances of the 1960s and 1970s have not created state excellence. They have simply created a potential for excellence if—and I stress if—state governments exhibit sufficient foresight, will and courage in their third century.

In Lou Harris's findings, I hear a strong echo of James Madison's words that: "The first and most natural attachments of the people will be to the governments of their respective States."

And Professor Daniel J. Elazar of Temple University correctly suggested that the States have populations and resources of sufficient "critical mass" to deliver important government services, "even while they remain small enough to maintain a high level of communication between Governors and governed."

But it is not written in stone that the States will remain viable entities in our third century. The next 100 years could lead to disaster for the States, toward their becoming, at best, powerless administrative shells abused by an aggrandizing federal government or, at worst, their obliteration.

The real question is this: Will the States make effective use of the immense residual sovereignty that is theirs under the federal Constitution and their own basic charters to address and solve the great problems of the society? For if they do not, then they will cede to federal authority, however ill-conceived or ill-administered, the effective scope of action in the decades to come.

Let me touch on just a few specifics. The taxing authority of state governments is formidable. It is tragic that so many state tax systems remain heavily regressive, and that so few States have made significant use of a strong progressive income tax. It is a cop-out of the worst sort to assume that federal taxes make the overall system progressive enough. Indeed, the federal income tax has become less progressive in recent years.

Turning to state expenditures, it is true that state aid to localities is not only sizeable, but has increased sharply in recent years. But is a sufficient portion of that aid targeted to the areas of greatest need? According to the Advisory Commission on Intergovernmental Relations (ACIR), the "equalization objective in state-local fiscal relations is virtually confined to the education function and is nearly absent in other public programs."

Overall, only 3 percent of state aid to localities goes for urban services such as mass transit or urban renewal and housing. ACIR found virtually no difference in the national average in the breakdown of state aid, how much per capita goes to the core cities as opposed to the suburbs. And we are all aware that the difference in needs is just staggering between those two areas.

States have the capacity to provide the careful fiscal oversight of local governments that is necessary to prevent the danger of actual fiscal default. More New Yorks, if you will. States that don't perform that job now should do so, but fiscal oversight that simply ensures balanced books as a great city sinks into pauperhood is unlikely to be called forward-looking.

Much more use of state bond banks or state guarantees of local bonds needs to be made. But that assistance, as vital as it is, pales in importance beside the need for property tax reform.

The States recently won an historic constitutional victory in the Supreme Court's decision prohibiting Congress from regulating wages and working conditions in state and local governments. The limits put on the ever-expanding interpretation of the Commerce Clause evidently preclude a federal law dictating how States and localities deal with public employee unions.

But now, to be candid, the monkey is on the back of the States, to prove that they can deal realistically with the inevitable transformation now under way from merit systems to collective bargaining for state and local workers. No one has the perfect formula, the model law in this area. But unless the States deal realistically and fairly with public employee unions, it seems to me almost inevitable that that fragile five-to-four Supreme Court majority will evaporate in time.

Indeed, the whole area of personnel administration as a major executive function of management, the whole area of pay levels and pension systems and assurances of high productivity in state and local government service, cries out for attention. So does the criminal justice system. Most of it is administered at the state and local, not at the federal level. States have the major power to effect desperately needed reforms in police procedures, in the courts and in prisons. Bold and imaginative experimentation is required. Some of that is under way, but not enough.

Official corruption, no matter how dramatically better off we are than in the past, must be addressed. In States where the problem is particularly acute, special state prosecutors, immune from political interference during set terms, are needed. Unless the States put their own houses in order to stop corruption, we will see a deepening involvement of the federal Justice Department.

Perhaps, the most important of all of these is land use planning. Constitutionally, the States have practically unlimited power to control the use of land to preserve a decent physical environment for this and future generations. Whether they do so directly or simply delegate that responsiblity to local governments under state supervision isn't the key issue. The issue is, will the States see that the job is done at all? If not, the federal government will step in clumsily, using carrots and sticks, because its powers in that area are quite limited.

I was appalled to hear that several States abandoned their land use planning efforts when it became apparent that federal planning money would not be available. Is that the yardstick by which one decides whether to act responsibly, whether federal money is forthcoming to do the jobs that the States should be doing on their own?

Likewise, the public interest groups, the National Governors' Conference, the Council of State Governments, the Conference of Mayors, NACo (National Association of Counties) and the rest, should examine seriously the amount of federal grants they accept. The title for this discussion refers to sovereign States. How sovereign are entities which look to a higher authority to finance a substantial part of the internal operations of what you could call their "trade" organizations?

Two final points, both related to state-local relations. Today, 73 percent of the American people live in 272 metropolitan areas. In a way, you could call those metropolitan areas the natural polities of the late 20th century. Right now, disjointed and multiple governments seek to govern almost all of these. Metropolitan-wide governments are not necessarily the ideal solution in every case. But one thing seems certain. Only state governments, with their power to make and unmake local governments, can force regional coordination in taxation, transportation, zoning and environmental policies. Yet precious few States are now carrying out that responsibility very fully.

Second, how many States now give their local governments maximum flexibility in taxation or in passing ordinances in countless fields where the State hasn't preempted the area? Only eight States now have a shared-powers type of home rule that makes that possible. I would feel more comfortable if the figure were 48.

Let me emphasize that my remarks are not intended to convey a feeling of hostility toward the States. To the contrary, I believe that effective state government is a prerequisite to effective governance in a vast and variegated land, where local customs and needs vary so dramatically. We have learned vividly of the drawbacks of the federal government trying to play state administrator or city councilman across this whole broad nation.

What is essential, in the areas that I've mentioned and in many others ranging from transportation to energy to more responsible regulatory policy, is a feeling in the States that, yes, we do have the constitutional power, we do have the responsibility, we can deliver services more efficiently, we can make this a better society and, parenthetically, we don't always need federal guidance and we don't always need federal money to do the job.

And when the question turns to broad intergovernmental questions, the States should not wait for federal initiatives but should develop their own comprehensive proposals on which levels of government should assume the major responsibility for various types of government services.

It seems to me that in such a spirit of confidence, hopefulness and self-resolve lies the best hope that the States can grow as strong and resilient elements of American federalism in the third century.

CHAIRMAN RAY: Thank you, Neal. Thank you for a dream list. If you'll take a seat over here, and, Lou, if you'll take one there, let's see what the Governors have to say. Questions or comments?

DISCUSSION

GOVERNOR CALVIN L. RAMPTON: I'd like to commend Mr. Peirce for his remarks in connection with the Fair Labor Standards Act. I assured the members of the Supreme Court that the Governors and mayors were as much if not more concerned about the welfare of their workers than the U.S. Congress. We in no way regard this decision as an excuse or justification for failing to provide adequate wages and working conditions for our state and local employees. I would like to recommend to the Governors, legislatures and mayors at least three things.

One, that in no case do we pay less to state and local employees than the minimum wage that Congress has established for the private sector.

Two, that we do recognize as a reasonable standard, even though it's no longer federally imposed, the 40-hour week and the 8-hour day.

Three, where it's necessary to schedule public safety employees and others for overtime, compensatory time off should be given promptly, and should be reasonably consistent with the overtime worked.

I hope that we are not going to accept this decision as an excuse for not doing right in this field, because I think it is probable that if we fail to do it, what Congress could not accomplish directly it might accomplish by tying certain restrictions to revenue sharing or other categorical grants.

GOVERNOR JERRY APODACA: As Governors we should be somewhat glad that our acceptable percentage is 23 percent. It appears to me that the lack of acceptance by the general public is created not after we take office, but prior to that time, during the campaign for whatever office we are seeking. All of us are tempted to talk about the good things we are going to do once we take office. We make sure that we sell the good qualities in us during the campaign, so that by the time a man or a woman takes public office, the general public's anticipation is obviously much higher than it should be. Regardless of how we perform in office, the functions that we do carry out would, in most cases, be disappointing to the general constituency. We run for public office, for example, and we talk about full employment, yet the probability of that occurring in the very near future is somewhat remote. We talk about reform of the welfare system and how we are going to straighten it out once and for all, and yet, year in and year out, we progress very little.

The bad image that public officials have is due to a partnership of the press and the candidate, and then after the election, due to a partnership between the press and the officeholder.

An interesting poll result is that the public considers the federal government more wasteful than state government. People also believe the federal government has better talent than state government. Yet waste in salaries and talent run hand in hand. By pursuing the public office and not having the ability to perform as we promised, we give the people promises that obviously we can't fulfill during our tenure of office. If we are really going to deal with the image of public officeholders, we have to start much sooner than the day we take office.

Somehow, those of us who pursue public position will have to have the courage to deal with the issues as they really are, rather than as we'd like to see them.

MR. HARRIS: Governor Apodaca, I think you've put your finger on what we have found over and over again in the past two or three years. It's the separation that's constantly been made between how people are elected and what happens when people are elected.

We have found, and I say this categorically, that the old politics is finished, done and gone. The old politics consisted of two things.

One is the politics of appeal, where you say to the people no matter how badly off you are, you'll be even worse off if my opponent is elected . . . . The second is what I call the appeal to easy promises, where you say to the people, "Whatever it is you really want out of government, don't worry, I'll find a way to get it."

People simply don't believe either of these two politics any longer. They think that the politician on the level is the one who's apt to bring them tougher, harder news, rougher sledding not only for government but also for the people who may have to sacrifice in order that the quality of life in the country may improve.

I think part of it results from inflation and the energy crunch. We found that people no longer think we're going to make it on unlimited raw materials and physical resources. There has been a tremendous awakening to the idea that we're going to have to make it on perhaps the most renewable resource, which is the human resource.

It's no happenstance that 61 percent of our work force is now employed, not in producing physical quantities of anything, but in service industries. Government is one of the major sources but still there is the private sector. If I had to make a prediction, I'd say that you're going to find politics changing radically in the immediate period ahead, because the person with credibility will be the one who does not get up and make easy promises or appeals to scare or fright, but rather who says: "Look, I'm going to level with you. There are no easy ways here, and we're all going to pitch in together, or things aren't going to get any better."

GOVERNOR MARVIN MANDEL: I'd like to ask both the panelists a question, because there seems to be some ambiguity between their positions. What is meant by being responsive? I hear that's the biggest problem, that government is not responsive. For example, Mr. Peirce spoke about land use planning. Now, we passed land use planning in Maryland, but if I was responsive to public opinion, we'd never have it.

Do people want responsiveness or leadership? Is there a difference or is it the same? Can you be responsive all the time and be a leader or by being responsive do you give up being a leader and just do what is politically wise? I'd like to know what either panelist means by being responsive.

MR. PEIRCE: There is no easy answer to the dilemma that you pose because being responsive to what you feel are needs may not be responsive to what the people are bringing to you as program priorities at the moment.

I remember Governor Rampton last year telling how he helped put through a major land use plan in Utah, which was being responsive to a real need. Later, the plan was voted down in a referendum, which left him wondering how responsive he'd been in the first place to what were the perceived needs.

It seems to me that if Governors and public leaders see a major need in terms of the future of their States, and the people are not there yet, then there is a leadership role involved, and it's a very uncomfortable one at times. The political graveyards rattle with the bones of many of your predecessors who put state fiscal systems in a sound condition.

We have seen over the years, in area after area, that a leader sometimes has to be willing to lead in an uncomfortable direction and try to change public opinion. I would call that responsive in the broadest sense, not only responsive to what is the immediate political will of the people, but also to what one sees down the road. That fits in with what Lou said, talking about realities to the American people, not treating them as 12-year-olds but letting them see some of the hard options ahead, discussing those options with them candidly and then leading with some confidence that eventually you'll have them following behind you.

MR. HARRIS: If I had to define responsiveness, I'd say it means basically being on the level with the American people. The one thing they won't tolerate any longer are those pie-in-the-sky promises of more and more, or their leaders saying, "You'll have a fate worse than death if you change anything."

Change is very much in the air, and yet it isn't change for change's sake. What people want is a clear spelling-out of what the alternatives are, what the costs are, if you undertake a program or action. The most important part of that and the difference between this period and the past is that you no longer have to have sweeping panaceas for everything.

People no longer want the kind of political or goverment leader who says: "Now, just leave it to me and I'll take care of you; don't worry, old papa will do it." They don't believe it. They've been burned far too often. They've gone through a decade of terrible trauma in this country.

You don't have to come up with tremendous, sweeping answers. What you have to do is spell out the way it is, and they'll admire you far more for that than they ever will for your saying: "I've got the miracle cure." They are beyond the stage of believing in miracles.

I happen to think that's a healthy state. People have asked me many times, "Don't you think people are ready for a man on a white horse?" I think it's just the opposite. People in this country are not going to fall for demagoguery of any kind for a long, long time to come, because they don't think there are easy answers to tough problems.

GOVERNOR JAMES B. EDWARDS: I have a question for Mr. Harris. You say that the people are not apathetic and want to participate, and I'm delighted to see this reawakening in the bicentennial year. But how do you explain why average Americans are not voting in as great numbers as they once did? They seem to be turned off by the political process. If they are not apathetic, the real place where they can express themselves is at the polls. Why aren't they turning out in larger numbers to vote?

MR. HARRIS: Governor Edwards, I'm glad you raised that. In this bicentennial year, there is a real prospect, which I think is disgraceful, of less than one of every two, less than 50 percent of our eligible voters coming out to vote in the presidential election. I'm not saying that will happen. It could happen. Why?

I think the key is that the candidates and the rhetoric in campaigns sound to people pitifully 30 or 40 years out of date. If you had a candidate who was willing to stand up and address some of the tough questions in a tough way, I think you'd find far greater response. The fact is that so often people feel they have a choice between Tweedledee and Tweedledum, who just aren't talking the language or addressing the problems or even the substance of government.

GOVERNOR JAMES EDWARDS: One other question, Lou, I think we as Chief Executives of our States have a record of performance, not only of our States, but also of the nation, that should be told to the people. What effect has the press had on this lack of confidence in all our institutions in America? You know, it's very dry stuff to talk about the great performance and the increased efficiency of our States, but that never hits the headlines. Only the bad things, the scandals, that's what the American people read about. What can the press do to restore faith in our processes?

MR. HARRIS: Well, I don't buy the notion that the press is necessarily the adversary, and I think a mark of a free press, the free media, is that it is unhesitatingly critical.

You know, Shakespeare was absolutely right when he said: "The evil you do lives after, the good is oft interred with your bones." I think that's entirely true. Having said that, it isn't just political people. I hear business people, doctors, all kinds of people in the Establishment complain, "Why can't the press be positive about things?"

At the risk of giving unsolicited advice, I think the first rule of credibility in our society today is to admit to some fallibility. One of the troubles with people who sit in the seats of the high and the mighty is that they say, "You can't lay a glove on me, I'm absolutely perfect." There isn't a human being who is, there isn't a Governor who is, a President or a member of Congress or any other distinguished body.

The most disarming way to deal with this is to admit to some fallibility, to say, for all our mistakes, our difficulties, our lack of competence in areas, we think we're making more progress than we are regressing.

GOVERNOR CHRISTOPHER S. BOND: At last winter's meeting, we had a very interesting discussion on the problems of credibility in government, and it was the consensus that over-promise and under-performance were probably to blame. We all resolved that we should tell the truth.

In my State (Missouri), there are two initiative drives which are overwhelmingly successful, one to exempt certain goods from sales tax, another to lower utility rates.

The one to exempt certain goods has been opposed by leaders of both parties. Yet, the polls show overwhelming public support. Can either of you gentlemen explain it or give me some reason for hope that this initiative might be overcome?

MR. PEIRCE: That probably has arisen in other States. It is just absolutely certain that the people, given a chance to decide, "Would you like this tax or not?" will say no. Eventually, public opinion has to be built up, and it's a function, in large part, of gubernatorial responsibility. There is a crisis point at which people begin to recognize that if they do make certain tax reductions, they are going to lose services. It's a hard, painful process, but you have to stick it through.

CHAIRMAN RAY: Doesn't that make you feel good. We're going to have time for about three more, and I want to recognize Dave Boren, then Jim Exon and Mel Thomson.

GOVERNOR DAVID L. BOREN: Our panelists have talked about the desire of the people to participate, and I think this is true. One of the causes for alienation is that people don't really feel they have a chance to participate, except perhaps in the elective process, where their vote doesn't really count, because the choices are not too different.

Have you found any examples of the participation of people in policy-making in a meaningful way? When people write letters, they don't really feel that the letters are read. As Governors, we've all tried different things from Main Street tours to Town Hall meetings to action lines. But short of physically sitting down with the people in groups so that they know firsthand that you are listening, which you can do with only a limited number of people, how do you maximize this sense of individual participation? What techniques are most effective?

MR. PEIRCE: There are programs like the Goals for Washington Program that Governor Evans can tell you about and others that have begun to chip away at this problem. But we are dealing with a mass society, where the numbers, compared to the society that existed at the time of the signing of the Declaration of Independence, are just staggering. There is no easy answer to this, except by a muliplicity of efforts.

Governors and other public officials getting out to the people in all sorts of exchange sessions is one way. The creation of all kinds of task forces working on government reorganization or major public policy problems is another. But there is no single, magic answer to the problem you raise, and it's going to remain a serious problem because of the nature of our mass society.

MR. HARRIS: I've observed what I call the bureaucratic caveat, and people do complain in our surveys about it. The bureacratic instinct, when someone questions a policy, is to retreat to the worst kind of technical gobbledygook and jargon, to say that this issue is so involved, so intricate, so sophisticated that you, the average citizen, really won't understand it.

The fact is that there isn't any part of government nor very many actions affecting people that can't be translated into simple functional terms. Fiscal policy is the worst example, where budget directors just retreat into an ivory tower, saying: "You'll never understand, unbelievable how complicated this issue is."

You people have gotten where you are because, presumably, you learned how to communicate somewhere along the line. If you think in functional terms and always try to translate issues that way, without being condescending or oversimplifying, you'll go a long, long way toward convincing people what you're about.

GOVERNOR J. JAMES EXON: One of the rather surprising results of the Harris poll is that the American people feel there is a reduction in the quality of life or the standard of living. I'm wondering if that might be explained by their concern about inflation, the diminishing amount of money they have to spend on improving their quality of life? Could you expand on the reasons for that?

MR. HARRIS: Briefly, I think that people have been shocked, having been raised on the notion that somehow we're a rich country, with unlimited resources, and basically we have always made it by exploitation of these unlimited resources. While it's true we are very food rich, I think we have had an enormous shock that we are not unlimited in our resources. We're probably not going to make it on just plain exploitation of physical resources.

This fact has come home to people, and I could cite you example after example. People just don't sit before a table saying my ambition in life is to pile mounds and mounds of physical acquisitions higher and higher. I call it the three-bathtub syndrome, but that isn't what America lives by anymore.

We've got other enormous problems. For example, I think people have been shocked by problems about employee safety or product safety. We used to think that American know-how would bring the safest product. Now, Americans are worried about this. They view as part of the quality-of-life problem the emerging areas you hear so much about in minority employment and development. Even conservation of energy has become a quality-of-life area. There is a whole series of these areas that have now become central, and here is the great opportunity for States to take the lead and set the pattern for the federal government to follow.

It's often forgotten that the States have been pioneers in setting the pattern for federal government. If you spend too much time along the polluted banks of the Potomac, you'll get the idea that all wisdom and imagination can emanate only from Washington, D.C. Well, it's no happenstance that by 69 to 20 percent, the American people think that Washington, D.C., is out of touch with the rest of the country.

GOVERNOR MELDRIM THOMSON, JR.: I was interested in hearing you call the States nation-states, and there have been several references to the fact that we are independent and sovereign. The Commonwealth of Massachusetts and the State of New Hampshire have the two oldest constitutions, both of which were adopted before the federal Constitution. They are the only two with provisions that we are a free, independent and sovereign people, except for those powers which we expressly delegate to Congress.

The recent decision of the Supreme Court opens the door on a new era of state-federal relations. If there is to be substantial shifting of power away from the federal government back to the States, that power must come out of Congress. That's the shortcut. It would be very difficult, I believe, to hold a federal constitutional Congress and do that.

I'd like to ask Mr. Peirce how he feels about that, and I would also like to challenge his belief in regionalism for our States. In a small State like New Hampshire, there is a strong feeling against regionalism.

Now, we in New Hampshire happen to believe that it's far better to raise through the property tax some 90 percent of the support for public education, because it gives our people at the local level an opportunity in their school district meetings to have something to say about the educational process in our State.

My question to Mr. Peirce is, what is wrong, if there is to be a return of sovereign power to the States, with letting each State resolve its problems, without trying to superimpose some form of regionalism or taxation which a particular State might find obnoxious and detrimental?

MR. PEIRCE: Governor Thomson, I would say there is nothing essentially wrong with it, as long as problems of equality are considered, as long as States approach their responsibilities at a high enough level so that major groups within a State don't have an impetus to go to Washington. It's the cumulative weight of unmet needs at the State level that has forced a great deal of the federalization of programs over the past several years.

It's inevitable that some of it such as welfare or health care has to stay at the federal level because of fiscal capacity. However, if a large number of States resists any kind of planning and coordination of services across a metropolitan area, and the inequalities are there to see, eventually that's going to create more impetus for the federal government to become more involved in trying to impose some type of metropolitan-type planning.

If a large number of States stays very reluctant to go the last measure on equalization of school districts, that will create much more pressure for the federal government to step in and accede to present demands that it finance higher percentages of school expenditures.

It may be that individual States can decide they don't want some reforms but if a large number of States decides that these are things they do not wish to take into account, that they don't have real metropolitan-wide problems, that they aren't worried about a high percentage of their schools funded at low levels with huge disparities in the local property tax base, then they'll invite more and more federal intrusion as the years go on. If they are responsive, then the invitation for that intrusion will be much less.

GOVERNOR SHAPP: One of the things we've done in Pennsylvania that has been helpful in keeping us in touch with our people is establishment of a Hot Line. We have about 25 people, pulled together from all the departments. We have free telephone service from anywhere in the State. The staff takes down the nature of the problem or the question and helps to solve or answer it. We also get a feedback on the way the people in the State feel about various things. So many times you and I start a policy at the top of a department but never know how it affects the people at the point of delivery. We find out through our Hot Line how the people feel about a policy.

If any of you would like to visit our Hot Line setup or have your representatives visit it, I'll be very glad to make such arrangements.

GOVERNOR DANIEL J. EVANS: I think there is one problem that perhaps we can't overcome, no matter how much initiative or innovation or how much tough talk we as Governors bring to the people. It seems to me that not only does Congress react to what its members perceive to be inadequacies at the state level, but also they voluntarily take on more and more authority. One of our problems is the invisibility of individual members of Congress, compared to Congress as a whole.

Unlike other nations such as Great Britain, where people quite consistently vote out large numbers of Members of Parliament in order to change a government or policy, Americans, even though they may be thoroughly dissatisfied with activities at the federal level, separate that from the activities of their individual Congressman, who somehow isn't connected with the overall problems of Congress.

How in the world can we unveil that invisibility and make the Representatives and Senators responsible for the overall action of Congress, rather than simply for the new programs they initiate or the newsletters they write. This rather unique circumstance results in 80 to 90 percent of incumbents being reelected consistently, rather than being subject to the policy changes people want.

MR. HARRIS: Governor Evans, I said this last week before a group of Congressmen, so it's not something that I haven't faced them on. You're absolutely right that members of the House of Representatives are literally unknown by name or by party to just about one in every two voters, which is incredible. It's also true that members of state legislatures are even more unknown, both by party and by name. What you get is a curious phenomenon which I'm sure everyone seated around this table has observed. An individual legislator will go out to campaign, and he'll say one simple thing. He'll say you've got complaints about Congress and the state legislature, about what's going on in the state capital. Well, you know, I share all of those. If they'd only listen to me and do what I say, then everything would be great. Therefore, elect me, because I'm your last resort to get some decency in government.

So help me, you know, this is an editorial comment on my part, but at some point somebody among elected officials has to stand up and say, I'm willing to take some responsibility. This is what I meant when I said, admit to fallibility, the first mark of credibility. Elected officials should say they haven't really done what they should have.

Now, that is tough, but this cop-out of saying I'm the exception, vote for me, is used over and over and over again. I think it is one of the great disaster points in our political process.

GOVERNOR EVANS: How do you change it?

CHAIRMAN RAY: Neal's going to tell you how to change it.

MR. PEIRCE: I have no magic formula, but the time has come, because of the intricate nature of intergovernmental relations, where things being voted by Congress have such huge effects on States, that the coordination and discussion of the past must be intensified, using the office of the Governor as a focus for ongoing consultation.

There should be an open exchange of opinions with congressional delegations. Maybe the state legislative leaders should meet two or three times a year with congressional delegations to let them know state and local priorities and needs. Eventually the members of Congress have to be held politically accountable for the things they do that have a major effect on state and local governments. I don't see any focus for creating that accountability that is more appropriate than the gubernatorial level. It seems to me you need to be thinking more about tactful but appropriate and firm ways to establish that accountability.

CHAIRMAN RAY: Neal Peirce and Lou Harris, thank you very much. I think we could have comments and discussion the rest of the morning and enjoy every minute of it. We can't because we have a busy agenda, but we want to thank you very much for being with us.

Now we are going to discuss and debate proposals for national welfare reform. Cecil Andrus has chaired our Committee on Human Resources, Dan Evans has been the vice-chairman, and I'd like to call both of them up here to lead the discussion.

NATIONAL WELFARE REFORM

GOVERNOR CECIL D. ANDRUS: Thank you very much, Mr. Chairman. The Human Resources Committee has had an extremely active year, as you will see tomorrow when we get into the policy statements. I'd like to express my appreciation to the members of that committee who have worked very diligently to see that all the problems we faced this past year have been addressed, and particularly to our staff, who have helped us bring about the six policy statements that we will act upon tomorrow.

On welfare reform, we had a task force led by Governor Dan Evans of Washington, and I think that Barry Van Lare of his staff deserves a great deal of credit for the work that we have collectively accomplished. It hasn't been an easy task, it has taken us well over a year, but each of you has a report giving you the background. I call your attention to the policy statement that we will present for your acceptance tomorrow.

Because Dan Evans was the lead Governor, I would like to ask him to chair the discussion this morning.

GOVERNOR EVANS: You have in front of you a task force report entitled "National Welfare Reform: A Bicentennial Priority." It contains some background material and some recommendations which represent the proposed policy statements that will be taken up for formal action tomorrow.

Consideration of welfare reform has been an ongoing committee effort for a number of months. A task force from the various States has worked hard on proposals for welfare reform. We have, in addition, worked with the representatives of cities and counties. I met directly with Mayor Abe Beame of New York and with representatives from other cities and county governments, under a New Coalition effort, and we'll be working for the remainder of this year to come up with a joint effort in the field of welfare reform.

Other organizations are just as interested in welfare reform and the need for it. Our aim is to make this a key issue and a national priority for the next Congress and the next Administration in 1977.

There is no question that the problems of welfare are monumental. I'd like to initiate this discussion by calling on David Boren of Oklahoma to come up and present his report and that of Cliff Finch of Mississippi, who was going to talk about the work and training requirements embodied in our proposals. Unfortunately, Cliff had an emergency appendectomy yesterday and is temporarily housed in the University of Mississippi Hospital in Jackson. He did send his paper and presentation along.

GOVERNOR BOREN: Thank you, Governor Evans, and I'm sorry that Governor Finch is not with us, but I would like to read his brief remarks and then amplify them somewhat.

Governor Finch was to talk about modified work and training requirements. The essential element is that those recipients between the ages of 17 and 60 who are not disabled, are not in secondary school or do not have children under the age of six be required to register for work at the time of application.

Governor Finch says the following: "There seems to be little benefit in belaboring the point that basic welfare reform is imperative, but the development of an effective reform program will require compromises. If adopted, the work ethic and job registration compromises set forth in the modified work and training requirements section of the committee's recommendations will lay the groundwork for us to attack the core of the problem.

"It seems obvious that the recommendations for increased emphasis on job training and job opportunities is vital if vocationally unprepared welfare recipients are to compete realistically in the job market. This new and increased emphasis can be carried out to a large extent through federally funded public service or subsidized employment programs. The proposed work and training requirements will effectively interact with the other basic principles of our welfare reform policy statement, presenting a sound approach for a solution of the national problem.

"I am the newest Governor in the Conference, but I learned early in my Administration that the great majority of Mississippians from all walks of life strongly endorse reform of our present welfare system, and I'm sure that all of us have found this to be equally true in our own States.

"Their concern is easily understood. A program that began as a genuine humanitarian effort to help those who cannot help themselves has deteriorated through inefficiency and abuse into one which is almost totally devoid of public confidence. The stigma attached to our welfare program is such a handicap that I have begun to substitute the word workfare for welfare in Mississippi. I have followed up with a program of workfare that will, to the limit of the powers I possess, bring about some needed reform at the state level.

"Let me emphasize at the beginning my firm realization that welfare assistance is certainly needed for those who are truly unable to help themselves. These unfortunate individuals are entitled to receive help promptly and with dignity. We must eliminate the unnecessary inconvenience of repeated trips to welfare offices, where long lines and red tape are, in many cases, a hardship to the welfare applicant and the social worker.

"The goal of workfare in Mississippi is to establish a system that works so well that a person can go into a welfare office for assistance and come out with a job. Workfare should operate with the combined effort and resources of all related agencies, such as the Welfare Department, the Employment Service, the Governor's Office of Job Development and Training, the Vocational Rehabilitation Division, the Vocational Education Training Division and Community Action agencies.

"To be successful, the concept of workfare must be supported as a desirable, achievable program. Policy workers at every level of the government, from city hall and the county courthouses to the White House, should accept workfare as a basic philosophy of government. Workfare has two equally important premises: One, we must help those who cannot help themselves and, two, those who can help themselves must do so. These two principles must underlie the plan to provide income maintenance. Workfare must also give equal consideration to human and practical aspects of assistance. We must streamline the mechanics of all related agencies so that those people who need help can obtain it without humiliation or stigma.

"This same system must also identify and purge those recipients who would abuse it or wrongfully take a free ride. In Mississippi, we have taken the first steps to establish workfare.

"First, we have established a workfare task force to coordinate the work of all agencies. Second, we have improved and speeded up the exchange of information between the Welfare Department and the Employment Service. Information available for all agencies is being standardized, computerized and distributed to every county welfare and employment office. Third, throughout the State, we have located welfare and employment offices together, where possible.

"Fourth, we have begun cross-training of welfare and employment workers so that each is totally familiar with the procedures and requirements of the other. Fifth, we have fully expanded and are utilizing the services of all agencies that can give assistance, such as day care so parents can work. Sixth, we have improved case review procedures resulting in the removal from the welfare rolls of those who can work but won't. Seventh, we have reviewed and reexamined the expenditure and allocation of funds to prevent the loss of federal money.

"Eighth, we have directed the Governor's Office of Job Development and Training to give first priority for employment training to those on our welfare rolls. Ninth, we encourage all federal, state and local agencies to list job openings with the employment service. Tenth, we have asked the private sector to list all job openings with the employment service and to give priority for the employment of qualified welfare applicants."

Governor Finch concludes: "I urge the Conference to adopt the principles and philosophy of workfare, and to seek the specific changes required to permit assistance programs to accomplish the humanitarian goals originally intended. It is obvious to me that adoption of the basic principles proposed by the Human Resources Committee in its report will enhance and expand our assistance efforts. Hopefully, we'll also spur Congress and the Administration to implement these much needed principles."

I can only echo what Governor Finch has said in his written report to us. We've been following the same procedures in the State of Oklahoma. I know that many of you have also been following the registration requirement.

Approximately 12 months ago, we implemented the registration requirement at the employment offices in Oklahoma. During that period, in the face of a national increase in the welfare rolls averaging about 4 percent, our AFDC (Aid to Families with Dependent Children) rolls declined in Oklahoma by 8.8 percent.

We've also used the public sector. For example, we have taken 200 women who were drawing welfare checks for doing nothing, and, at very little additional cost to the State, we are using them as assistants and aides in our institutions for the mentally retarded.

I fully support what Governor Finch has very ably said and would like to add that I think that we are not merely talking about a welfare program that will be of assistance to the taxpayers and save tax dollars. I feel strongly that this is an essential part of any welfare reform program. I think our present system alienates the individual who receives a check for doing nothing and makes that person feel that he or she is not really a part of the community.

All of us recognize that the work ethic is based on a very important truth—that the work a person performs, the contribution he or she makes to society, is very much a part of each individual's personal identity and sense of self-worth.

So, not only for the sake of sound fiscal policy, but also for the sake of those who are being alienated by the present welfare system, I join Governor Finch in hoping that this Conference will express its full support for a modified work and training requirement, as set out in this report.

GOVERNOR EVANS: Thank you, Governor Boren. Now from a different perspective, I'd like to call on Governor Hugh Carey of New York, who probably has the biggest single welfare problem in terms of dollars and physical size.

GOVERNOR HUGH L. CAREY: Thank you, Governor Evans. I want to commend Chairman Andrus of the Human Resources Committee and Governor Dan Evans for the very effective leadership we've had in this subcommittee, and to commend the staff and the members who have worked so assiduously to put together what I believe is a very fine report.

I believe that if we had a national road program that was costing us more than $19 billion a year at the federal level, and the roads were full of potholes and you couldn't take the turns without running the risk of losing life and limb, we'd have probably a nationwide strike by the truckers, and we'd have motorists *en masse* clamoring for relief from the dangers. But that isn't happening in the welfare system, because although we do have a broken down, $19 billion system, until this time we haven't joined together to cope with it.

I would remind the Governors that efforts have been made in Congress, under the leadership of persons such as former Representative Martha W. Griffiths (Michigan), and at least twice worthy programs passed the House while I was there, but died in the Senate. Today we have a report which I believe deserves widespread support from the Governors and, indeed, from Congress. I believe that this is the time to set the priorities of a new Congress in 1977, and that we ought to be heard strongly on this point.

I am acutely aware of the anomalies, inequities and the inadequacies of the present system because this system in its present shape is breaking not just the State which I lead, but the counties in it. When I hear county executives from counties that are equivalent in wealth to Montgomery County of Maryland complaining that their budgets are now more than 60 percent burdened by the cost of Medicaid and welfare, and they can't hire police and firemen and sanitation personnel, then we know that the welfare problem has become epidemic. It is no longer confined to central urban cities like New York City. It's spreading into areas where the system is so ripe for ripoffs that it's costing the taxpayers an inordinate amount of money.

For instance, in Westchester County—a wealthy county if we have such a thing in a State with nearly 10 percent unemployment—the cost of Medicaid results in a truly irresponsible and misdirected program, where a single physician can earn $450,000 a year treating poor people. I'm sure that was never intended.

The more you study the system, the more it cries out for reform. I believe that the kind of reform we're talking about is humane and reasonable. In this report, there are two elements that are basic to any comprehensive welfare reform program.

The integration of the wide range of overlapping and inconsistent public assistance programs that comprise the existing system is the establishment of a national minimum payment standard. As you know, there are currently four major programs at the federal level that provide people with income support on the basis of need, Aid to Families with Dependent Children (AFDC), aid to households with unemployed parents, Supplemental Security Income (SSI) and food stamps. In fiscal 1975 the cost of these programs, exclusive of administration, was almost $19 billion.

Now you know in making up your state budgets how difficult it is to deal with the cost of administration of the welfare system. Compare it with the social security system which works effectively on an individual aid basis and costs the federal government quite a bit less than 2 percent to administer because it was designed effectively and burdens the bureaucracy very little.

In terms of universality, only the food stamp program is universal in the sense that need is the only criterion for eligibility. The others are categorical programs in which eligibility is based on need and many other criteria such as age, family circumstances and disabilities, all of which require enormous amounts of administrative judgment.

What we seek is the kind of system that can be fed into a computer and regularized so that those in need can be identified. The state of the art throughout the country is such that we can do that now.

Among those who are not properly covered by the present system are the working poor. The task force report emphasizes the elimination of disincentives to work so we can have what Governor Finch has called the workfare program instead of a welfare program. We want to keep people who are capable of earning income on the job, and eliminate that situation where a family can draw much more on welfare than it can earn. That is the current condition.

Welfare reform must include a consolidation of all these systems into a unified system. It should be coordinated with other major support programs such as social security and unemployment insurance, both of which ought to be reviewed in terms of their basic structures and the means by which we finance them.

Just as SSI currently provides supplementary assistance to social security beneficiaries whose monthly benefits are inadequate to cover their needs, so should a new income support program provide supplementary assistance to beneficiaries whose incomes fall below the basic standard of need, to keep them on the job and to keep the family from breaking up.

Inherent, I believe, in an equitable income support system is the establishment of a national minimum payment standard. If we cannot justify treating one family differently from another simply on the basis of whether an unemployed father meets a test of "labor force attachment," we cannot justify different treatment simply on the basis of whether a family resides in New York or North Dakota. Congress should establish a minimum assistance level for all Americans that will serve as the national standard of need for a unified income support program. This standard should vary regionally to compensate for differences in the cost of living, and should be periodically adjusted to reflect changes in the cost of living over time. Benefits up to this level should be fully funded by the federal government.

As I look around the State of New York I see one county after another being bled by the cost of welfare and Medicaid. It is happening, not because they have managed their affairs badly, but because the existing welfare system, which requires a staggering nonfederal contribution, makes it almost impossible for state and local administrators to control costs rationally. As a result, our tax resources have been strained to the breaking point. I know the same is true in many of your States.

In the past year, I have been dealing with local elected officials and taxpayers who are demanding action by the state and the federal government to bring welfare and Medicaid expenditures under control. After I listened to their grievances, I concluded that there is no unwillingness to pay what is required to help people in need, but rather an enormous frustration over putting more and more tax dollars into a system that is impossible to administer, that gives too much money to the wrong people and that simply doesn't work for those in need of medical and other help.

The committee's proposal points us in the direction of a system that will work. It represents the best opportunity for fundamental changes in public welfare programs we have had, possibly since the days of Franklin Roosevelt.

On behalf of the committee, I ask that we join together and seize this opportunity, regardless of party. The presidents from different parties, President Johnson, President Nixon and President Ford, have been advocating a restructuring of the welfare program. Congress has worked endlessly on it. The answers are before us, and if we can get together on this, I believe that we'll be well worthy of the bicentennial meeting of this Governors' Conference.

Our welfare program is a failure, and it treats people as failures, and the sooner we recognize that and cope with it, we can turn to the taxpayers and say that less money will be going into bureaucratic red tape, more of our resources will be going to those who need them, the basic unit of the family structure will be preserved, and we'll be a stronger nation.

GOVERNOR EVANS: Thank you, Hugh, for a forceful description of our needs and the directions we can take.

Welfare is a big, in fact, the biggest domestic program of this nation. When you take into account other related social programs, $135 billion a year of our national sustenance goes to all these programs.

The current problems result in administrative chaos. I thought about bringing to this meeting the stack of publications which in our State, and I suspect in yours, is required reading for an eligibility worker to operate the welfare system. The excess baggage costs made me hesitate. It's a stack approximately that high (indicating), and individual eligibility workers are expected to know in detail the requirements contained therein.

The neglect on the part of Congress and the Administration to review what they have already done as preparation for what they are about to do is causing some of the administrative breakdown.

A couple of examples really relate to the present disincentive to work. In Washington, an AFDC family of four, with the father employed for 50 hours a month at $2.50 an hour, drawing some public assistance and other benefits, will have available about $615 a month.

That same father working full-time and not drawing welfare will net $429 a month, not much of an incentive for someone to go to work.

That same family with the father working 100 hours instead of just 50 will net $636 a month, but that 50 hours of extra work, that move toward independence, will net that family $21, or 42 cents an hour, hardly an incentive for that family to be independent.

Our welfare programs, State by State, need to develop work standards. We are attempting to do that in Washington to increase our productivity, even though we must face the administrative chaos imposed on us from Washington, D.C.

Whatever we do as a Governors' Conference in attempting to lead toward national welfare reform must be done with an eye to other social programs. We cannot look at welfare in isolation.

Unemployment insurance has grown with federal expansions and extensions to a program covering more than 65 weeks for many workers, hardly an insurance program for those temporarily unemployed. Quite clearly it is another kind of social program, which is probably funded to a greater extent than is desirable or necessary by employers rather than by general taxation.

Workers' compensation, Medicaid, which today costs more than sustenance payments for welfare, all need to be involved in an overall reform. In short, some need help who don't get it; some get help who don't need it. We have created through law a national system of regulation, a national system of supervision but no national program. We need to start fresh to create a work incentive and opportunity for that share of our welfare caseload who can work; for those who can't work, we must provide adequate and simplified methods for them to receive help. We must develop an efficient fiscal system that does not bankrupt any level of government, but that does give us an opportunity to deal effectively with our needs.

In light of the previous presentations of Lou Harris and Neal Peirce, I advocate that we as a Conference initiate a better way. Rather than respond to federal initiatives, let us take on the responsibility of initiating welfare reform and prove that the States collectively can provide Congress and the people of this nation with a new and a better answer. Let's do it so that a new Congress and Administration next January have something before them in detail which can help show the way.

The policy statement which you have before you doesn't contain all the details but it does represent a series of principles which, if adopted by this Conference, can be the guideposts for the detailed programs which this Conference, the mayors, the county commissioners and other national organizations can follow in developing a better system of welfare.

We are talking about a proposal whose principles should include a national payment and eligibility standard, coverage of all eligible individuals, a rational administrative system, elimination of disincentives to employment and fiscal relief for state and local governments.

DISCUSSION

We would now like to open the discussion for questions and comments. Yes, Brendan.

GOVERNOR BRENDAN T. BYRNE: Needless to say, I support the resolution. My staff has done some preliminary analysis of the net added federal costs of the program suggested in the committee's resolution, and those costs are between $3 and $5 billion. That's assuming there are no additional savings with the federal takeover, and we hope and trust that there will be.

I think that figure ought to be in the context of others such as the B-1 bomber program at estimated cost of $27 billion and a federal budget of $300 billion.

GOVERNOR EVANS: Mel Thomson.

GOVERNOR THOMSON: Mr. Chairman, that's exactly what I'm interested in knowing. How much more is this program going to cost if it's taken over at the federal level? For example, do we have figures on what the various States are now paying? If they are to be relieved of their present costs, wouldn't it be reasonable to assume that all of that and possibly more would be added to the total tax bill to be paid by Congress?

GOVERNOR EVANS: What we're attempting could be accomplished at zero additional cost. You can constrain what you do by the levels of support that you establish. You can also attempt to discover or to decide what levels of support people need nationally, with some regional variations as Governor Carey pointed out, and then attempt to meet those needs.

It may cost more, it may replace other costs which we are assuming in alternative programs such as extended unemployment compensation or food stamps which this policy statement suggests be cashed out.

I can't tell you from the set of principles how much extra or whether there would be any extra money involved. That remains for a detailed program and discussion of just who should be covered and at what levels. We are talking about a more rational system which simplifies and streamlines administration, which retains significant state and local influence or participation in the system in terms of administration. But inherently there is neither a higher nor lower nor the same amount of cost involvement. That will come as we apply these principles to a detailed program and, presumably, bring it back to the Governors or Congress.

GOVERNOR SHAPP: I want to go on record as strongly endorsing the program outlined. I think the most important thing in overhauling our welfare system is to recognize that this country's most important asset is human talent. By making our people more productive, we are going to have a greater economy and reduce a lot of the waste, resulting in a better and safer society. By overhauling the welfare system, we are starting to attack one of the basic problems that faces this nation.

We are driving up the cost of government at all levels because the present system of public assistance is enormously costly and inefficient to administer. There are so many millions of people who could become productive in our society if we had workfare instead of welfare.

GOVERNOR JAMES B. LONGLEY: I agree with the sentiments expressed by Governor Shapp, and I think all of us want these objectives. I just wonder, aren't we going to Washington again to help to solve our problems? I'm not sure Governor Thomson's question has been answered.

Are we buying a pig in a poke? What are the costs?

I think there are three Cs, what are the costs, what's it going to do for individual confidence, and what's it going to do for government credibility? Where is the incentive for individual States to perform not only with humanitarian responsibility, but also with credibility and value for dollars? And while we may be giving incentive to individuals, are we creating a disincentive for States to meet the needs of the people to the best of their ability at the lowest possible cost to those who have to carry the load?

I fully support the sentiments expressed here, but I'm wondering, are we going to the federal government again and saying, "Take the problems away from us?" What are the costs? The money has got to come from somewhere.

GOVERNOR EVANS: Surely it does, and let me speak first to the confidence. I hear, as I suspect most of you do, the repetitive complaints about people who are drawing welfare who shouldn't. But I also hear from those who either know of or are related to someone who desperately needs help who isn't getting it, either at the state or at the federal level.

We have an inconsistent response to need which has been created by the super-complexity of the many programs we have developed. If we can strip away the excessive complexity of federal rules and regulations, we will establish a prime potential for restoring confidence and providing flexibility to deal with needs.

The cost of covering all individuals depends on the success of a work program.

We have done some calculations in our own State, and the work registration program, which is embodied in this recommendation, would cover about 40 percent of the basic welfare recipients in our State today. The other 60 percent are those who would fall out of that work program or who cannot work. I guess it comes down to whether we think there is a basic responsibility on our part to provide adequately for the minimum needs of those who are too elderly or too disabled to work and those who cannot work.

The total cost of a revised program depends on several things. One, our ability to reduce administrative overburden, and two, our ability to provide effective work incentives and programs. The savings could help to cover the potential additional costs for serving the poor who are locked out of the program today.

GOVERNOR LONGLEY: I don't want to be provincial, but when has Washington ever solved any of our problems at less cost? In the past 18 months in Maine, we've taken 10,000 people off welfare, and have used the money we have saved to pay more money to the people that legitimately need more money. Can we still do that if we continue to go to Washington to give away our capability to make that type of decision?

GOVERNOR EVANS: I don't suggest we do. I suspect there would be greater opportunity to make those decisions if we could strip away some of the administrative requirements and regulations that box us in and prevent us from going even further than you or I might like in that direction. However, we do have some enormous disparities throughout the nation. For a family of four, standards of support through the Aid to Families with Dependent Children program vary from $60 a month to $380 a month in various parts of the nation.

These disparities are far greater than the differences in cost of living or in the needs of those families. That's why we need some kind of national approach to rationalize the system and remove that administrative burden. I think you're probably right. In the past, we haven't often solved problems by going to Washington, at either less cost or less complexity. That's precisely why at the start of a fresh century, we ought to see if we can't change some of that.

Congress has imposed these rules and regulations on us. We have somehow got to get out from under them. It is a national priority, and we cannot resolve the problem without dealing with it in the national forum of Congress and the Administration.

GOVERNOR ARCH A. MOORE, JR.: Mr. Chairman, when you strip all the rhetoric away from the committee's report, we arrive at what the Governor of Maine and the Governor of New Hampshire have pretty generally concluded. And that is, what we're really asking is to transfer the difficulties of managing welfare problems to the federal government.

When I look at the error rates of some of the States that have made presentations this morning, I can see a great opportunity for improvement in the simple application of better administrative techniques.

The State of New York has an error rate in excess of 44 percent, the highest among the States. The circumstances in Pennsylvania are not much better. There is a gold mine in every one of your States, if you'd just look at the error rates and the management procedures that you follow.

And, yet, you want to pick all this up and transfer it to the federal government. Without question, that would have a tremendous impact on your budgetary responsibility, because those dollars which are now going into welfare would be released for other needs.

I'm not willing to give the federal government any more responsibility in the area of welfare than it has at the present time. I think they do a lousy job in trying to put together many of the answers to the outstanding problems that exist in the country. We hear this at every one of our meetings. After the presentation this morning as to what we as States were going to accept as our responsibility in the nation's third century, the first matter we consider is surrendering our administrative responsibility in the field of welfare.

Now, there are some important categories that need attention at the present time, which will ease some of the burdens of States like New York that pay a tremendous monthly stipend to families of four in comparison with other States. There is an inequity without question, and we should address it, perhaps in a national forum. To transfer the responsibility to the federal government and have it pick up the bill will ease only our budgetary constraints. We will still have the same administrative problems that we have today.

Now, if we can arrive at a method whereby there is some equality of payments, taking into consideration standards of living in various parts of the nation, we will probably go a long way toward easing some of the pressures on States such as New York and perhaps Pennsylvania. The grass is always a little bit greener and, as a direct result, there is a natural tendency, if you're going to be a professional welfare client, to be one in New York rather than in Mississippi.

It seems to me that we've got to look at the great body of humanity that administrates the program. There is, in most of their minds, an inherent belief that everybody is entitled to welfare. If we indicate to social workers in our respective States that we want to help those individuals in specific categories with specific needs who are truly the responsibility of society as a whole, I think we can change the direction of the present automatic acceptance of welfare applications.

In addition, we as Governors can make the greatest impact on welfare reform, but we ought to address it in our States. A bad record in one State does not condemn welfare that is well-administered in another State, nor is it an excuse for us to surrender again at the beginning of the third century, to an element of government which has stolen powers from us in the first 200 years.

The four or five fundamental points the report covers are, in a way, meritorious and ones to which we could perhaps address ourselves as individual States, save the question of equality of payment. But it seems to me more than anything, they are window dressing to transfer all the responsibility, together with the due bill, to the federal government.

Now, if that is what we want, then I think we ought to understand that every time we go before a national forum, those in the news industry will ask us the question:

"Well, what are you asking the federal government to give you today?" I think we ought to give them exactly what Lou Harris says the people of the nation believe we have, and that's the ability to administer government better. If we do that, we can rescue this welfare system. But if we don't apply ourselves as Governors, and we don't address welfare as a number one priority, it's going to continue to sink into an even greater quagmire. There is no reassurance that we are going to have any better answer simply because we've given the bill to the federal government.

GOVERNOR EVANS: Let me just say that I don't bow to anyone in my concern over the federal government taking on more power and more authority. The administration of any revised welfare program is addressed in one sentence in the policy statement which you may want to change: "Consideration should be given to the full range of administrative options."

Our own State of Washington is among the half dozen lowest in terms of error rates, but we're running up against a difficult barrier which we can't get over. That is those people who we believe ought not to draw welfare, but who are mandated under federal rules and regulations to draw welfare. The food stamp program is, of course, a fine example.

We can have a zero error rate, but we will still face additional costs which are mandated at the national level, and that makes a national forum the one in which to talk about changes. I don't advocate for a moment that we give up administrative direction or policymaking, but I do think that some of these other things have to be faced at a national level.

GOVERNOR CAREY: I'd like to join in the colloquy with my former distinguished colleague in Congress, Governor Moore, and I welcome his appreciation that some sort of a national payment standard is one of the more constructive parts of the proposal. But it's not quite true, as we view the 200th year of our country, that every problem approached by the federal government has in some way made it more difficult to resolve that problem.

Had the federal government not undertaken initiatives in the fields of mental retardation research and mental health, we'd be paying a much higher cost today for those in institutions, because at one time we didn't believe that much could be done with mentally retarded people. Mental hygiene has improved tremendously since we took the people out of the warehouses we used to call asylums. We now treat them in community arrangements which are much more economical than the old warehouses. I could also point to the programs for the deaf. The National Technical Institute for the Deaf put people into highly technological skilled areas who were never before able to move into those areas. It isn't true that every problem that becomes a national need has been a failure.

But, the inordinate growth rate at local and state levels is not so much welfare, which is bad enough, but Medicaid. Here's a program where the federal government absolutely regulates, administers and determines what must be done and what can be done by the medical profession and the institutional care facilities. Growth of that program is making it impossible to write a county budget; county executives are unable to provide police, fire, sanitation and transportation services because they are mandated to spend tremendous amounts for Medicaid payments.

Now, no one is more protective of their tradition of home rule than the mayors. But they are forced to accept people who become eligible because of income standards and must meet payments at the level of the invoices rendered by the practitioner or institution. We must be relieved of the needless practice of "medical mills" that specialize in this type of, not care, but invoicing, and use the system to give less care to needy people than they recieved before, but at higher and higher costs.

That's what's wrong with the system in Washington and we can't escape it.

I would also point out that we run into court actions where we are hit with the intent of Congress or the intent of regulations, and we're told that we cannot provide administrative relief or do a sensible thing because that's against the regulation or the guideline or the law. So, we are hapless and helpless in the face of an impossible situation.

We have more than a million illegal resident aliens in the metropolitan area of New York, New Jersey and Connecticut. Those illegal resident aliens are not the fault of any of the States; the Immigration and Naturalization Service can't cope with the influx of aliens. And we are powerless to deal with them because we are told, if they come to the door and ask for welfare relief, they must receive it. It's a federal responsibility to relieve us of the illegal resident alien problem.

Under the Cuban refugee program, the federal government hastily moved to provide relief to the State of Florida, and the Cuban immigrants there have become a highly productive force. But that's not true of the more than one million illegal resident aliens in the State of New York. We simply cannot afford to provide the facilities for those people because we're going broke. We had to ask the federal government to borrow money to maintain our second highest cost after debt service, welfare. We are stripping our educational system bare, we can't afford to build housing, we can't put up capital for public works to put laborers on the job, because we're saddled with one million people who are, by federal law, receiving schooling and all other services from our State.

GOVERNOR GEORGE BUSBEE: When I read this report, and I have studied it in detail, I figured that we probably had a bucket of worms. But I think this is the most comprehensive and in-depth report of any committee that I have seen since I've been a member of the Governors' Conference. I share with Governor Longley the belief that we can do much at the state level, but to sit here and kid ourselves that we adminster these programs . . . it's true, but we administer each one of these fragmented human programs under federal regulations, and you can't get all the regulations for each of these separate programs on this desk.

When you look at SSI and AFDC and the food stamp programs, coming from different agencies at the federal level, I don't think we can just continue to try and administer as best we can under this maze of regulations. We are talking about a total human needs program, and we cannot officially administer it at this time.

When you talk about error rates, I think you have to consider whether that State has gone to a flat grant process. That will eliminate a lot of error rate, but it does not reduce the total cost. If you read the section starting on page 16 of this report, "An Administrative Nightmare: Eligibility Determination," you will see where some of the problems are.

To sit here and criticize some State's error rate without looking in detail at what that State is doing is not the answer, because in a State with itemized need grants, an eligiblity worker will find a family to be qualified under AFDC today, but the grandmother moves in tomorrow, and that makes an error.

If anything is going to be done to reform this fragmented welfare program, we as Governors ought to work together to come up with a solution. We certainly have a good starting point with the report from the Human Resources Committee. If there is any problem with this report, we ought to have amendments to it and not shoot it down. It's the most comprehensive report ever written in the Governors' Conference.

GOVERNOR GEORGE R. ARIYOSHI: I want to make two points here. Number one, I think for us to assume that the federal government is not involved is very, very wrong. We administer the programs, but the federal government is deeply involved. We're not talking about taking something that is administered by the State and transferring it to the federal government.

Number two, every State, every locality is not impacted equally. Some States and jurisdictions carry a heavier load because people move into these areas. Hawaii happens to be one of those States. I feel that the cost of carrying out the program should fall more squarely on the federal government than on the state government. We are powerless to cope with the movement of people from one State to another to receive these welfare benefits, and the federal government has to shoulder a greater portion of the fiscal responsibility.

GOVERNOR SHAPP: First of all, we hear all the time what is the cost of this or the cost of that; cost, cost, cost, and it's a very important thing. But very seldom do we sit down and measure value against cost. I think that in the welfare area the value of having a simplified, uniform system throughout the country is going to far exceed whatever increase there might be in cost. The administration will be simplified, the present and future benefits will greatly increase and our entire society will benefit.

In response to some of the comments you made, Arch, the federal government is involved in many things we do. I would hate to think what would happen to the Interstate highways if there were no federal regulations. If we built our roads in Pennsylvania to join some roads that you had in West Virginia, and there were no federal regulations, we might get to the border a mile apart with differnt kinds of roads.

This is somewhat true with the present welfare system. We do have different standards in our States, and our people are not getting similar benefits.

I think it's important that we not attack a system of reform because its proponents come from States with the biggest welfare problem, and the highest error rates. These error rates do not really show the magnitude of the problem. Most errors are purely technical. We have had names misspelled, addresses wrong; perhaps less than 20 percent of all the errors that are recorded have anything whatsoever to do with welfare services.

GOVERNOR APODACA: Mr. Chairman, as I read the policy statement, the term national income maintenance is used as a guide to establish some benefits. Then further on, the statement says, "recognizes that differences exist among the States," and, as a result, may be cause for some regional concept.

I think that terminology spells out some of the problems that maybe we haven't addressed. We are trying to make welfare a national problem and a national concern, but maybe we should look the other way.

For example, at the end of 1975 New Mexico's per capita income was 48th in relation to the other 50 States. If a national income maintenance program were based on regions, New Mexico would be thrown in with the State of California, which in the same year ranked in the upper 10 States in per capita income. It becomes more and more difficult to try to implement a welfare program throughout the country, when there is such a great difference in the financial ability of each State. I think the Governors' Conference should consider the possibility of recommending to Congress that the total responsibility for health and social services be returned to each State, and that revenues be made available to each State very much like revenue sharing, so that each State has the total responsibility of running the program, identifying the needs and making payments to recipients.

A national policy with each State asked to administer each program individually can never be totally functional. I would hope that the Conference might consider a very definite request of the federal government that the entire responsibility be placed in the hands of each State independently, and that revenues for these programs be made available through a revenue sharing program.

GOVERNOR EARL B. RUTH: Gentlemen, while I realize what this report could accomplish in resolving budget problems, I'd like to point out two things.

First, it's extremely inconsistent to talk about decentralization of power on one hand and increasing the federal participation in welfare on the other. Second, I vividly recall that all the better federal programs have a watchdog, and that watchdog always consists of a State, a bank or some agency which participates financially with the government. I hate to think how the federal government would administer this program if they didn't have the State as a watchdog.

GOVERNOR JAMES A. RHODES: Mr. Chairman, I want to congratulate Governor Andrus and yourself for preparing this report. I think it's excellent.

I'm going to disagree with everybody in the room. I don't think it goes far enough. The margin of error was mandated by the federal government. Fifty percent of the social worker's time is spent in paperwork that's been advocated by the federal government. We watched the federal government take over programs for the blind, the aged and the disabled. We're doing much better. Social security is much better administered. In the welfare area we have a two-headed government, and it's never going to work, regardless of what we adopt here. We'll continue to have the same problems.

One of the report's most humanitarian efforts is the standardization and equalization of welfare payments and the standardization of job requirements. But we have to go much further. I think the federal government should take it all over. In Ohio welfare doubles every five years. Maybe 25 States can comply with what the federal government mandates on 50 States, and we have a continuous controversy every year. The most damaging thing is that if the States do not comply, the federal government imposes a penalty, and the penalty is always money.

When tomorrow comes, I'm going to make a motion that the federal government take over welfare, all of it, not just part of it. I think the federal government has been successful in the three or four areas it has taken over, and I don't think going from 50 to 75 percent is the answer. I'd go from 50 to 100 percent.

GOVERNOR LONGLEY: I don't think anybody has suggested that this isn't a great report. The Human Resources Committee deserves great credit. What we're trying to do is make it better. We talk about freedom of the individual, but the States have lost much of their freedom and their ability to make things better within their borders. All that I'm pleading for is that the States not lose more of their individual rights to determine how best to serve their citizens.

I'm basically opposed to forced marching, forced feeding, and Washington forcing us to do it the federal way. That's why we have so many problems with welfare today. We have people going to Hawaii because they want to be on the beach, or moving to New York City, or even skiing in Maine in the winter, and we're finding it difficult to get them to work, because they are getting more for not working.

Washington has created this problem for us, but let's make sure our prescription for a solution doesn't tie our hands further in correcting the problems that have been thrust upon us and taking away our freedoms. We are now in a society that's much larger, that protects the people who break the laws or ski in the winter, or go to Hawaii to find the sun. By the same token, we Governors have a responsibility to help New York City with its million people who are there illegally. We have a responsibility to help the Governor of Hawaii with people from our States who choose to go out there and enjoy the sun. And, yes, you have a responsibility to help me as Governor of Maine, because we'd have an even greater improvement in our State if our hands weren't tied on benefits.

We've got teachers drawing unemployment, we've got hot lunch personnel drawing unemployment during the Christmas vacation. Washington tells us we've got to pay them unemployment when they really don't want to work at all. So let's make sure if we ask Washington to help address the problems that we don't further restrict our abilities to govern ourselves.

GOVERNOR EVANS: I detect a strong feeling that Washington has helped create the problems. I doubt there is much disagreement that in some way we'll have to return to Washington to help resolve them.

We will have to deal specifically with the set of principles and directions which are in this report. The next stage will be working toward a more specific set of policies that can be presented to Congress in a national forum, where unquestionably the resolution of the welfare problem has to occur.

GOVERNOR EXON: I want to thank Governor Andrus, and you particularly, Mr. Chairman. You were the lead in this, Governor Andrus has come along and taken over, and I think you've done a tremendous job.

I think everyone around this table knows that we have a national welfare mess, whoever is responsible. While the report may not be perfect, I certainly am going to support the recommendations of your committee which has done a tremendously thorough job on the best report that I have ever seen come before this National Governors' Conference. It can best be summed up: We have a mess, and whether or not the solutions you offer are the right ones, it couldn't possibly be any worse than the situation we have now.

GOVERNOR EVANS: I am going to turn the session back to Governor Andrus, and my only comment is that this report was never intended to be a perfect document. Even Thomas Jefferson accepted amendments to his Delaration of Independence.

GOVERNOR ANDRUS: Thank you very much, Governor Evans, and thank you members of the Conference, for the kind remarks that have been directed toward our committee. The welfare situation has been a source of political rhetoric and campaigning, both in and out of office. We have discussed it each and every year that I have attended these meetings, and this is my sixth. The Human Resources Committee worked long and hard. The members were diligent in their efforts and their time. There are people on this floor today, members of this Conference, who advocated total takeover by the federal government. It's a mess, we don't want it, you take it. Some of us said no, we do not feel that way. I admit there are clearly two sides to it. But we did not want this report interpreted as us saying to the federal government, you take it over.

We're not advocating that we give up the controls, but it's a little ridiculous to look at eligibility workers working on food stamps and different eligibility workers working on welfare. We're talking about melding these various programs so that they are workable.

Hopefully, you will take the time to look at this report before tomorrow, and we can discuss it tomorrow, but I hope that you won't lose sight of what we're suggesting. It's not a suggestion that we throw it all to the federai government.

Now, Governor Rhodes has support for his motion. I don't happen to feel that way, and that is not what the committee advocates, but a lot of people do. We think we can improve on it, but we need your help. The responsibility is ours, or the federal government is going to take it over anyway, and then we'll be in a worse mess.

CHAIRMAN RAY: Cecil and Dan, thank you very much, and I want to add my compliments for the work you and the committee did. Whether you agree in total or in part or not at all, you have to admit these people did a terrific job in bringing us a proposal that makes some sense, that we can all understand and that, if pursued can, in my opinion, improve a situation that is deplorable.

I would like to ask Governor Moore, Governor Holshouser, Governor Evans, Governor Noel and Governor Askew to serve on the nomination committee, please. It won't take an awful lot of your time, but it's rather important as we look ahead to next year. Governor Moore, will you get these people together and report back tomorrow.

All of you are expected, of course, to go to your committee meetings that will follow immediately after recess here. Committee chairmen, please report to Room I between 3 and 3:30 this afternoon to meet with the press.

You also have a packet of proposed policy statements with a pink cover. These are being submitted by individual Governors. They will require a three-fourths vote if they are to come before this floor tomorrow. In addition, Governor Thomson has a policy resolution that has been handed out. There is another one on revenue sharing that will be handed out to you before you leave here.

It is now 12:25 p.m. and we'll recess. You'll have lunch at your committee meetings.

SECOND PLENARY SESSION

July 6, 1976

CHAIRMAN RAY: I want to call this second plenary session of the Sixty-eighth National Governors' Conference to order. If those of you who are wandering around the room would please take your seats—not on the table—we'll start this session.

This morning, we have a very special person with us. Jim Hartz joined the NBC Television Network's Today Program two years ago. At that time, he was a 10-year veteran of NBC News, and his assignments as reporter and anchorman ranged from moon landings and the war in the Middle East to transit strikes and civil disturbances.

During the past year, he traveled to 40 States for the Today Program series of the American bicentennial telecasts which began on July 4, 1975, in Washington, D.C., and continued with weekly two-hour broadcasts in each of the 50 States. The series came to a close last Friday with a two-hour program in Philadelphia.

This summer, Jim Hartz will be presiding over the Today Program's coverage of the national political conventions. After that, he will be traveling co-host of Today and anchorman of other NBC news projects. It is my pleasure to present to you Jim Hartz.

JIM HARTZ: Governor Ray, other Chief Executives, wives and honored guests. I am here to present to each of you a videotape of the bicentennial broadcasts which originated from each of your States. Our series began on July 4 last year, and for 53 weeks we broadcast from different States. It was a unique series. We never intended it as a definitive study of the history of each State. We hoped that we could do a little more than scratch the surface and, by scratching the surface, discover some of the substance below.

The tapes are intended for your state archives and are designed to preserve a record of the culture, the lifestyle, history, politics and physical beauty of each of your States as they existed on the nation's 200th birthday.

This year I traveled nearly 200,000 miles and visited nearly all the States, and I came away from the experience with a new hope for the nation. We found serious problems, but everywhere I went I also found a spirit of optimism and vigor. And often I found the strongest leadership, the best ideas and deepest concern among the nation's Governors. You all have a right to be proud of your achievements, and you have good reason to be hopeful for the future.

On behalf of NBC News and the Today Program, I wish each of you a happy Bicentennial, a happy birthday. We hope you enjoy our series and, Governor Ray, as Chairman of the Governors' Conference, I would like to present to you the first of the recordings of the broadcasts. The remaining 49 will be presented at special observances in your home States.

REPORTS OF THE STANDING COMMITTEES

CHAIRMAN RAY: Jim Hartz, thank you very much, and thank you for covering our States the way you did. I would like to call for the reports of the standing committees now. We are going to do this in reverse order today, because the ones who come last have indicated a desire to go first once in a while. First on the program, then, is the report of the Transportation, Commerce and Technology Committee chaired by Governor George Busbee of Georgia.

GOVERNOR BUSBEE: The Committee on Transportation, Commerce and Technology has been extremely busy since the New Orleans meeting. Each State has been assigned one policy area to work on during the year. The various members of the committee have testified on frequent occasions before Congress. We had input in much federal legislation and regulation, including aviation, highways, railways and rapid transit.

You have before you the proposed policy statements which were mailed to you from the committee on June 18 and the supplemental report of the committee which was adopted here in Hershey. I will go through all the amendments that were adopted here in addition to the ones that were mailed to you, and then, unless there is an expressed desire to take up some issue separately, I will move to amend the previous policies with the committee changes.

We have completely rewritten the entire policy outline. We have separated transportation policies, categorized all subject matters by areas and removed the conflicts. A complete rewriting was necessary to meet the changes that have been made in policies, regulations and legislation.

Now, going to the first change on page 3, the transportation committee wants to add the following language: "The commission is encouraged to consider . . . (A) block grants to the States for transportation and (B) preemption by the States of a portion of the federal motor fuel tax."

The amendments are shown in the supplemental report in front of you, which adopts both alternatives on transportation funding. This means we will continue to call for a unified transportation trust fund, and will support the national commission to study transportation needs and resources as provided by the 1976 Highway Act (PL 94-280).

The next committee amendment concerns F-2 on page 13. It adds a sentence that reads: "Failing such action by these federal agencies, the Governors request congressional action to secure continuing funding from the federal level." The federal government has served notice that it intends to cease funding for the administration of the highway safety program. This resolution simply calls for congressional action to ensure such funding. I don't know how much that amounts to in your States but this would cost my State about $200,000.

The next amendment urges the President to sign the aviation bill which is now on his desk. This is badly needed because the funding for the present program has expired. (The bill is now PL 94-353.)

The next action is the statement recognizing the need for regulatory reform in the aviation industry. We continue to support the principle of user financing in aviation, and even though Congress did not approve departure fees for general aviation, which were very controversial, we left our objection to such fees in the policy statement.

We recognize the need for regulatory reform that would remove artificial and unnecessary economic constraints, increase efficiency in the airline industry and provide consumers better air transportation services at lower costs, while maintaining the present high level of safety. The statement goes on: "The impact of regulatory reform proposals on small community air services should be carefully evaluated along with companion proposals to promote and support the development of commuter air service."

The next amendment in rail transportation adds a new paragraph: "Congress should require higher operating standards from Amtrak and should consider the development of advanced rail technology similar to that presently being done in Europe and Asia through increased efforts at the Federal Railroad Administration test facilities in Pueblo, Colorado."

The next amendment in water transportation simply removes the proposed changes to the policies on waterway funding, and leaves the policy as it now is. We did not adopt the policy that we mailed out to you.

Under the Urban and Rural Public Transportation section, we recognize the need to promote the efficiency of transportation services, and support the formula concept under Section 5 of the 1974 amendments to the Urban Mass Transportation Act. Any limitations on the use of these funds for operating assistance should be set at the state level.

In that connection, the Administration proposed that not more than 50 percent of Section 5 funds be used for operating expenses. There was strenuous objection to this proposal and it was deleted. Our amendment recognizes the need for additional capital expenditures. In the various States there are various needs for capital outlays and for operating expenses. The amendment says that this should be determined at the state level.

The next concern is the negative impact of the Department of Labor's interpretation of Section 13c of UMTA. The required sign-off on transit projects by the Department of Labor has caused unreasonable delays and our amendment opposes that provision.

Under the Travel and Tourism section, a new paragraph is added which would create another department, bringing together everything in the federal government having to do with tourism. The paragraph reads: "Since international tourism has become a major factor in the nation's balance of payments and since federal involvement in tourism includes more than 50 agencies and 100 different programs, the Governors call for the creation of a Federal Department of Tourism."

Our last proposal, state partnership with federal government, I'll have to take up later under a suspension of the rules. If there are any questions concerning any of these policy changes, I'll be happy to try to answer them at this time.

GOVERNOR MIKE O'CALLAGHAN: Do you mean another cabinet level department for tourism?

GOVERNOR BUSBEE: Well, I would have to confine myself to the language as written and not interpret it, but it does provide for a Department of Tourism at the federal level. Now, I would assume that means a cabinet-level position. A department would bring together all 50 national agencies that are now engaged in some form of tourism acitivity. We have been concerned with industrial development and economic development, but tourism is becoming bigger and bigger, and the federal government is more and more involved, and it needs to come under a single agency at least.

GOVERNOR O'CALLAGHAN: I certainly agree with that, because Nevada depends on tourism, but to create another department in the federal government worries me a little bit. I think all these agencies should be combined within one of the present departments such as Commerce.

GOVERNOR RAY BLANTON: I'd like to respond to that. Tourism is a growing business and can grow much more in the future, but we are the only western nation that does not have a Department of Tourism designated as such. We have a hodgepodge of programs that do not accomplish the job.

GOVERNOR CYRIL E. KING: Mr. Chairman, F-8 reads in the last sentence: "In fact, tourism is among the top three industries in 46 of the 50 States." I should like to add something which indicates that in the U.S. Virgin Islands, tourism is the No. 1 industry. It seems to me appropriate that this fact be made known in very specific terms.

GOVERNOR BUSBEE: You're proposing to add to the policy statement the fact that tourism is the No. 1 industry in the U.S. Virgin Islands, is that correct? I have no objection to it.

GOVERNOR BOND: Mr. Chairman, many of us in our States have gone through reorganizations to cut down on the number of cabinet-level or departmental agencies and have incorporated and recognized tourism as an essential part of our commercial and economic development. I note that at least one presidential candidate is talking about reorganizing the federal government to cut the number of different independent agencies. To place the National Governors' Conference on record as urging the establishment of a new department would be directly contrary to our own reorganization efforts in our States. Recognizing the importance of tourism does not require us to establish a separate department for it.

GOVERNOR BUSBEE: As far as cutting down on the number of agencies, Governor Bond, you would cut down on the 50 agencies that now have something to do with tourism, and put them in a single agency, whether it's department level or not.

GOVERNOR BOND: You should put them together in one location within an existing department.

GOVERNOR BUSBEE: All right.

GOVERNOR O'CALLAGHAN: My State entertains 28 million visitors a year. Tourism is very important to my State, but so is good government, and good and efficient government does not require that we add a new department every time we have a major problem. All these agencies could be placed effectively within the Department of Commerce. For that reason, I have to object to the creation of any new departments.

GOVERNOR ARIYOSHI: My State is very dependent on tourism also, but all the States involved in the tourist industry have different attractions, and I'm not sure how a single agency within the national federal government will be able to cope with this. I really feel that promotion should be left to the individual States that can sell their individual advantages. I don't see the necessity for this particular policy.

GOVERNOR CAREY: On the Urban and Rural Public Transportation policy, the State of New York wishes to express a strong reservation to the language chosen by the committee which would place a limitation of funds for operating assistance and subsidies. We do not differ with the need for capital improvement; this is the key to the problem. Those of us whose systems of urban mass transportation serve the constituencies of more than one State are grappling with the grievous problem of an obsolescent system which is costly to operate. We don't want to lose ridership on these systems while we are attempting to make capital improvements. So we favor current legislation which gives us maximum flexibility in the use of funds for operating assistance and subsidies while we make capital improvements. For that reason, we would strongly oppose anything that puts a further limitation on the funds that are all too scarce for operating assistance.

GOVERNOR BUSBEE: Governor Carey, we have an inventory of capital needs for rapid transit throughout the United States. The Administration proposed that Section 5 funding be limited to 50 percent for operating needs because all these capital outlays are not being met. We are opposing this position. We recognize the capital needs in the nation as a whole but we also recognize that in your area, the particular operating needs exceeds this 50 percent. So, we have urged that any limitation on operating amounts be placed at the state level. That's the way we resolved it in the committee, because many felt the same way you do.

GOVERNOR CAREY: That's the clear intent of this language then, to give maximum flexibility to the States?

GOVERNOR BUSBEE: That's the intent of it.

GOVERNOR THOMSON: New Hampshire is also a tourist State, and we derive a lot of income from tourism, but we would be opposed to the creation of a new federal department. I move that that part of the amendment that deals with the creation of a federal department of tourism be stricken.

GOVERNOR RICHARD D. LAMM: I'd like to offer a substitute to that last amendment dealing with the same section.

GOVERNOR THOMSON: Mr. Chairman, may I just make it clear to the other Governors that in F-8 is the provision that would create a federal department of tourism, and my motion is to remove that.

CHAIRMAN RAY: I think that's understood. Is there a second to that motion?

GOVERNOR JAMES EDWARDS: I will second the motion.

GOVERNOR LAMM: I would offer a substitute motion. Instead of deleting the provision altogether, I would say: "The Governors call for the consolidation of all agencies dealing with tourism into one agency with increased visibility."

The idea the committee was trying to get at is increased efficiency and visibility and consolidation. Organizationally, it would be improper for the Governors' Conference, which has a great interest in governmental efficiency and reform, to go on record in support of adding another department. I think I'm trying to get at the same thing that Governor Thomson is, but in a different way.

CHAIRMAN RAY: Is there a second to that?

GOVERNOR BOND: Second.

GOVERNOR THOMSON: I would be willing to withdraw my motion, but I would like to suggest that the language be very clear. I think perhaps we should end the motion at "consolidation of all agencies relating to tourism," and leave it up to the federal government how to do it.

CHAIRMAN RAY: Is that acceptable, Richard?

GOVERNOR LAMM: I'm sorry. This is a joint amendment, and we're working it out. The increased visibility was one of the things that was added.

CHAIRMAN RAY: I would think, Governor Thomson, you would probably buy that, wouldn't you?

GOVERNOR THOMSON: Yes.

CHAIRMAN RAY: Any more discussion?

GOVERNOR JAMES EDWARDS: Could you say in one existing agency?

GOVERNOR LAMM: I think that's what I'm trying to get at, and I like that wording better; one existing agency.

CHAIRMAN RAY: All in favor say aye; opposed no. The motion has carried. Now, we have a motion to approve all the amendments, with the changes on tourism and the Virgin Islands. In favor aye; opposed no. The motion has carried.

GOVERNOR BUSBEE: Mr. Chairman, I now move for the adoption of the report, as amended.

CHAIRMAN RAY: The motion has been made to approve the report, as amended. Was there a second?

GOVERNOR WILLIAM G. MILLIKEN: Second.

CHAIRMAN RAY: Moved and seconded. Any discussion? All in favor say aye; opposed no. The report is accepted and approved.

GOVERNOR BUSBEE: Mr. Chairman, I want to explain the significance of our proposal on the state partnership with the federal government. The U.S. District Court ruled on April 28 that organizations representing state officials are not exempt from the requirements of the Federal Advisory Committee Act. That means—even though the American Association of State Highway and Transportation Officials was the organization cited—that before any task force working on legislation can meet with any federal department to discuss it, a notice of the meeting must be published in the Federal Register.

This matter came up in Mississippi. Governor Cliff Finch is not here, but the situation concerned sandhill cranes. I thought that was something to do with highways, but it's a bird, and its nesting place is about extinct. State officials wanted to discuss this with the Department of Interior, but the head of the state highway department couldn't even go to the Department of Interior and discuss the problem. This would be equally true, in my opinion, of a Governors' task force. AASHTO is appealing the case and this resolution will allow the Governors' Conference to intervene.

CHAIRMAN RAY: Thank you, George. The second report is from the Rural and Urban Development Committee, chaired by Bob Bennett of Kansas.

GOVERNOR ROBERT F. BENNETT: The Rural and Urban Development Committee really used most of its time to rewrite and, hopefully, simplify a rather long and outdated policy statement. There were some amendments, some semantic and some substantive, that were made yesterday at the committee meeting. Essentially, we dropped the old policy on new communities and programs that do not seem to be moving and a very generalized policy on population distribution, and then we tried to regroup and shorten the remaining policies.

We added policies on conservation and redevelopment, on special disaster assistance for the less populous communities and States and on consolidation of federal programs for community development. At yesterday's meeting, we voted to retain previous policies on the stability and equality of resource earnings for agricultural production, on the elimination of precipitous government interference with agricultural imports, and on predator control. These amendments are in the supplement to the policy statements of the committee.

We added one other policy that is totally new and will require a suspension of the rules. Mr. Chairman, for the purpose of discussion, I move the adoption of these policies as amended.

GOVERNOR EXON: I second it.

CHAIRMAN RAY: It has been moved and seconded that we adopt the policies as amended. Discussion?

GOVERNOR DAN WALKER: I'm curious about what the new language under the National Agriculture Development section means. I don't understand what this appointed body is that's going to apply specific programs in the area of agriculture, or what this appointed board's relationship will be with Congress, the President or the Department of Agriculture.

GOVERNOR BENNETT: Like most of the policies this organization adopts, this committee's are a result of compromise rather than conviction in altogether too many instances. Some of us on this committee were not totally intrigued with the Food and Fiber Board per se, or the possibility of creating another board that, as someone said, might kill pigs and plow up cotton . . . or peanuts.

In an effort to arrive at a compromise, we referred to an appointed body, and deleted the old words that were a little more specific about developing some government bureaucracy to address the mechanics of agriculture.

GOVERNOR WALKER: Mr. Chairman, I don't want to prolong the proceedings. If nobody else is concerned about this, I'd be willing to let the matter drop, except I'm not in favor of creating some kind of an appointed body that somehow will have powers that the President, Congress and the Department of Agriculture now have.

GOVERNOR BOND: I move the deletion of the sentence: "The application of specific programs so as to meet these specific goals would best be performed by an appointed body."

GOVERNOR WALKER: Glad to second the motion.

GOVERNOR BENNETT: I will yield to the distinguished Governor from Nebraska.

GOVERNOR EXON: To answer the question that has been raised by Governor Walker of Illinois, this appointed body would help develop long-range policy and planning for agriculture. We do not have a national energy policy today, and we certainly do not have a national food policy. This board would be appointed by the President and confirmed by Congress, and would assist the Department of Agriculture in planning for the future, so that we have a national food plan. Certainly, in the past we have never had long-range planning for agriculture, and it's the feeling of myself and the majority of the committee that this is necessary. It's generally a policy that has been approved by this Conference on many occasions, and by you, Governor Walker, at our Midwest Governors' Conference meetings.

GOVERNOR WALKER: I have absolutely no objection to what you said, Jim, but I don't believe this policy says that. It says: "The application of specific programs would be performed by an appointed body." That doesn't sound like planning to me. I'm all in favor of long-range planning and development of national agricultural policy, but I'm unwilling to create an appointed body that's going to apply specific programs, because that's the function of the Department of Agriculture.

GOVERNOR EXON: Before we vote on your motion, Governor Walker, I would certainly like to suggest that we include different words in the policy, and that might have to be a substitute motion.

GOVERNOR JULIAN M. CARROLL: Mr. Chairman, I offer a substitute motion that would change just two words and reflect the intent of this discussion. I would substitute the word "planning" for "application" and change the word "performed" to "developed" so that the sentence would read: "The planning of specific programs so as to meet these specific goals would best be developed by an appointed body."

GOVERNOR EXON: I'd like to second that.

GOVERNOR WALKER: I'd be glad to accept that. I think it's a very good suggestion.

GOVERNOR BOND: Mr. Chairman, I think an appointed body or any other kind of advisory body might be helpful, but to put us on record as saying that nobody can develop a policy for agriculture other than an appointed board is a little bit ridiculous. That is what the substitute motion says, that agricultural policy can best be developed by an appointed body. I will stay with my original motion to delete the sentence.

CHAIRMAN RAY: Any other comments? This will require a two-thirds vote.

GOVERNOR EXON: Mr. Chairman, we're getting all involved here in wording, which we have a tendency to do. I don't know that there's great disagreement among us on this. Different people read different words in different ways. Certainly, it was not the intention of the committee to say that anything that's done in agriculture has to go before this planning group. I think we should correct any impression in that regard.

Before we vote on this substitute motion, in the effort to cooperate, is there some way of correcting the policy? Governor Bond is obviously against the planning group. However, there should be no implication that nobody can do anything in agriculture except this group. Could we correct it in the substitute motion, Governor Carroll?

CHAIRMAN RAY: Well, Governor Bond, if we delete the two words "would best" and put in "might be," could you accept that?

GOVERNOR BOND: I think we have more important things to do Mr. Chairman, and it might be not as objectionable.

CHAIRMAN RAY: Could you include in your substitute motion the words "might be," instead of "would best," Governor Carroll?

GOVERNOR CARROLL: Yes.

CHAIRMAN RAY: We have just included in Julian Carroll's motion the words "might be," instead of "would best." All in favor of the substitute motion signify by saying aye; opposed no. The motion has carried.

Now, the motion before us is to adopt all of the committee's report except the very last amendment which requires a suspension of the rules. Discussion? All in favor signify by saying aye; opposed no. The motion has carried, the report is adopted.

GOVERNOR BENNETT: Mr. Chairman, at the meeting yesterday, the committee added language increasing exemptions in the federal real estate tax, but this amendment was not sent out to the Governors in advance of the meeting. I move that the rules be suspended so that this amendment may be considered.

CHAIRMAN RAY: That suspension will require a three-fourths vote instead of two-thirds.

GOVERNOR EXON: Second.

CHAIRMAN RAY: It has been moved and seconded that we suspend the rules to consider the amendment. We'll take a vote. All in favor say aye; opposed no. The rules are suspended.

GOVERNOR BENNETT: Now, Mr. Chairman, the amendment merely puts the Governors' Conference on record as favoring an increase in the federal estate tax exemptions from $60,000 to $200,000. These exemptions have not been adjusted, I believe, since 1948, and are very oppressive, particularly in agricultural communities where land values have gone up. So, I now move that E-3 be amended to include the new language.

GOVERNOR EXON: Second.

GOVERNOR PHILIP W. NOEL: I basically support the language that's being recommended. I hesitate to vote in favor of it, though. Rhode Island is an industrial State that's had some special problems with the cost of power and high levels of unemployment. The State needs special assistance to help with that dilemma, but I've not had much sympathy from some of the gas- and oil-producing States and the agricultural States in the efforts that I have made to get some support for those kinds of programs.

We probably have three small farms in Rhode Island that would benefit from increased exemptions. I just want those of you from the farm States to know that I am going to support this one, and I'm going to count noses when we get to the unemployment compensation recommendation.

GOVERNOR EXON: Maybe an explanation is in order. The increase in the exemption would not only apply to the farms that we have mentioned but also to all other small businesses. Pending legislation would raise the exemption for all in this category. That would benefit those small businessmen who are paying excessive amounts of money to unemployment compensation.

CHAIRMAN RAY: Since Governor Noel said he is going to vote for it, we'll call for the vote quickly. Any more discussion? All in favor say aye; opposed no. The motion has carried. For the Committee on Natural Resources and Environmental Management, Governor Salmon of Vermont.

GOVERNOR THOMAS P. SALMON: Thank you very much, Mr. Chairman. This committee has been busy. Many of the items that we considered this week represent the essence of simplicity. We will not review them here. I'll touch only on three items that sparked some discussion and, in certain instances, some controversy.

First, the proposed amendments to our National Energy Policy. The new language comes from Governor Dick Lamm and is fundamentally reflective of the efforts of the committee and the Governors in attempting to influence, and quite successfully, in my view, a broad scale of national legislation adopted over the years.

This is States' rights language. The amendment says that the laws and regulations and the local situation must be adequately considered by the federal government in its policy programming and in its ultimate determinations.

Second, amendments to the Clean Air Act concerning significant deterioration. The committee discussed the issue at great length. The amendment, if adopted, will call on Congress to move with great dispatch to take action on the 1976 amendments to the Clean Air Act.

The Environmental Protection Agency's jurisdiction has increased considerably, so much so that the agency found itself in the position of actually vetoing classification of land areas by States for maximum or minimum protection under the three-tier formula that was put together several years ago. We're living in a situation of government by regulation, as opposed to government by statutory determination. That's the view of our committee, that the buck stops with Congress, and it should move to approve clean air amendments with the utmost of dispatch. We hope you agree.

That brings us to an old chestnut entitled natural gas. The amendment before you is rather comprehensive. It's essentially been here before, but let me reiterate for the record some of the highlights.

Because there is so much mythology in this country about natural gas and so much confusion, so much heat and so little light, let me state just a few facts of life. U.S. production of natural gas peaked in 1973, declined 5 percent in 1974 and 7 percent in 1975. With respect to curtailment records as projected by the Federal Power Commission, we've moved from one-tenth of a trillion cubic feet in 1970-71 to 3.6 trillion cubic feet, estimated by FPC in 1976-77. Interstate curtailments were 20 percent of demand this year and are projected to be 25 percent of demand next year.

Now, we're withdrawing more gas from U.S. reserves than we've added through discovery since 1967. At current rates of production, many observers believe that our present improvement in reserves will last only a short 10 years. It's true that interstate gas wellhead prices have gone up 24 percent between 1961 and 1971, but average drilling costs per foot of well depth have increased by 57 percent.

The resolution before you goes to the issue of phased deregulation of natural gas, and the big word is phased, as opposed to abrupt. Interstate gas is, of course, currently frozen under existing regulations at 52 cents per thousand cubic feet. In Vermont, we're not tied in to any gas pipeline at all. We're going to be paying $1.93 per thousand cubic feet.

If our resolution were followed by Congress, the price of interstate gas would increase from 52 cents per thousand cubic feet to one to two dollars. However, contracts which generally run 15 to 20 years would be phased out as they expire at a rate of about 8 percent a year, based on the best evidence the committee can determine. And the wellhead price of gas is generally less than a fifth of the delivered price of gas to the residential consumer. Following this analogy, a 100 percent increase in the wellhead price will increase the delivered residential price only 20 percent in most instances.

I personally support this policy statement for several reasons, one of which is that it's about time this country moved toward equal energy pricing. It's about time we took a leaf from the Canadians' book and moved toward pricing in terms of Btu equivalency. We've essentially done this with oil. The price of coal will ultimately seek an appropriate level, and there is no rational basis whatsoever for regions like New England paying $1.84 for a million Btus of residual oil, and other States and regions paying only 52 cents under the regulated arbitrary federal price.

Two additional amendments to the natural gas policy statement were accepted by the committee. One by Governor Lucey urges Congress and the Administration to move with the utmost dispatch toward a second pipeline for natural gas. Without attempting to choose where the routes should lie, the amendment spells out a clear, crisp timetable for making a decision on the Alaskan gas pipline.

The other amendment reads as follows: "A program should be developed which would commit new supplies of gas which are sold to interstate pipeline carriers in such a way that inequities among regions are reduced." What does that mean? I sense it means that there should be some kind of equal opportunity to bid competitively for new gas. I think it's just as simple as that. Does that mean an allocation program or disruption of historical patterns? Not necessarily. On the best evidence our committee can cull, there are some inequities. As we move toward creating greater stimulus for the production of gas in this country, and reversing the trend of the past six or seven years especially, we ought to take a long hard look at the inequities while we go this route.

Mr. Chairman, under the rules, I believe it's necessary to first ask approval for the committee amendments dealing with clean air, natural gas and the Landsat program and, for purposes of discussion, I so move.

CHAIRMAN RAY: The motion is to approve the amendments to the committee report. Is there a second?

GOVERNOR EDWIN EDWARDS: Second.

CHAIRMAN RAY: Governor Edwards seconds the motion. Discussion on the amendments only. If you're satisfied with them, all in favor signify by saying aye; opposed no. The amendments are adopted, and now for the full report.

GOVERNOR SALMON: I now move, for purposes of discussion, that the report of the committee, as amended, be adopted.

CHAIRMAN RAY: Do we have a second?

GOVERNOR MILLS E. GODWIN, JR.: Second.

CHAIRMAN RAY: Now discussion. Governor Dukakis.

GOVERNOR MICHAEL S. DUKAKIS: Mr. Chairman, I don't want to repeat all the arguments and discussion we had the last time we debated this issue. From the standpoint of New England, I suppose it would be in our self-interest to support this resolution because to the extent that we can raise prices for the rest of you, we'll thereby reduce our competitive disadvantage because of our undue dependence on foreign oil.

But, I have to say again that I don't believe this resolution is in the public or the national interest. I'm very fearful of its impact on the national economy at a time when we are just beginning, we hope, to pull out of what has been a serious inflationary period. As I said at our last meeting, what we need is responsible regulation, not deregulation of a portion of our natural gas supply. We haven't been getting responsible regulation, we've been getting very little regulation at all, and the federal agency involved seems unwilling to look at this problem in the context of responsible regulation.

Clearly, some narrowing of the gap between the price of interstate natural gas and other forms of fuel is in order, but I don't think this resolution does it in a sensible and responsible way.

What we need is what we in New England are calling responsible re-regulation, in which we continue to regulate the price of natural gas in the national market within a framework of responsible review and decision-making. Prices should be regulated to provide for a reasonable rate of return and incentives for exploration. At the same time, such regulation should not disrupt a sensitive and, at times, difficult national economic situation.

I'd also like to refer to another portion of the resolution that says there is evidence of vertical and horizontal integration within the energy industry. That is a very weak statement of the problem. Personally, I don't favor a blanket prohibition against vertical integration. But there are serious and competitive effects and they ought to be handled on a case-by-case basis. The growing tendency in this country toward multiple ownership by the same corporation of different forms of energy is very serious. I don't think there's any question that it's clearly anti-competitive to have oil companies owning uranium mines and buying coal mines.

I'm at a loss to understand why the committee did not come down very hard against that kind of multiple ownership. It seems to me beyond any serious debate that multiple ownership results in a reduction of competition and, ultimately, a very bad state of affairs for the consumers of this country.

GOVERNOR SALMON: The committee didn't come down on the divestiture issue because we didn't want to mix apples with oranges. We're talking about two different questions.

GOVERNOR NOEL: I'd like to join my colleague, Governor Dukakis, in speaking against the natural gas policy statement as proposed by the committee. A great deal of substantive work and thought went into the policy, and perhaps at some point in time I could support its concept, but it would have to be as part of a total approach to all forms of energy and pricing systems. Because we don't have that direction in Washington, and I don't see any comprehensive approach to total energy requirements, I don't have the confidence to support the deregulation proposal at this time.

GOVERNOR SALMON: A brief editorial comment. Governor Noel and I were among the strongest voices against immediate precipitated decontrol of oil, but when that deck of cards fell in Washington, D.C., we worked avidly with most of our colleagues for the best possible deal. The United States has made a decision in terms of a phased long-term decontrol of oil, and coal on a Btu equivalency basis is likely to follow in due course. It's just indefensible that the price of gas, through an artificial mechanism that does not appear any longer to be in this nation's interest, is much, much lower in many other sections of the country than it is in New England.

What we want is equity and equity only. Certainly, there is a price you pay with any resolution of this type, and the price of the product for some people will rise. I happen to believe that the long-range interests of this country are best served through equal energy pricing.

GOVERNOR CAREY: I share much of the concern expressed by Governor Dukakis and Governor Noel about the present patchwork approach in trying to reach a well-administered supply and pricing program for basic fuel. We don't have such a thing; instead we have parts of many pieces of a program like the entitlements program which was meant to ease our difficulties after residual fuel was decontrolled. This patchwork and piecework kind of thing brings the kind of inequities that you are suffering in Vermont.

I would like to see us move away from a stalemate position. Yes, we need more supplies of natural gas, but not fundamentally for the consuming public which uses that fuel for heating and light. Further commitment of supplies in that direction works against our national interest. We shouldn't be consuming in boilers and burners a commodity which is really needed to produce fertilizer and industrial products.

The amendment suggests developing a program so that supplies of gas are sold to interstate pipeline carriers in such a way that inequities among regions are reduced. Now, that's good language and the intent of it is to help us resolve the inequity that we suffer in New York, where we simply cannot get enough gas for industrial processors. Frankly, the price of the commodity is insignificant compared to the lack of a finished product.

So, we have a stalemate situation in which the gas stays underground because we can't agree on doing something about the lid price at the wellhead. I certainly think we should listen very carefully to what you've said about the total pricing structure, but it is not the major factor in price increases. Transportation is the main element.

I certainly feel that you've come a long way in trying to move past the national impasse, which shuts us off from supplies. Frankly, you're not paying anything for something that never comes out of the ground. As long as natural gas is contained at the wellhead because price regulation prevents it from being produced, such regulation is unacceptable to me.

You're going in the right direction and I strongly support the idea that regulated or apportioned programs after removing the wellhead price will help us get past the initial effects.

GOVERNOR SALMON: We agree wholeheartedly with your view that some priorities must be established for use of natural gas in this country, and inefficient, unwise usages must be phased out. We reflect that concern in the policy statement.

GOVERNOR THOMSON: Governor Salmon, I simply want to agree with what Governor Carey has said. You have come a long way, and while this policy statement is not the final answer, it is a step in the right direction. I'm glad that the discussion in the past few minutes has been among the New England Governors, so those who produce gas and oil can see that we have been educated to an important problem.

GOVERNOR LUCEY: I've also been opposed to deregulation, but I reviewed this policy resolution with my energy advisor back home. With the provision for simultaneous enactment of an effective excess profits tax, and with the language that says deregulation will be accompanied by legislative and executive commitments to determine actual priorities in the use of natural gas and promote natural gas conservation, I am now prepared to support the committee's recommendations.

GOVERNOR MANDEL: I too am going to vote for this, but for an entirely different reason. For about five years now, this Conference has been asking for a comprehensive energy policy from the national government. We haven't gotten it. We've also been asking for the true picture of the energy situation in this country, and we haven't gotten that either. I don't think anyone knows what the true picture is.

Maybe if we adopt this resolution, some of those people who know what the picture is will realize that we're sincere and give it to us. I don't know, maybe that's one way of getting it. But until we find out what the true picture on energy is we're a long way from solving any problems. So I'm going to vote for the policy, but not because I'm entirely satisfied with it.

GOVERNOR BOREN: Mr. Chairman, I think this policy statement is very well-balanced as far as the interests of the various regions are concerned. It does have elements that, particularly in Oklahoma, might not be too popular. It calls on us to meet our responsibility to shift to other sources of energy, so that natural gas can be conserved for priority uses across the rest of the country.

I personally think we should be called on to meet our responsibility, so that adequate gas supplies can be available in New York or in Ohio or in Wisconsin or Florida. The plowback provision with the excess profits tax is good because it will result in more capital accumulation, not only for gas production but also for the new sources of energy we need to find. I think this is a great step forward, and one that we should take. We can't simply sit around waiting for the long-term solution which may take several years. We must do something that will give us an adequate energy supply in the next two to five years, so that we can keep the industries of this country operating while we deal with the long-range problem.

Unfortunately, the only short-term sources of supply from our present pipeline networks are domestic oil and gas. While this policy statement will burden some of us, it will protect the consumer against any rapid price rises. It will attract new production, there's no doubt about that, and it will also actually reduce the cost of one element to the consumer, and that's the pipeline amortization. If we can put more gas into those interstate pipelines, we'll reduce the amount of cost the consumer is paying now to amortize pipelines that are running a fourth full.

Based on actual studies, the inflationary impact of this change will be very small. In fact, the cost increases could well be less than the national rate of inflation.

GOVERNOR SHAPP: I wish I could share some of the confidence my colleague from Oklahoma has just expressed, but I'm afraid I do not. One sentence in the resolution reads: "To determine the effects of deregulation, the federal government should provide for continuing monitoring and evaluation of the performance of the natural gas industry, and report its findings to Congress."

Well, the federal government could do this, but the fact is that most of the people in that agency come from the natural gas industry or allied industries and are part of the problem. These people are not going to afford a solution to any of us because, as has been shown clearly in the past few years, they represent the voice of the industry itself and not the voice of the consumers.

I am disturbed that after all these months we still have an energy crisis in this country, and still no energy policy, and I think both Congress and the Administration are at fault. But I don't see that deregulation per se is really going to accomplish what we're after. Deregulation in the past has brought some very bad features. In fact, when we had the OPEC (Organization of Petroleum Exporting Countries) boycott of oil back at the end of 1973, the price of coal went up to $32 and $34 a ton and the utility companies passed these higher prices along in the form of additional rate hikes to their subscribers. While I can appreciate going on the record to show good faith, I'm afraid that we'll be back next year facing the same situation again with the price of energy continuing to escalate.

Sure, it's nice to ask Congress to enact an excess profits tax. But I just don't think this policy is going to work when the people have to pay higher utility costs because industries will have to raise prices constantly because of higher costs of energy because of deregulation.

GOVERNOR RAMPTON: Mr. Chairman, the motion goes to the entire package of policy positions, doesn't it?

GOVERNOR SALMON: Yes, it does, Governor Rampton.

GOVERNOR RAMPTON: So, this would be an appropriate time to comment on something other than deregulation?

GOVERNOR SALMON: Certainly, sir.

GOVERNOR RAMPTON: I am concerned about the position of the Conference on amendments to the Clean Air Act, not to the language, but to the interpretation which has been given it. I am particularly concerned about the significant deterioration provisions.

As you are aware, Senator Frank E. Moss (Utah) has proposed to delay the amendment on significant deterioration for a year for study. NGC staff has convinced me that the House bill is acceptable on this, but the Senate bill is still far from acceptable, because it gives to the States with one hand and takes away with the other. I would rather take my chances with the judicial processes than put this power to make determinations about significant deterioration somewhere in the Interior Department where you can't identify the fellow who's doing it.

So, I would like to see us take the position that the House bill is acceptable, but if the Senate bill is to move, we should get a one-year extension on the significant deterioration proposals so that we can work out some suitable guidelines. Governor Ray and I weren't able to see eye-to-eye on this thing, but I'll work with the new chairman. I am concerned because it would be possible, with the size and location of national parks in Utah, to lock up about 80 percent of our land.

CHAIRMAN RAY: Governor Rampton, you and I have no difference of opinion on what you're saying right now. I think we would be in complete agreement.

GOVERNOR SALMON: Governor Rampton, of course, appeared before our committee. There is a problem in Utah because, with all that land in public ownership, the 25,000-acre provision in the current regulations does create a hassle. I know the committee hopes that a Utah variance can be welded into the bill to reflect these concerns. The thought that most concerns the committee is not to create the impression that we're turning away from holding the line in clean air States.

GOVERNOR RAUL H. CASTRO: Mr. Chairman, I'd like to echo Governor Rampton's words, except that in Arizona no consideration is given to the Indian tribes. When you consider a State like Arizona, where 47 percent of the land is federal land and 24 percent of the land is Indian land, no provision is made in either the House bill or the Senate bill to include Indian lands, taking the stand that Indian land is a federal entity of its own. Therefore, unless we consider, in dealing with the Clean Air Act, the impact of the Indian lands, we have a dilemma.

GOVERNOR O'CALLAGHAN: I would like to go back to the deregulation of natural gas and recognize the statesmanship of Governor Noel and of Governor Dukakis. In the policy statement, we ask Congress to enact an excess profits tax. If you really have faith in that, you also believe in Santa Claus. That paragraph still cannot overcome the weakness of the deregulation of natural gas.

GOVERNOR LAMM: Mr. Chairman, I would also like to recognize the statesmanship of your effort in this, having sat on this committee for two years, having agonized over it with you. The reason that we don't have a national energy policy, I suspect, is because Congress has a hard time making hard decisions, and I find that reflected around this table also. Hard decisions are by definition not easy to make. Of all the resolutions we have in the natural resources area, this one has been the hardest and, perhaps, the most meaningful.

If we are going to avoid an energy crisis, we have to make hard decisions. We aren't all of a sudden going to the total free market system. By dealing only with new natural gas, and 80 percent of all new natural gas is found by wildcatters, it seems to me that we have a phased deregulation. That's the net effect. The evidence we have is fairly overwhelming that, in the long term, it's going to be cheaper for the consumer.

Until you get consumers paying the real cost of energy, you're never really going to get the kind of conservation that you need. By creating a false hope that you can keep the price down through a controlled situation, and by allowing consumption levels to continue rising, you're going to create a crisis situation and, in the long term, it's going to cost the consumer more. It is going to hurt my State and lots of States, but I support the policy statement. I think it is a good mixture and a balanced program.

CHAIRMAN RAY: I don't want to cut anybody short on discussion and debate, but with the permission of the chairman of this standing committee, I am going to ask that we remove the natural gas deregulation from the motion and vote on all the rest of them, and then zero in on gas deregulation. Any objection? All of those in favor of all the resolutions, with that exception, signify by saying aye; opposed no. The motion has carried. Now, any other discussion on the deregulation?

GOVERNOR EDWIN EDWARDS: Mr. Chairman, I would like to limit my remarks to everything that hasn't been said on both sides of the issue. Now, having said that, I move the adoption of the resolution.

GOVERNOR RHODES: Second the motion.

CHAIRMAN RAY: This requires a two-thirds vote of those voting. All those in favor signify by saying aye; opposed no. Would you raise your right hand, please, all in favor. All opposed. Thirty-four to five. The motion carries, and that amendment is adopted as part of the policy statement.

GOVERNOR SALMON: There are two individual motions involving energy, offered by Governor Thomson of New Hampshire and Governor Edwards of South Carolina. Governor Thomson's proposal is a restatement of our national energy posture. The staff reviewed it in great detail, and felt that most of it is reflected in present policy.

Governor Edwards' motion was a rather strong, positive statement on nuclear power. Nuclear energy is the subject of a significant review within the committee this year. We have a first-run work product that will be subjected to an intensive critique through a staff advisory effort this summer. I've assured Governor Edwards he'd have every opportunity to make a presentation to the task force later this year.

GOVERNOR THOMSON: I did indicate to Governor Ray that I would like to withdraw the proposed resolution and substitute an independence declaration which is now being distributed to the Governors. In this our Bicentennial, when we have been talking so much about independence, I'm going to read to you just one paragraph of the resolution that would emphasize the desire of this Conference to let it be known that we must have independence in energy, and to achieve that, we are reiterating our desire that the President and Congress adopt such an energy policy forthwith.

On page 3 of the Declaration of Energy Independence resolution, I would simply suggest that we say: "In this bicentennial year of our nation, we the Governors of the sovereign States of the United States emphasize our desire for independence in energy by urging the President and Congress to develop forthwith a long-term, stable and effective national energy policy which will reaffirm and acknowledge our trust in the free enterprise system as, historically, the basic strength of our nation, and which will encourage the rapid development of new sources of energy, so as to decrease and eventually eliminate this nation's present untenable reliance on foreign energy imports, and thereby significantly assist in the reestablishment of a strong economic and national defense posture."

CHAIRMAN RAY: Governor Thomson, the motion to suspend the rules is not debatable. Do you move to suspend the rules to take up this particular proposal of yours?

GOVERNOR THOMSON: Yes, I do, sir.

CHAIRMAN RAY: Is there a second to that motion?

GOVERNOR RICHARD F. KNEIP: Second.

CHAIRMAN RAY: It has been moved and seconded that the rules be suspended. That requires a three-fourths vote. All of those in favor of suspension of the rules signify by saying aye; opposed no. May we have a show of hands, please. The motion fails by a vote of 13 ayes and 8 nos.

GOVERNOR JAMES EDWARDS: Mr. Chairman, since I have been assured by the chairman of this committee that we will have some input in the creation of the energy policy, I would like to withdraw my resolution.

CHAIRMAN RAY: Governor Salmon, thank you very much for your report. Before I call up the next committee chairman, let me read a telegram that we have received. "To the Governors of the United States. As we lay the cornerstone of

America's third century, I commend you and the citizens of our respective States on the very special program each displayed in this great national celebration. The Bicentennial is an event of the people, as well it should be, and it is through your guidance and dedication, as well as those who have preceded you, that we can celebrate our 200 years of democracy with a bright outlook to the future and with great expectations for the third century of our American way. Gerald R. Ford, President of the United States."

Now, the Committee on Human Resources, Cecil Andrus from Idaho, chairman.

GOVERNOR ANDRUS: Thank you very much. Members of the National Governors' Conference, within the packet you have six policy statements, including one on national welfare reform that we discussed at length yesterday.

Let me very quickly touch on three or four of these. Concerning the Health Planning and Resources Development Act of 1974, I think all of us are still familiar with the two-and-a-half-year battle that the National Governors' Conference waged in opposition to passage. We have been making progress. Technical amendments have been drafted and are presently before a congressional committee for introduction. We expect that those technical amendments will make the Health Planning and Resources Development Act (PL 93-641) more palatable, workable and accountable to the individual States.

Since our last annual meeting, the problems that we were experiencing with Title XX regulations have been cleaned up. Our proposed changes in the regulations have been submitted to the Secretary of the Department of Health, Education and Welfare, which published them in the Federal Register. Most of the points of opposition that we had a year ago have been removed.

Proposed changes in the regulations on intermediate care facilities for the mentally retarded have been drafted and submitted, as of yesterday, to the Secretary of HEW. The changes give us an extension of time, and are outlined in a policy statement.

Medicaid, as pointed out by many of the Governors seated here today, is one of the growing demands on the resources of America and the individual States. In our policy statement we ask for immediate recognition of this problem and study of it. The committee has already established a task force headed by Governor Busbee of Georgia to study the matter and will report to you.

Once again, this committee has been, in my opinion, an excellent committee, because the members who agreed to serve also chose to give their time. We spent a lot of time. We even met in June in Chicago for a full day, discussing the problems in preparing these policy statements.

Mr. Chairman, the national welfare reform resolution was a topic of interest yesterday. We spent a great deal of time on it. I hope that everyone had their opportunity to comment, and that we will not plow the same ground today. Of course, that's your option. I was present when a member of the media referred to this welfare reform policy as advocating a guaranteed wage. This is not what we discussed here yesterday. I made that very point to you yesterday, and I tried to straighten out the member of the media, but I would urge each of you to emphasize that a guaranteed wage is not what is in the policy resolution.

I know that one or two people would like to comment on some of these policies, and to make that possible, I move the adoption of the six proposed policy statements of the Committee on Human Resources.

GOVERNOR NOEL: Second.

GOVERNOR JAMES EDWARDS: I request a division of the question so we can consider national welfare reform separate from the others.

CHAIRMAN RAY: I think that's in order and, with your permission, Governor Andrus, the motion will now include just the first five. May we discuss that?

GOVERNOR NOEL: The committee has recommended some changes that would tend to strengthen the unemployment compensation system, at least the ways in which it is financed and in which benefits are paid out. However, coming from a State that almost totally relies on manufacturing for its economic health, I don't think the recommendations are strong enough, especially concerning the way the federal government helps to finance the benefits system.

In 1975 and in five months of 1976, the very small State of Rhode Island, less than a million people, had to borrow $65.8 million from the federal government to finance unemployment benefits, as a result of the unemployment brought on by the most recent recession.

That would be comparable to the State of New York owing the federal government $1.1 billion, California owing the federal government $1.4 billion, Texas owing the federal government $1 billion. In other words, if every State were in the same dilemma as Rhode Island, the states collectively would owe the federal government about $25 billion.

We have one of the highest tax rates in existence in this country, so it isn't that Rhode Island has not taxed at an adequate rate. The reality is that state unemployment approached 20 percent, most of which was triggered by pulling the U.S. Navy out of the State. Of course, our unemployment was also the result of some decline in the nation's economy.

Industrial States are faced with an archaic system. The present system of taxing the employer to finance the first 26 weeks of unemployment is good, but only when we have reasonable unemployment. When you go through the length of unemployment and economic distortion that we recently experienced, then those States that are hit the hardest, the manufacturing States, are not going to be able to finance lengthy benefits by taxing employers. If a State is making its best efforts and has an adequate tax program, there should be some kind of a plateau or a trigger at which the federal government would come in with more basic support.

There is no way that the State of Rhode Island, by taxing industry, will ever raise the kind of money we need to repay this federal commitment. The higher you tax industry, the more unemployment you trigger, because you drive many of the small employers out of business. So, it's a very serious dilemma, and I know it's been shared by other industrial States. Michigan and Illinois have serious problems. The State of

Connecticut's problem is proportionately much more severe than Rhode Island's; New Jersey's is much more severe than Rhode Island's. I am going to support these policy statements but I think they are inadequate over the long haul. We should be making a bolder recommendation on funding the basic program.

GOVERNOR ANDRUS: Governor Noel, the committee discussed the points that you bring up. We determined that the States should retain the obligation for the first 26 weeks, and split it with the federal government for the next 13. But you can't really look at this policy position without also looking at the welfare reform one, where extended benefits are nothing more than a form of subsidy to the income program.

We would be open to suggestions, now or at a later date, but this was the best we could come up with at this time, unless we just say the federal government should take it all over, and that is not what the committee suggested. You made a statement more than a question, so I would just leave it at that, unless there is a question . . .

GOVERNOR NOEL: I think if there is no other debate on this issue, Mr. Chairman, I'd like to propose an amendment. I don't know if that's possible.

CHAIRMAN RAY: Now is the time, Phil, if you want to propose an amendment.

GOVERNOR NOEL: Well, I don't think this language goes far enough, but it would at least address some of the concerns that I have: "The National Governors' Conference endorses the waiver of all penalties on outstanding debt in those States and in those years where the statewide unemployment rate exceeds the national average. The National Governors' Conference also endorses the federal assumption of those debts incurred by all States in those programs mandated by Congress and currently funded by general revenue," referring to extended benefits and the federal supplementary benefit program. I move that amendment, Mr. Chairman.

CHAIRMAN RAY: Is there a second to the amendment?

GOVERNOR WALKER: I'll second.

GOVERNOR EXON: I do not know, Governor Noel, what the rates are in your State, but Nebraska has suffered a substantial reduction in its unemployment fund. In Nebraska we have not borrowed any money from the federal government. Fortunately, we did not have to.

We did more than double our unemployment tax rates this past year, which I think were more or less the norm among the States. So, we're not in the same position as Rhode Island and other States.

Traditionally, we are between 3 and 4 percent unemployment, and during the recession we went to almost double or 8 percent. Now, I know that's small in comparison to Rhode Island. However, if the Conference supports your motion, I wonder about the fairness to those States that have, like Nebraska, increased their tax rates, rather than take money in the form of a loan from the federal government. Does your motion not in some way penalize those of us who have met this matter head-on and increased the unemployment tax rates in our State?

GOVERNOR NOEL: In Rhode Island, we not only increased the tax rate but also expanded the base. When you have unemployment that reaches 18 or 19 percent and stays there for 12 to 18 months, then you just can't tax enough. There's no way you can levy enough tax to derive the revenue you need to pay the benefits. If we had not done both, we would now have borrowed perhaps $120 million in a State of 960,000 people, that's men, women and children. Our experience shows that when you have inordinate unemployment, through no fault of your own, you cannot tax at an adequate rate to provide even modest benefits.

Our benefits in Rhode Island are not as liberal as in some States, and our tax is as high and higher than most States. Now, it's not only Rhode Island. Connecticut has borrowed $343.2 million to date, and New Jersey has borrowed $500 million, and Michigan perhaps around $600 million. All these States have progressive tax systems, and they've raised the taxes and tried to help themselves.

If your State has mineral wealth in the ground, you produce oil and gas, and if you have large agricultural elements in your economy, then you don't suffer as deeply from the kind of recession that we've recently experienced. The manufacturing States are hit hardest. States like Connecticut, New Jersey, New York, Rhode Island, Massachusetts, Michigan and Illinois. It's hard for a State that has diversity in its economy like yours, Jim, to relate to the kind of unemployment a State that is almost totally dependent on manufacturing experiences.

If Congress ever gets around to a total reform of this system, I recommend some kind of a permissive system in which any State that wants to participate in a program of federal protection would first have to have a plan approved by the federal government.

In other words, some federal agency would have to determine that you're taxing at an appropriate level. If you are and you get into the problem I've described, then the federal government would step in. Any State that was not taxing at an appropriate level would not have that kind of federal protection. I think when we get around to ultimate reform of unemployment insurance, it should be that kind of system. I'm not prepared to offer that kind of a recommendation, because I think much of the committee's work is well done, and I don't want to get off on a totally new tack. So, I suggest this resolution. There are ways in which the kind of fairness that Governor Exon talks about could be built into a recommendation.

GOVERNOR ANDRUS: In fairness, I have to point out the committee did in fact discuss this very item, and we came down on the other side of the issue, after a long time. It's the old payback situation.

GOVERNOR RHODES: Mr. Chairman, Ohio is an industrial State, and we have survived the recession and borrowed no money, but what the Governor of Rhode Island is talking about is true, and I think one of these days the federal government is going to have an insurance policy for the States. Every time we have a disaster in a State, the federal government and the other States go to bat and do everything they possibly can. I think this Conference should try to help the States that were hurt most by the recent recession.

When you talk about $125 to $150 million for less than a million people, that is a great debt, and it could happen to any other State through drought or other disaster. I think this resolution should be passed.

CHAIRMAN RAY: Phil, do you want me to reread the motion, or do you want to? I think there is some question about exactly what it says.

GOVERNOR NOEL: I'll read it again, Mr. Chairman. This language was recommended by New Jersey. I'd like to cite the New Jersey example just to buttress my argument. New Jersey now taxes at the fifth highest rate of the 50 States to generate revenue for its unemployment compensation fund. And New Jersey is the second largest borrower as a result of the most recent recession. To be exact, it has borrowed to date $497.2 million just to pay basic benefits, and it is still borrowing.

The language reads as follows: "The National Governors' Conference endorses the waiver of all penalties on outstanding debt in those States and in those years where the statewide unemployment rate exceeds the national average."

In that sentence, we're recommending the waiver of penalties on the outstanding debt in States where the rate exceeds the national average for the year. The second sentence also endorses the federal assumption of those debts incurred by all States in those programs that were mandated by Congress and currently funded by general revenue.

There we're talking about the extended benefit and federal supplementary benefit programs. That would be not the first 26 weeks; we'd still have to repay every penny we borrowed for the first 26 weeks of basic benefits. But for the first 13-week extension the federal law requires that the States pay half that cost, and we're saying repayment of that amount should be waived by the federal government. So, we're not asking to excuse the repayment of all debt, only that part mandated by the extended benefit program. That's the substance of the amendment.

GOVERNOR LUCEY: Governor Noel, I'd like to know what the penalties are, and what portion of this total $3 billion debt you're talking about forgiving.

GOVERNOR NOEL: I'm going to ask some help on this from the New Jersey staff, but I can't quantify it. What we're talking about is the first 13-week extension mandated by Congress, where the federal government pays one-half the cost from general revenues and the State has to bear the other half of the cost. To the extent that we have had to borrow our one-half of the cost of that federal extension, we're asking that that debt be excused.

GOVERNOR LUCEY: You don't know what portion that is of the total $3 million outstanding?

GOVERNOR NOEL: Well, it's the ratio of approximately 26 weeks to 7 weeks, because half of 13 is 6½, so we're bearing the cost of 26 weeks plus 6½ weeks, so the ratio would be approximately 26 to 6½.

GOVERNOR LUCEY: Could we ask the chairman of the committee to explain the rationale of the committee in not accepting this amendment?

GOVERNOR ANDRUS: In response to that question, the staff from some of these States did not make the proposal exactly this way. There was a move for forgiveness of all debt, which we rejected. But, this language for the forgiveness of the debt above the 26 weeks is really new language to me, and I apologize to the group for not having done this in committee.

GOVERNOR LUCEY: I'm very reluctant to oppose the amendment and yet when you look at the dollars involved here—the total outstanding deficit is in excess of $3 billion—that's roughly half the amount of general revenue sharing. I think we ought to have more facts and figures before we endorse a policy of even partial forgiveness. I'm very sympathetic to the big industrial States that are badly hurt by unemployment but in Wisconsin we raised our premium to keep our fund solvent. While we weren't hit with as high unemployment as Rhode Island was, and I'm not closing the door on supporting some sort of forgiveness eventually, I'd like to be much better informed before I put this resolution in the permanent policy book of NGC.

GOVERNOR ANDRUS: That's the position of the committee also.

GOVERNOR NOEL: The penalty is 0.03 percent annually on the total outstanding indebtedness, 0.03 percent. Rhode Island began borrowing in 1975, so repayment for us begins in 1979.

GOVERNOR LUCEY: The debt that you owe the federal government is interest free?

GOVERNOR NOEL: It's interest free with the exception of the 0.03 percent penalty. If you're looking at the statement that indicates $3.85 billion outstanding indebtedness, I would roughly estimate that the forgiveness portion of this resolution would relate to perhaps $300 or $400 million of that, if that much.

GOVERNOR LUCEY: Roughly 10 or 12 percent. But it would be a step in the direction of forgiveness, it wouldn't be closing the door to total forgiveness.

GOVERNOR NOEL: It was their program. The federal government said we had to pay for these benefits, and if we didn't have the money, we'd have to borrow. Then the federal government penalizes us for borrowing. That's a nice move.

GOVERNOR REUBIN O'D. ASKEW: I'd like to just ask one more question, Governor Noel. Are you talking about waiving the interest on that portion of it, as opposed to actually forgiving any amount of principal?

GOVERNOR NOEL: No. There is no interest on any of the money.

GOVERNOR ASKEW: What you're saying is you want to waive the interest that would otherwise accrue as a penalty, but you're not asking for any forgiveness of the principal that was borrowed?

GOVERNOR NOEL: The first sentence asks to waive the penalty, 0.03 percent. We're asking to waive that penalty on all the debt. The second sentence requests forgiveness for the amount of money we had to borrow to pay our share of the extension mandated by Congress.

GOVERNOR ASKEW: I understand that. Now, when you mention $300 to $400 million, are you talking about the total amount on both, or was that in response to the first question in regard to waiving the interest penalty?

GOVERNOR NOEL: That's just a rough figure, but I would say it includes both. It couldn't be any more than that, because most of the debt is borrowed to finance the first 26 weeks, which is 100 percent of the State's responsibility.

GOVERNOR SHAPP: I'm supporting the resolution that Phil Noel is trying to get across. The present unemployment compensation law was never designed to take care of long-term unemployment in the United States. It was put into effect to help in the short term, with the concept that we weren't going to have long-term unemployment, and that's the reason so many States are now getting into a bind. What is needed is a national uniform unemployment compensation law, so that States do not use their rates of unemployment as a means of trying to get new industry. But we're not after that today, and I think it's absolutely essential that Phil Noel's resolution be supported.

GOVERNOR JAMES E. HOLSHOUSER, JR: All of us recognize the general process by which the employment trust fund is built up, and then depleted during times of unemployment. In some States, it went further than depletion, and they actually had to borrow against the future. If your resolution is adopted, won't it give an advantage or some incentive to States not to begin that process of rebuilding the trust fund?

GOVERNOR NOEL: I don't think so, because we're asking to waive the debt only on that part of the borrowing that was mandated by congressional action extending the program from 26 to 39 weeks. So, it's only for that portion of the debt incurred because of federal mandate that we're asking forgiveness of principal.

And right now there is a disincentive. If our State is faced with repaying $65 or maybe $100 million by the time we finish borrowing, we would be better off to change the state law, reduce the benefit, and put the unemployed on general public assistance, for which the federal government pays 54 percent of the cost. We don't think that's in the best interest of our people, so we're recommending a more realistic approach by the federal partner in this program.

You know, it's no longer an unemployment compensation program when you have 60 weeks of benefits. It's just a life support program.

CHAIRMAN RAY: Are you ready for the question? This requires a three-fourths vote. All in favor of the resolution raise your right hand; those opposed. The vote is 20 ayes and 16 nos. The motion fails.

GOVERNOR NOEL: I wonder if we could take up that farm vote again.

GOVERNOR EDWIN EDWARDS: It's too late to plow.

CHAIRMAN RAY: I think many here are not necessarily opposed to what you propose, but are not familiar enough to know exactly what it does in their respective States.

GOVERNOR EXON: Mr. Chairman, I know there is great concern both ways on this, and it was a difficult vote for me. I think this measure needs further study. I think it involves not only the Human Resources Committee, but also the Fiscal Affairs Committee, and I move that the Conference ask those two committees to look further into this matter and come back at our winter meeting with some recommendations.

CHAIRMAN RAY: That's a good suggestion. It will be done.

Now the motion is to approve the first five proposed policy statements. This does not include national welfare reform. If there is no further discussion . . .

GOVERNOR HOLSHOUSER: One further question. Concerning the unemployment compensation resolution, many of us have gone through an increase in our unemployment tax rates, and I'm just wondering if the committee has any indication of what the impact of raising the federal share of the tax might have.

GOVERNOR ANDRUS: Because of the impact of the extended benefits, the five-tenths of one percent the federal government collects has been insufficient to do the job. To keep the fund solvent, the federal tax share will have to go to seven-tenths of one percent. I do not know how many dollars that would amount to, but two years ago the tax went from four-tenths of one percent to five-tenths of one percent.

GOVERNOR HOLSHOUSER: What do you anticipate will be the impact of the first sentence in that part of the resolution?

GOVERNOR ANDRUS: This is an increase in the taxable wage base from $4,200 to $6,000, effective January 1, 1977. That sentence admittedly calls for an exposure of more dollars to the tax rate to raise funds for the program. Otherwise, it comes right back out of the general revenues that we've been discussing here at the federal level, and it was the determination of the committee that we'd have to pay the bill.

GOVERNOR HOLSHOUSER: I don't understand that.

GOVERNOR ANDRUS: You would be exposing $1,800 more of earned salary to the two-tenths of one percent increase in the tax rate. That money is used by the federal government for administration of the fund.

GOVERNOR HOLSHOUSER: Do I understand that the second sentence is necessary because of the first sentence. If you didn't have the first sentence, you might not have to have the second sentence?

GOVERNOR ANDRUS: Right.

GOVERNOR HOLSHOUSER: Coming back to the original question, Governor Noel has pointed out some of the problems that we have now, and many of us have raised taxes to replenish the unemployment trust fund. It seems to me to be a bad time to put an additional tax and coverage on top of everything else.

GOVERNOR ANDRUS: Well, that comes down to a philosophical point, whether you take it out of the general fund or out of covered employment. We felt it had to come, at least partially, from covered employment. It would cause the kind of increased burden that was explained by Governor Noel, but that's one of those philosophical points, Governor. The decision has to be made, because if the money doesn't come from here, it's going to come out of general revenues. It's got to be raised.

GOVERNOR HOLSHOUSER: As I understand it, if you don't have the first sentence, you don't need the second one either.

GOVERNOR ANDRUS: Well, you would need it. If you don't raise the wage base, you're not going to raise nearly as much of your two-tenths of one percent. I don't have the mathematics in my head, but you have to raise X number of dollars, and this method was devised to do it.

GOVERNOR HOLSHOUSER: I'm not sure I understand this exactly, but I think I'm going to run it up the flagpole anyway. I'd like to move that the paragraph be deleted.

GOVERNOR BOND: Second.

GOVERNOR ANDRUS: The only thing I can say in defense of the committee is that these policy statements were sent to you a month ago. We didn't change them, and if somebody had come to our committee and discussed this information, we probably could have saved everybody a great deal of agony and time.

GOVERNOR EDWIN EDWARDS: Well said; well said.

GOVERNOR EVANS: Perhaps I can explain, Governor Holshouser, that raising both the wage base and the rate is to create some balance. If you raise only the rate, then some employers will feel the burden more than others, depending on the kind of wages they pay. Raising both means that neither one will be unduly affected, and that there will probably not be much shift in where the taxes come from.

As to the need for it, I think there is a significant need for it. Because there is insufficient money in that particular fund, or because the federal government wants to show a better budget balance, for whatever reason, it is not allocating enough funds to do an effective job in the management of our State's unemployment system. I suspect this is happening in a good many other States. We're getting this crazy situation of employers paying into the federal fund, the money not being allocated to the various States, and the resulting inability of state government to minimize unemployment payments by ensuring that those who shouldn't draw don't. We end up having to put the inadequate administrative funds we have into just paying benefits, rather than really supervising and trying to ensure that benefits are going only where they should.

I think this resolution is terribly important so that there are sufficient funds for administration, so that the various States get the allocations necessary to manage their funds and minimize the necessary payments of unemployment compensation. It all comes around in a big circle. If you don't put in sufficient administrative funds, employers are going to pay a whale of a lot more in unemployment compensation needlessly, because we can't do an effective job of management control.

CHAIRMAN RAY: Any other questions? Those in favor of deleting the paragraph, as proposed by Governor Holshouser, signify by saying aye; opposed no. The nos have it. The motion fails.

Now, any other comments about the first five? If not, I'll call for the question. All in favor say aye; opposed no. Those are adopted. Now, national welfare reform, C-15.

GOVERNOR ANDRUS: As chairman of the committee, I move the adoption of the policy on national welfare reform. It's the same one we discussed at length yesterday.

GOVERNOR MOORE: Second.

CHAIRMAN RAY: It has been moved and seconded that the national welfare reform policy be adopted. Any discussion? This was rather thoroughly debated yesterday. I would hope we would not repeat the same discussion, but if there are those that wish to be heard, please raise your hand.

GOVERNOR JAMES EDWARDS: There are things that bother me about this so-called welfare reform, and when I go back home and they start talking about my recommending a guaranteed annual income, I want to know what difference this policy is from a guaranteed annual income. When you talk about a national income maintenance policy and a national minimum payments standard, what's the difference between that and a guaranteed annual income? In that first paragraph, you say: "As Governors we believe that a new national income maintenance policy should be developed according to the following basic principles." Wouldn't it be better to say, if we don't mean a national guaranteed income, that as Governors we believe that a consolidation of social benefits should be developed according to the following basic principles.

GOVERNOR ANDRUS: The difference in wording is not offensive to me, but we have to recognize there is a great disparity in payments, ranging from $60 to $400 throughout America. We've consistently made it clear that it is not a guaranteed national income policy, it's a consolidation of some of these programs.

GOVERNOR EVANS: Let me say once again that we're attempting to establish a fundamental set of principles within which an NGC task force, working in conjunction with other units of government, can develop specific proposals which can be brought back to this Conference, to other organizations and, if approved, to Congress and the Administration. We're not, at this point, trying to put definitive final subjects together. We're establishing a set of principles.

If the words income maintenance are offensive, I don't think the wording that Governor Edwards has suggested will hurt the fundamental policy. But we ought to be under no illusions about differences from State to State. We have all established income maintenance. Call it what we will, the combination of welfare, unemployment compensation and other programs collectively means that we're not going to let any American starve to death.

Now, I don't think that should or need be equated with what some consider a minimum income or a national guaranteed income or anything of the sort. If the words seem to go down better and still describe our efforts to try to work ourselves out of the administrative mess that we're in, I don't think there should be any trouble with changing those words.

GOVERNOR ANDRUS: Would you repeat the words, so I can write them down.

GOVERNOR JAMES EDWARDS: I would like to move that where the words national minimum payment and/or income maintenance are mentioned, the wording be changed to say, "the consolidation of social benefits."

For example, the paragraph I referred to would then read: "As Governors we believe that a new consolidation of social benefits should be developed according to the following basic principles." From that point on, any time these two terms are mentioned, they should be changed to consolidation of social benefits. It's more acceptable to many people, I think.

GOVERNOR ANDRUS: Well, I guess that was in the form of a motion.

CHAIRMAN RAY: I just wonder if that wording really fits in both those places there, Jim. Look at that language again, before we even ask for the second.

GOVERNOR JAMES EDWARDS: I've looked at it pretty closely, and it fits as far as I'm concerned.

GOVERNOR EVANS: It may fit in the first paragraph, but I don't think it fits where the term a national minimum payment level appears, because that's one of the basic principles we're really looking at, the potential for a national minimum payment level with regional variations. That is our attempt to establish a set of principles on which to base further work in this whole area.

GOVERNOR JAMES EDWARDS: The way I considered it, it would read: "A consolidation of social benefits payment standard . . . with regional variations." That reads pretty well to me.

GOVERNOR ANDRUS: Well, that's different than the original, but, again, we're not playing with words. We're trying to develop a direction so that we can come up with legislation to cure the problem, and the committee has no great pride of authorship.

CHAIRMAN RAY: Are you suggesting now, Jim, that you use "consolidation of social benefits" in lieu of "income maintenance policy," and that you would strike "minimum payment" and insert in lieu thereof "social benefits?"

GOVERNOR JAMES EDWARDS: Yes, that would remove this idea that anyone should be guaranteed an income, without regard to what he does to earn that income, an idea I find repulsive.

GOVERNOR EVANS: The only trouble is that inadvertently you may very well be canceling out one of the most important things we're attempting to achieve. If we consolidate present payment standards without doing anything else, in a good many cases we may actually provide too much money for some who are now drawing from a variety of programs more than we really want to give them. One of the objectives of this whole process is to ensure that people who need help get adequate help, and that those who don't need help be eliminated, if not from all the programs, at least from some share of any consolidation. I understand your concern, but in the second numbered paragraph your words do not do what we want them to.

GOVERNOR JAMES EDWARDS: I'll go along with leaving that paragraph as is if you'll go along with me on changing the preamble to "consolidation of social benefits" instead of "national income maintenance policy." At least I'll get half the loaf.

GOVERNOR EVANS: Certainly. Certainly, I'd buy that.

CHAIRMAN RAY: Dan, since that's agreeable with you, we'll just insert that. I hear no objection. Now, any others?

GOVERNOR BOND: It may be a very basic question, but what do we mean by eligible persons? Do we mean the traditional category of disabled and those with dependent children, or does eligible persons include all those below an established minimum income level?

GOVERNOR ANDRUS: We're talking about the consolidation of many programs. An eligible person for food stamps may not be eligible for AFDC or SSI. We can take in all the eligibility standards of these programs, but you will have to devise one eligibility standard. There's no way, Governor, you can point to one without looking at all of them if you really want to overhaul the welfare system.

GOVERNOR BOND: But does it mean that you are just including those persons who are now eligible, or are you saying that anybody who falls below an established minimum income level is eligible?

GOVERNOR ANDRUS: That would depend on the State and the percentage of your floor. Different States do it in different ways, but I'll let Governor Evans from the State of Washington respond to that.

GOVERNOR EVANS: The words that you're referring to, Governor Bond, were inserted into this proposal from the first draft to the last draft. The original did say, "to all persons." The word eligible was inserted to ensure that we took a look at setting specific eligibility standards, and not just include all people under a particular poverty level. The word eligible was inserted to broaden our look beyond income, to see if there were other standards that ought to be added in an overall policy.

GOVERNOR SHAPP: I would like to add one sentence to this report. It reads: "In no instance shall recipients be required, as a condition of assistance, to accept employment in a plant or place of business involved in an active labor dispute." I think such a clause is necessary to prevent reverse abuse of this program.

CHAIRMAN RAY: The rules would have to be suspended to add this language, as this has been made in the form of a motion. Is there a second?

I'm not sure, Milt, but that it's covered somewhat in these paragraphs which talk about revising the work programs and insisting on work whenever a person is able to work. Your concept might go beyond what they say, but I think they do touch on that very subject. Is there a second to the motion? There is no second.

GOVERNOR HOLSHOUSER: As I read the paragraph that begins "Assistance recipients," when I move beyond the comma, I read something different from welfare and start to read guaranteed employment. I just want to ask if that is what the committee intended to do.

GOVERNOR EVANS: Again, remember that we're talking about developing a comprehensive program within the limits of this set of principles. A work and training requirement is of little value if there are no jobs. Obviously, the desired place to provide employment would be in private industry.

There is considerable value in some of these community work and training programs if they help to improve the ability of welfare recipients so that they are more likely to be employable in the private sector. We would like to have this concept embodied in the development of an overall program, so that if some net benefit could be derived from expansion of these work and training programs, we could develop a specific expansion program that would ultimately prove less costly by raising the level of employability of these people and getting them off the welfare rolls faster.

None of this policy resolution is any more than a set of principles within which to work toward more specific goals. I certainly do not endorse massive make-work programs at the federal level unless they have some good end benefits, which should primarily help to raise the level of employability of those who have no skills and training.

GOVERNOR HOLSHOUSER: but the only way to make employment opportunities available to all those who are registered is to require that the government hire anybody who can't get a job someplace else, isn't it?

GOVERNOR EVANS: All this says is that Congress is urged to consider the expansion of these programs. Obviously, we must develop this concept to delineate more carefully how many people might be covered by a work-and-training requirement, to see if any expansion at all is needed. Perhaps it's merely a greater focus on some of these programs.

Too many of the public employment programs are being utilized to employ people who are nowhere near the poverty level. Some of those programs are being abused in terms of who qualifies. I'm not at all sure the end result is going to be an expansion. It may very well be a re-focus to ensure that we're using these public work programs where they are most needed.

GOVERNOR GODWIN: Mr. Chairman, I was not present yesterday when the discussion of this policy statement took place. From what I have heard, there is much in the resolution that most of us could agree with. If the principal objection lies in a reference to a guaranteed annual income, perhaps the entire matter could be cleared up by adding a sentence that: "Nothing contained herein shall be an endorsement of guaranteed annual income." That's the feature that is so objectionable to some of us, and a plain statement that we are not endorsing a guaranteed annual income removes most of my objection.

GOVERNOR ANDRUS: That certainly has the concurrence of the committee, I know. That's the reason we kept inserting the word eligible and other phrases to make that point clear. I have no objection if that's a request for unanimous consent to insert that simple sentence.

GOVERNOR HOLSHOUSER: I'd like to come back to my point and offer a motion to delete the remainder of the sentence after the comma in the paragraph which begins "Assistance recipients." I appreciate what Governor Evans has said but that language describes making employment opportunites available to all. The only way Congress can guarantee that is by saying anybody who can't get a job in the private sector is going to be put on the public payroll. I don't think welfare, unemployment compensation and everything else are as costly as employing somebody for the rest of his life.

CHAIRMAN RAY: The motion is to insert a period in place of the comma and strike the rest of that paragraph.

GOVERNOR JAMES EDWARDS: Second.

GOVERNOR EVANS: Well, Mr. Chairman, I oppose this motion because the whole policy resolution is designed to act as a set of principles within which specific proposals can be made, debated, adopted or rejected by this Conference, presumably at the February meeting. To deny an opportunity for further research into the expansion of employment opportunities would remove an important element. Conceivably, a combination of new efforts might have a cost benefit attached. We're not necessarily talking about permanent job opportunities in the public service. It may very well be confined to temporary jobs. If on one hand, we say everybody should register and be available for work, and on the other hand, we say we're not even going to look at the potential benefits of public employment, then I think we deny ourselves an important element of this whole project. I would not support, and I don't think anybody else would either, a proposal to expand public job opportunities if there was a negative cost benefit.

GOVERNOR HOLSHOUSER: Dan, I'm not opposed to urging Congress to consider the whole range of welfare reform, but the word "consider" in that context means we are suggesting that Congress expand the program so that all who register have an employment opportunity, and the only way Congress can do that is through public employment. Maybe we're together in concept and not in words, but I don't believe the words.

CHAIRMAN RAY: I think you're basically saying the same thing. We have to accept the explanation of those who put the language together. I think Dan is saying that we want those people to go to work. We don't want to require them to register and then tell them to go home, there is no job. I think you're both on the same track.

GOVERNOR HOLSHOUSER: Well, let me ask one further question. If you changed it to read, "to consider the expansion of programs to the end that employment opportunities are made available to all," would that have the same meaning?

GOVERNOR EVANS: Sure.

GOVERNOR HOLSHOUSER: I don't think that's what we want to say, that employment opportunities are going to be available to all under congressional mandate, because I don't think that's necessarily the end that we want to reach.

GOVERNOR EVANS: No, no, I don't think we have that in mind. Again, it comes back to the question of at least examining these job opportunities as a piece of the total puzzle, and to adopt them if they appear to have beneficial effects for those taxpayers who are off welfare as well as those on it.

GOVERNOR MANDEL: Mr. Chairman, I certainly am enjoying the conversation back and forth. There are no two Governors I enjoy listening to more, but I'd like to move the previous question.

CHAIRMAN RAY: The previous question has been moved. All in favor say aye, opposed no. The question, then, is on Governor Holshouser's motion that would replace the comma with a period and strike the rest of the sentence. All in favor signify by saying aye; opposed no. The motion fails.

Now, Governor Godwin, you made a suggestion that this committee is willing to accept on a unanimous basis. Would you repeat it?

GOVERNOR GODWIN: Well, it was simply to add the statement that: "Nothing contained herein shall be an endorsement of a guaranteed annual income."

CHAIRMAN RAY: Is there any objection to adding that language? I hear none. It will be added, and now we can vote on the entire policy resolution.

GOVERNOR MOORE: Mr. Chairman, being fully aware of the committee's great effort, I do not challenge the sincerity of the report. However, I am really troubled by the general thrust of this policy resolution, and with no disrespect for the committee or its efforts, I want to go on record that I cannot support shifting the welfare payment to the federal side of the ledger in its entirety. I fully realize that this would relieve some of the constraints on state budgets and would probably answer, for the moment anyhow, some of the difficulties some States are having. But, the substance of this report is essentially summed up in these words: "Such a proposal should address itself, at a minimum, to the following concepts: A national payment . . . ," meaning a federal payment of welfare, together with an eligibility standard. I have no objection to the eligibility standard, nor to the broad context addressed in this report. I just think it is a serious mistake on our part to seek to transfer to the federal government the total cost of supporting the welfare programs across the country.

Having been the Chairman of this Conference when we initiated and worked hard to implement revenue sharing, I expect we're going to be faced with an either or proposition. Some States will gain on such a proposal. Others will not. One presidential candidate has already suggested that the States should be bypassed, and the full amount of revenue sharing should be paid to local units of government. Now, that would put a great big hole in an awful lot of state budgets.

I cannot, as one Governor, believe that we're accepting our responsibilities as we begin this third century, if we simply say we want the federal government to take over the total responsibility of welfare.

If this committee had proposed full federal financing, at a federally mandated minimum benefit level, I could have supported it. That way, we would have taken some pressure off the Governors, and would have attempted to place responsibility within the legislatures of the various States, as they recklessly move ahead to enhance the federal benefit programs with state supplementals. This is essentially the problem the Governors have at the present time, the legislatures adding the state supplementals and not making available the necessary dollars to support them.

I recognize there are some fundamental problems across the country and I'm appreciative of the question raised by the Governor of New York, in which the State is called on to support approximately one million nonresident aliens. It seems to me that there is justification for the federal government to address that particular problem.

I'm going to vote against the committee's work, however industrious it has been, and however sincere the individuals have been, because I'm not, as one Governor, going to give the federal government any more responsibility than it has at the present time.

CHAIRMAN RAY: Any other brief comments?

GOVERNOR RHODES: I have no comment. I have a motion. The complications and complexities of welfare get deeper every year. The whole problem is mandating, and I do not believe that in this maze of bureaucracy and duplication and waste and extravagance the present two-headed approach between the States and the federal government is going to work.

Now, we talk about taxes in our respective States. Welfare doubles every five years. That means that you have to raise taxes accordingly. The reason we don't have a great many Governors here is that they had to raise taxes to keep up with welfare costs.

I'd like to make a motion to substitute the following language: "The administration, operation and funding of welfare programs, including Aid to Families with Dependent Children, should be assumed fully by the federal government."

I don't look for this to pass, but I tell you it will be a burning subject in 1977.

CHAIRMAN RAY: Is there a second to the motion?

GOVERNOR CAREY: Second.

CHAIRMAN RAY: Any further discussion? I think that's rather clear-cut. Everyone should understand the motion. All in favor of the motion signify by saying aye; opposed no. The nos have it, the motion fails, and Governor Rhodes undoubtedly is right, it will continue to be a problem.

GOVERNOR RHODES: Mr. Chairman, I just want to leave something for all of you to go home on. On AFDC a family of five in Ohio gets more than $7,000 a year, $3.38 an hour in tax-free take-home pay. Now, you go home and take all of the services that people on AFDC get and figure that in take-home pay. I think you'll get a better insight into what we're talking about in the federal government. More than half of that aid has been mandated on the States. I'm sorry that the motion did not pass, but I'll be right here in 1977 discussing welfare.

GOVERNOR THOMSON: Mr. Chairman, I move the previous question.

CHAIRMAN RAY: The question is, shall the policy statement on national welfare reform pass? All in favor say aye; opposed no. I suspect we ought to have a show of hands, since it requires a two-thirds vote. The count is 24 ayes and 11 nos. The motion carries. The proposal is adopted.

We've got two quick reports to make while Governor Lucey comes forward. I would like to propose a change in the dues structure of the National Governors' Conference. Any change will not take place for another full year. Meanwhile, NGC is attempting to do what you mandated a year ago, and that was to strengthen its Washington efforts and to be self-sufficient. To do that is going to require an increase in dues. You have before you a proposal. Is there a motion?

GOVERNOR RAMPTON: Mr. Chairman, I move that we approve the proposed schedule of dues for fiscal 1978 as shown on the dark blue sheets before you.

GOVERNOR NOEL: Second the motion.

GOVERNOR BENNETT: Mr. Chairman, it's nice that we can increase the dues and the taxpayers can pay for it, but I seriously question whether this is the time or whether it's necessary. I know you want to beef up the staff. I recall, as a freshman Governor, that we got quite a speech about disaffiliating from the Council of State Governments. I don't recall at the time that anyone told us it was going to cost us more money. But today I was told it was because we voted to go away from the Council of State Governments. Should that be the case, maybe we ought to go back.

As far as I'm concerned, many of the services the Conference renders are important, but I don't know that getting more of our own bureaucrats is any answer to our problems. More of an answer might be our getting involved individually on Capitol Hill, rather than sending someone else. As a justification for the dues increase, you assigned the sum of $48,000 to the Committee on Rural and Urban Development.

If that's the case, then you must be anticipating doing something the committee hasn't done before, because, for the life of me, I don't know how we could spend $48,000 except perhaps to throw it away. I very much oppose the increase in dues.

GOVERNOR RAMPTON: May I respond on the disaffiliation from the Council of State Governments. There were, of course, certain services rendered to the Governors' Conference by CSG that are no longer rendered. We have to pick up the difference. However, in Utah, and I assume in your State, we reduced the amount going to the Council of State Governments to compensate for the new amount going to the Governor's Conference.

GOVERNOR BENNETT: If there was a reduction, it was minimal. When I came aboard here, I was furnished with a very nice report about all these bureaucrat associations and organizations that we're all going to try to clean up. We've tried to clean them up a little bit, but they are still around. The only one in Kansas that we spend more money on is a highway improvement group; I think we spend $35,000. I think it would be much better for us to get rid of some of the other organizations before we start increasing our own dues.

GOVERNOR EVANS: I think we've got to face up to the simple fact of whether we want to be an effective organization or a social organization. We've got to have the capacity to do, Bob, just exactly what you're suggesting. If we don't have the staff capacity, if we don't have the willingness to be leaders in effectively presenting our case to Congress, to the Administration, to other organizations and to the American public, we are never going to have the strength to bring these other organizations to heel and within our orbit. I think it's terribly important for us to decide whether we want to see a continued erosion of our current ability to do anything, which will come, because we have a static fixed-dollar income. Each year that inflation continues means a steady erosion of our current ability to do our job.

If we're unwilling to provide adequately for expanded leadership, then we don't deserve an effective voice in what happens nationally, we don't deserve an effective voice with other organizations, and we will not be viewed by others as an effective organization. I think it's just that simple.

GOVERNOR EXON: When did we last increase our dues?

CHAIRMAN RAY: It was two years ago, as I recall. This would go into effect one year from now. It will not affect this year at all. I can tell you, having worked on the reenactment of revenue sharing, thank goodness we've had an organization as strong as it is, because other organizations were not always in sympathy. It's terribly important that we have a strong staff in Washington, D.C. to do the things, Bob, that we can't necessarily do as individual Governors.*

GOVERNOR BENNETT: Mr. Chairman, I don't know that by increasing the dues, we increase our strength by 50 percent, and I suggest to you that if we have success with revenue sharing, we have had it under the current dues structure, and I don't know that we'll be 50 percent more successful under this structure.

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*See Appendix VIII for a summary of the debate on revenue sharing at the Winter Meeting in February 1976.

CHAIRMAN RAY: We all know from our own experiences that it isn't just revenue sharing. It's with health regulations, LEAA regulations, Congress itself. You could list a whole series of these important areas in which we have to have some help in Washington if we are going to be effective. The question has been called for. This requires a majority vote. All in favor say aye; opposed no. The ayes have it. The motion is carried. Now, I want to move to Pat Lucey, who says he can present his report from the Committee on Executive Management and Fiscal Affairs very quickly.

GOVERNOR LUCEY: You have before you two yellow booklets. The thicker one simply shows what we have done to this committee's portions of the policy book. Mostly we have deleted language that was out of date or positions of the Governors that are so well-known that we don't need them in the policy book on a permanent basis. The deletion of some of this language does not mean that the Governors have reversed their position.

In the thinner book are some changes that will require action by the Conference. The first item is some additional language to the grant-in-aid section, offered by Governor Thomson. I'm informed by staff that the effect of this would be to support a federal sunset law.

There are two other resolutions, one of which is just an update of the revenue sharing policy. It says: "The National Governors' Conference has no higher priority than the renewal of the General Revenue Sharing program. The Governors applaud the approval by the House of Representatives of revenue sharing legislation which provides for guaranteed long-term funding to be distributed according to the present allocation formula. However, the Governors are concerned that the House-passed bill contains provisions which will raise administrative costs significantly above the current rate of one-twelfth of 1 percent of program funds, and urge Congress to avoid unnecessary and costly new administrative procedures.

"The National Governors' Conference urges the Senate to move quickly to approve a general revenue sharing bill in accord with the following principles," and we list there the principles with which you are all familiar.

The other resolution, offered by Governor Reubin Askew of Florida, has to do with preference for in-state contractors. It simply urges the continuation of a trend that is already in effect across the country to bring more free trade to commerce among the States.

With that, and dispensing with a report I had on the various task forces the committee has developed, I think we could get on. It will require a motion to suspend the rules to deal with the resolutions on revenue sharing and on preference to in-state contractors.

GOVERNOR SHAPP: I so move.

GOVERNOR LUCEY: The motion has been made that we suspend the rules.

GOVERNOR NOEL: Second.

GOVERNOR LUCEY: All in favor signify by saying aye; opposed no. The ayes have it. Now the question is on adoption of the entire report of the Committee, and that requires a two-thirds vote. All in favor signify by saying aye; opposed no. The ayes have it. It's all yours.

CHAIRMAN RAY: You're doing so well, stay right here. While Governor Bowen is coming forward, I want you to know that last night we had fully intended to extol the virtues of our graduating Governors. We started the dinner a little late and decided to scrub the idea, but we did want to do that today.

Again, time has run short. We will not be able to hear all the nice things I would like to have said because these people have been remarkable in their accomplishments over the years, but I would like to have them stand before you as we present each one of them with a framed certificate to express our appreciation as members of this National Governors' Conference.

First, James Holshouser who cannot run again and succeed himself. He was the first Republican Governor of the State of North Carolina in this century. Jim, we'll miss you.

Dan Walker, who will not be back, who really opened up government in the State of Illinois and has been influential in many, many areas and in many, many ways. Dan Walker, you will be missed also, sir.

Phil Noel wants to step upstairs to the United States Senate. Certainly he has to be one of our most colorful Governors during his two terms. We're going to miss him, and we wish him well.

Tom Salmon insists Phil isn't going alone, he's running for the U.S. Senate also. One of the tireless workers in this Conference, particularly in the area of natural resources. Tom.

Arch Moore has been Governor of West Virginia for eight years; they won't let him run again. We think he would have been reelected. He has served as the Chairman of the National Governors' Conference, and certainly has been a great credit to it. Arch Moore.

Cal Rampton, my predecessor as Chairman of the National Governors' Conference. Cal has probably the highest approval rating of anybody I've ever known as a Governor. In any event, he sought not to seek reelection. He is the only Governor, as I recall, who has served a third term as Governor of the State of Utah. Cal Rampton.

The other senior Governor of this Conference is Dan Evans, who has served 12 years now and decided not to seek reelection. He certainly was an innovator in this Conference as he has been in his State, and you certainly don't need to go to the State of Washington to realize that he has done a great deal. Dan Evans.

I guess maybe at bicentennial time it doesn't hurt to get just a wee bit nostalgic. I can't help but be a little bit nostalgic as I look at these people whom I have admired and respected. They have contributed so significantly to the welfare of their States and this country that it's a shame to have them depart. In any event, I think I speak for every Governor who remains; I wish each one of you the very best. Thank you. (Applause.)

Now, Governor Otis Bowen with a quick report from the Crime Reduction and Public Safety Committee.

GOVERNOR OTIS R. BOWEN: I do have a two-page report which we've boiled down to half a page, dealing only with the items on which you have to take action.

The committee adopted two resolutions. The first one calls for the provision of the same quality of equipment and material for National Guard units as is presently provided to the regular Army and Air Force.

Second, the committee recommends that the Conference support the maintenance of Selective Service offices in each State to facilitate the rapid reactivation of Selective Service in case of a national emergency. The committee recommends that the state offices be small skeletal operations.

The committee tabled a resolution supporting the establishment of a National Indian Criminal Justice Center because such a center would duplicate present efforts, and the criminal justice needs of Indians can be met through existing institutions and programs.

Mr. Chairman, I would move the suspension of the rules to deal with these two subjects.

GOVERNOR NOEL. Second.

CHAIRMAN RAY: Discussion. All in favor say aye; opposed no. The ayes have it.

GOVERNOR BOWEN: Mr. Chairman, I now move to adopt the resolutions.

GOVERNOR NOEL: Second the motion.

CHAIRMAN RAY: It has been moved and seconded. Any discussion? I hear none. Those in favor signify by saying aye; opposed no. Both are carried.

GOVERNOR BOWEN: I'd like now to call your attention to a short statement on a potential health hazard that should be referred to the Committee on Natural Resources and Environmental Management for study. It concerns PCBs or polychlorinated biphenyls found in excessive quantities in meat, milk and a few other products. Please read it, and I hope the Committee on Natural Resources will look into it.

CHAIRMAN RAY: Thank you, Governor Bowen, I think most of our other policy statements have been covered. Governor Noel, you had one on Selective Service. Do you withdraw that? I think it was included.

GOVERNOR NOEL: It was included.

CHAIRMAN RAY: National Guard the same thing, Governor Thomson?

GOVERNOR THOMSON: Yes.

CHAIRMAN RAY: Cutting costs of government, Governor Thomson, I think that's been covered.

GOVERNOR THOMSON: Yes.

CHAIRMAN RAY: And out-of-state purchasing, Governor Askew, we have taken care of that?

GOVERNOR ASKEW: Yes.

CHAIRMAN RAY: Governor Thomson tells me he will not pursue the Olympic Games resolution at this time.

GOVERNOR THOMSON: Mr. Chairman, that's correct, in the interest of saving time, but I will suggest that any Governor who feels as I do might very well write to the Department of State or to the President.

CHAIRMAN RAY: Dan Evans has a report on the Hall of the States. I am going to ask Dan if he will communicate that to everybody via the mail.

We have one resolution yet to come up, on the Equal Rights Amendment. We'll get to that in a moment. May I have your report, Arch?

REPORT OF THE NOMINATING COMMITTEE

GOVERNOR MOORE: Mr. Chairman, your Nominating Committee presents the following nominees for positions on the Executive Committee.

The Governor of Iowa, Mr. Ray; the Governor of Virginia, Mr. Godwin; the Governor of Kansas, Mr. Bennett; the Governor of South Carolina, Mr. Edwards; the Governor of Ohio, Mr. Rhodes; the Governor of Florida, Mr. Askew; the Governor of Tennessee, Mr. Blanton; the Governor of North Dakota, Mr. Link. I move the approval of the nominations as submitted for positions on the Executive Committee for the ensuing year.

GOVERNOR NOEL: Second the motion.

CHAIRMAN RAY: Are there any other nominations? It has been moved and seconded. All in favor say aye; opposed no. The motion is carried. Congratulations to all of you.

GOVERNOR MOORE: Mr. Chairman, the Nominating Committee is pleased and proud to present for the position of Chairman of the National Governors' Conference, the distinguished Governor from the State of Idaho, Governor Cecil Andrus, and moves his unanimous selection as Chairman for the ensuing year.

GOVERNOR EDWIN EDWARDS: Second.

CHAIRMAN RAY: Moved and seconded. Are there other nominations? All in favor of Governor Andrus as the new Chairman of the National Governors' Conference signify by saying aye. It's unanimous. Congratulations.

THE EQUAL RIGHTS AMENDMENT

CHAIRMAN RAY: While Governor Andrus is coming up, I'll recognize Milton Shapp, who has the last remaining policy resolution to come before this Conference.

GOVERNOR SHAPP: Mr. Chairman, maybe it's fitting that the last resolution should be on Equal Rights. I'm not going to read the resolution. You have all had it before you for several days. I'd like to have suspension of the rules so that this may be considered.

CHAIRMAN RAY: Is there a motion for suspension of the rules?

GOVERNOR NOEL: So moved, Mr. Chairman.

CHAIRMAN RAY: It has been moved by Governor Noel that the rules be suspended to take up the subject of the Equal Rights Amendment.

CHAIRMAN RAY: Governor Blanton seconds, and for the record, I heard another second from Governor Salmon.

GOVERNOR SHAPP: You have the resolution before you, and I will just read the last paragraph to save time. "Therefore, be it resolved, that we, the nation's Governors, here assembled, support full ratification and implementation of the

Twenty-seventh Amendment to the United States Constitution."

I move the adoption of this resolution.

GOVERNOR BOND: Second.

CHAIRMAN RAY: This requires a two-thirds vote, and it really isn't debatable. All those in favor of suspending the rules signify by saying aye; opposed no. The ayes have it. The rules are suspended. Do you wish to debate the question?

GOVERNOR MANDEL: Question.

CHAIRMAN RAY: The question has been called for. All in favor of supporting the statement on the Equal Rights Amendment, signify by saying aye; opposed no. The ayes have it. The National Governors' Conference supports the ERA. Now, Mr. New Chairman. Governor Andrus, I want to present to you the gavel.

GOVERNOR ANDRUS: Thank you very much. And in appreciation, even though we are pressed for time, the nation's Governors warmly thank you, Governor Robert D. Ray of Iowa, for your outstanding leadership as Chairman of the National Governors' Conference for 1975-1976. We do appreciate it, Bob, we do appreciate it. Give him a hand. (Standing ovation.)

CHAIRMAN RAY: Thank you, thank you very much. I would be happy to deliver a 20 or 30 minute speech, but the Queen is waiting . . . . Before we break up, I want to thank Milt Shapp and his wife Muriel and Jim Golden, and all the people of the Keystone State, the Bicentennial State, who have made it possible for us to come to Hershey, Pennsylvania. The hospitality has been genuine, it's been great, and we want you to know, Milt, how very much we all appreciate it. Thank you.

GOVERNOR ANDRUS: In appreciation, Milt, we have a resolution of appreciation. It will be properly embossed and delivered to you.

GOVERNOR SHAPP: Maybe you can't get it on the floor.

GOVERNOR ANDRUS: It would pass unanimously, I assure you. But we do thank you and all of the people of the great host State for being so kind.

Let me make two announcements. One, the speech that normally is given will not be given. I'll simply say to you I'll wear the hat that you've been kind enough to bestow upon me fairly and squarely, and we'll do the work.

We have an Executive Committee meeting for those new members scheduled at 6:30 this evening at the Hotel Hershey.

CHAIRMAN RAY: I think what's extremely important is that we not tarry. The moment the gavel drops we should head out that door. Otherwise, security is a real problem when we get to Philadelphia. I think, Milt, you have a few instructions.

GOVERNOR SHAPP: Our wives have already left by bus for Philadelphia, and we are going to go down by choppers. We'll land at Penn's Landing which is close to the area where the Queen's ship is now docked, and at 4:30 all the Governors and their wives will be greeted by the Queen, as we attend a tea that she is throwing in our honor.

The buses are right outside, there will be box lunches along so you'll be able to get something either in the bus or on the choppers. Thank you very much.

GOVERNOR ANDRUS: We stand adjourned.

Appendices

Appendix I

THE GOVERNORS, JULY 1976

State or other Jurisdiction	*Governor (D) Democrat (R) Republican (PD) Popular Democratic Party (I) Independent*	*Length of Regular Term in Years*	*Present Term Began January*	*Number of Previous Terms*	*Max. Consecutive Terms Allowed by Constitution*
Alabama	George C. Wallace (D)	4	1975	2(a)	2
Alaska	Jay S. Hammond (R)	4	1974(b)	—	2
American Samoa	Earl B. Ruth (R)	(c)	1975(d)	—	—
Arizona	Raul H. Castro (D)	4	1975	—	—
Arkansas	David H. Pryor (D)	2	1975	—	—
California	Edmund G. Brown, Jr. (D)	4	1975	—	—
Colorado	Richard D. Lamm (D)	4	1975	—	—
Connecticut	Ella T. Grasso (D)	4	1975	—	—
Delaware	Sherman W. Tribbitt (D)	4	1973	—	2(e)
Florida	Reubin O'D. Askew (D)	4	1975	1	2
Georgia	George Busbee (D)	4	1975	—	(f)
Guam	Ricardo J. Bordallo (D)	4	1975	—	2
Hawaii	George R. Ariyoshi (D)	4	1974(g)	—	—
Idaho	Cecil D. Andrus (D)	4	1975	1	—
Illinois	Dan Walker (D)	4	1973	—	—
Indiana	Otis R. Bowen (R)	4	1973	—	2
Iowa	Robert D. Ray (R)	4	1975	3(h)	—
Kansas	Robert F. Bennett (R)	4	1975	—	2
Kentucky	Julian M. Carroll (D)	4	1975(i)	(j)	(f)
Louisiana	Edwin Edwards (D)	4	1976(k)	1	2
Maine	James B. Longley (I)	4	1975	—	2
Maryland	Marvin Mandel (D)	4	1975	1(l)	2
Massachusetts	Michael S. Dukakis (D)	4	1975	—	—
Michigan	William G. Milliken (R)	4	1975	1(l)	—
Minnesota	Wendell R. Anderson (D)	4	1975	1	—
Mississippi	Cliff Finch (D)	4	1976	—	(f)
Missouri	Christopher S. Bond (R)	4	1973	—	2(e)
Montana	Thomas L. Judge (D)	4	1973	—	—
Nebraska	J. James Exon (D)	4	1975	1	2
Nevada	Mike O'Callaghan (D)	4	1975	1	2
New Hampshire	Meldrim Thomson, Jr. (R)	2	1975	1	—
New Jersey	Brendan T. Byrne (D)	4	1974	—	2
New Mexico	Jerry Apodaca (D)	4	1975	—	(f)
New York	Hugh L. Carey (D)	4	1975	—	—
North Carolina	James E. Holshouser, Jr. (R)	4	1973	—	(f)
North Dakota	Arthur A. Link (D)	4	1973	—	—
Ohio	James A. Rhodes (R)	4	1975	2(m)	2
Oklahoma	David L. Boren (D)	4	1975	—	2
Oregon	Robert W. Straub (D)	4	1975	—	2
Pennsylvania	Milton J. Shapp (D)	4	1975	1	2
Puerto Rico	Rafael Hernández-Colón (PD)	4	1973	—	—
Rhode Island	Philip W. Noel (D)	2	1975	1	—
South Carolina	James B. Edwards (R)	4	1975	—	(f)
South Dakota	Richard F. Kneip (D)	4	1975	2(h)	2
Tennessee	Ray Blanton (D)	4	1975	—	(f)
Texas	Dolph Briscoe (D)	4	1975	1(h)	—
Utah	Calvin L. Rampton (D)	4	1973	2	—
Vermont	Thomas P. Salmon (D)	2	1975	1	—
Virginia	Mills E. Godwin, Jr. (R)	4	1974	1(n)	(f)
Virgin Islands	Cyril E. King (I)	4	1975	—	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	1975	1	—
Wyoming	Ed Herschler (D)	4	1975	—	—

FOOTNOTES

(a) Previous terms 1963-67; 1971-75.

(b) Alaska Constitution specifies first Monday in December as Inauguration Day.

(c) Indefinite term.

(d) February 1975.

(e) Absolute two-term limitation.

(f) Governor cannot serve immediate successive term.

(g) Hawaii Constitution specifies first Monday in December as Inauguration Day.

(h) Two-year terms.

(i) December 1975.

(j) Governor Carroll, as Lieutenant Governor, became Acting Governor in December 1974, when former Governor Wendell H. Ford resigned to become United States Senator. Elected to full four-year term in November 1975.

(k) May 1976.

(l) Governors Mandel and Milliken also served prior partial terms.

(m) Previous terms 1963-67; 1967-71.

(n) Previous term 1966-70.

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 through policy research and analysis of issues affecting all levels of government and the people, and a strong program of state services; to facilitate and improve state-local and state-federal relationships; to vigorously represent the interests of the States in the federal system, and the role of the Governors of the American States, Commonwealths and Territories in defining, formulating and expressing those interests.

Article III
MEETINGS

The Conference shall meet semi-annually. A winter meeting shall be held in Washington, D.C., and a summer meeting, which also shall be known as the annual meeting, shall be held at a time and place determined by the Executive Committee. The proceedings or summary of the semi-annual meetings shall be properly reported to the membership and others, as directed by the Executive Committee.

Special meetings of the Conference may be held at the call of the Executive Committee.

Twenty-five members present at the semi-annual meetings of the Conference or any special meetings of the Conference, as may be called by the Executive Committee, shall constitute a quorum.

Article IV
CHAIRMAN

The Chairman of the National Governors' Conference shall be elected by the Conference at the final business session of the summer 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.

The Chairman shall hold office until the adjournment of the succeeding summer 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. Such vacancy shall be filled by an Executive Committee Governor of the same political party as that of the Chairman who has vacated the position.

The Chairman shall preside and vote at meetings of the Executive Committee and at the semi-annual meetings of the Conference, as well as any special meetings called by the Executive Committee.

The Chairman of the Conference shall appoint the members of the standing committees of the Conference, designate their chairmen and vice chairmen, and appoint members and chairmen of any special committees, special projects, or study committees authorized by the Executive Committee or by the Conference.

The Chairman of the Conference shall, with the assistance of the Executive Director of the Conference, prepare the agenda for all Executive Committee meetings. The Chairman shall, with the advice and counsel of the Executive Committee and with the staff assistance of the Executive Director, prepare the agenda of the semi-annual meetings, and any special meetings called by the Executive Committee.

The Chairman of the Conference shall periodically inform all Governors of the status of current and proposed activities and projects of the National Governors' Conference.

The Chairman shall appoint a Nominating Committee to serve at the summer meeting. 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 exceeds the number of officers to be elected.

Article V

EXECUTIVE COMMITTEE

The Executive Committee of the National Governors' Conference shall consist of the Chairman of the Conference and eight other members elected at the final business session of the summer 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 summer meeting and until their successors are chosen, except as follows: The currently retiring Chairman and three other members of the currently retiring Executive Committee shall be returned to serve on the new Executive Committee. Regarding these four automatically selected members of the new Executive Committee, no more than two such members shall be of the same political party.

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 four times each year. It shall have authority to act for the Conference in the interim between semi-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 activities and studies authorized by the Conference.

Article VI
EXECUTIVE DIRECTOR

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 established by the Executive Committee.

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 and shall provide the Conference with periodic reports of the activities and projects of the Conference and its personnel.

The Executive Director shall be the Secretary of the Conference and shall attend and keep a correct record of all meetings of the Executive Committee and 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 Executive Director, subject to direction and oversight by the Executive Committee, shall also serve as Treasurer of the Conference. The Treasurer is authorized to utilize accounting and fiduciary services of the Council of State Governments or other organizations to assist in meeting the fiscal needs and responsibilities of the Conference. The Treasurer or his agent as may be authorized by the Executive Committee shall have custody of the funds of the Conference, and shall deposit the funds of the Conference in its name, annually reporting at the close of each Conference fiscal year, or as soon thereafter as is deemed feasibly possible and prudent, all receipts and disbursements and balances on hand. Financial rules not otherwise expressed or implied by these provisions may be incorporated in financial rules which may be adopted by the Executive Committee or by the Conference.

The Executive Director shall furnish a bond with sufficient sureties conditioned for the faithful performance of his duties, the cost of such bond to be borne by the Conference.

Article VII
ORGANIZATIONAL AFFILIATION AND ADMINISTRATIVE SUPPORT

The Executive Committee is empowered to enter into agreements with the Council of State Governments and its Executive Director for the administration and implementation of service to the Conference and its members. Such services may include, but not necessarily be limited to, general logistical support for Conference activities, research on special projects, publications, and general staff support. The Executive Director of the National Governors' Conference 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. Any such agreement shall be subject to continuing oversight and supervision by the Conference's Executive Committee.

Subject to specific recommendations of the Conference's Executive Committee and acceptance by the Conference at a semi-annual or at a special meeting, the Conference may affiliate with other organizations or may accept the request of other organizations to affiliate with the Conference.

Article VIII
POLICY STATEMENTS

Statements reflecting policy positions or resolutions of the Conference shall be in the form of summary statements prepared by standing committees, special task forces, or other special committees authorized by the Chairman, with the approval of the Executive Committee, to prepare or issue such proposed policy positions or resolutions. The Executive Committee shall determine the jurisdiction of each committee and may assign, reassign or withdraw special policy issues from, or to, any committee.

Proposed policy statements developed pursuant to the procedure stated in the preceding paragraph shall be submitted to the Executive Committee and to all Governors at least 15 days in advance of any meeting where their adoption is sought. Adoption by the Conference shall require an affirmative vote of not less than two-thirds of the Governors present and voting. Submission of a recommended policy statement to the full Conference may be made either by a committee authorized to prepare and issue policy statements or by the Executive Committee by majority vote of its members. Amendments to any policy statement may be offered from the floor and will require the same majority as is required to adopt the statement.

Between the meetings of the Conference, both the Executive Committee and standing committees of the Conference are empowered to adopt policy statements not inconsistent with existing policy adopted by the Conference. Such policy statements are subject to review by the Conference at its next meeting. A policy statement considered in the interim by the Executive Committee or a standing committee shall be considered adopted if it receives an affirmative vote of at least two-thirds of its members; however, a policy statement adopted by a standing committee is subject to review by the Executive Committee as well as the Conference.

Any individual Governor desiring to have a policy statement considered by an authorized committee of the Conference shall do so by transmitting the substance of such a policy proposal to the Executive Director of the Conference not less than 45 days prior to the meeting of the Conference, at which time such an issue would be expected to receive consideration. In such cases, the Executive Director shall transmit promptly the substance of such a proposal to the Chairman of the Conference and to the chairman and all members of the appropriate standing committee of the Conference.

Article IX
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 X
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 30 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 XI
SUSPENSION

Any article of procedure for conducting the business of the Conference may be suspended by a three-fourths vote.

Article XII
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, *Robert's Rules of Order* shall be the standard authority, when applicable.

Rule I — POLICY STATEMENTS AND RESOLUTIONS

1. Policy statements or resolutions shall come before the Conference in the manner set forth by Article VIII of the Articles of Organization. Policy statements or resolutions adopted by the Conference shall remain in force and effect until rescinded or superseded by the Conference.

2. Subject to the review of the Conference at its next semi-annual meeting, standing committees and the Executive Committee may adopt interim policy statements or resolutions carrying the full weight of regularly adopted conference policy. To be adopted, such policy statements or resolutions must receive the affirmative vote of two-thirds of the members of the committee. Interim policy statements or resolutions adopted by a standing committee are subject to review by the Executive Committee at its next meeting as well as the Conference at its next semi-annual meeting.

3. In order to consider any policy statement or resolution that has not been prepared and presented in accordance with Article VIII, 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.

4. 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 except in cases where the meetings of the Conference are scheduled for less than three days in duration. I, a meeting is for two days, then a member who intends to offer a motion for suspension of the Articles of Organization to consider a policy statement or resolution on his own behalf or on behalf of a standing committee shall give notice of such intention and shall distribute to all members present at the meeting a copy of such proposal by the end of the calendar day before such motion is put to a vote.

Rule II — ORDINARY BUSINESS

1. Any proposal or motion necessary to carry on the business of the

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*Adopted at the Sixty-eighth Annual Meeting, Hershey, Pennsylvania, July 5, 1976.

Conference may be approved by a simple majority vote.

Rule III — MOTIONS TO AMEND

1. Motions to amend most propositions are in order. An amendment may be amended. 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 IV — 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 to 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 V — 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 VI — 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 VII — 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 VIII — ADOPTION, AMENDMENT & SUSPENSION OF RULES

1. These Rules of Procedure may be adopted or amended at the first business session of any semi-annual or special meeting of the Conference by a simple majority vote. Thereafter, for the duration of any such meeting, amendment or suspension of the Rules shall require a three-fourths vote.

Appendix IV

TREASURER'S REPORT

BALANCE SHEET
May 31, 1976

ASSETS

Cash		$ 37,692.78
Accounts Receivable		6,988.68
Investments		
U.S. Treasury Bills	$ 493,693.18	
U.S. Notes and Bonds	675,000.00	
Add: Premiums	386.17	
Less: Discounts	3,614.55	
Total Investments		1,165,464.80
Accrued Interest Receivable		20,553.79
Due from Grants and Contracts		364,404.85
Total Assets		$ 1,595,104.90

LIABILITIES AND FUND BALANCE

Liabilities		
Payroll Taxes Accrued and Withheld	$ 17,562.85	
Other Payroll Deductions	338.34	
Due to/from Associated Organizations	5,401.86	
Miscellaneous	2,325.10	
Total Liabilities		$ 25,628.15
Fund Balances		
Designated by the Executive Committee	$ 1,154,592.60	
Undesignated, available for General Activities	282,575.60	
Excess Revenue over Expenditures, 7/1/75-5/31/76	132,308.55	
Total Fund Balances		1,569,476.75
Total Liabilities and Fund Balances		$ 1,595,104.90

STATEMENT OF REVENUE AND EXPENDITURES
July 1, 1975 - May 31, 1976

	Budget 7/1/75-6/30/76	Actual 7/1/75-5/31/76	Percent of Budget	Balance of Budget
Beginning Fund Balance	$282,575.60	$282,575.60		
Revenue				
Dues from the States	$650,000.00	$664,958.00	102.3	($14,958.00)
Interest on Securities	73,500.00	65,969.55	89.8	7,530.45
Sale of Publications	9,000.00	2,660.05	29.6	6,339.95
Registration Fees	-0-	9,855.00		(9,855.00)
Miscellaneous	-0-	232.16		(232.16)
Total Revenue	$732,500.00	$743,674.76	101.5	($11,174.76)
Expenditures				
Personal Services	$555,000.00	$490,183.57	88.3	$64,816.43
General Office Expense	90,850.00	76,722.15	84.4	14,127.85
Rent and Property Maintenance	77,400.00	44,052.65	56.9	33,347.35
Equipment	15,000.00	15,761.67	105.1	(761.67)
Insurance	-0-	899.00		(899.00)
Consulting and Contractual	57,000.00	79,551.92	139.6	(22,551.92)
Travel and Conference	40,000.00	36,314.01	90.8	3,685.99
Publications	19,000.00	12,665.67	66.7	6,334.33
Winter Meeting	10,000.00	13,803.90	138.0	(3,803.90)
Annual Meeting	-0-	733.31		(733.31)
Expenses of Chairman	30,000.00	22,438.54	74.8	7,561.46
Total Expenditures	$894,250.00	$793,126.39	88.7	$101,123.61
Less Overhead Costs Reimbursed by Grants and Contracts	162,000.00	181,760.18	112.2	(19,760.18)
Net Expenditures	$732,250.00	$611,366.21	83.5	$120,883.79
Excess Revenue over Expenditures	$ 250.00	$132,308.55		
Ending Fund Balance	$282,825.60	$414,884.15		

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
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
67th	New Orleans, Louisiana	June 8-11	1975
68th	Hershey, Pennsylvania	July 4-6	1976

Appendix VI

CHAIRMEN OF THE NATIONAL GOVERNORS' CONFERENCE, 1908-1976*

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'Conor, 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
Governor J. Caleb Boggs, Delaware	1959-60
Governor Stephen L. R. McNichols, Colorado	1960-61
Governor Wesley Powell, New Hampshire	1961-62

*At the initial meeting in 1908, President Theodore Roosevelt presided.

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
Governor Robert D. Ray, Iowa	1975-76
Governor Cecil D. Andrus, Idaho	1976-77

Appendix VII

APPROVED POLICY STATEMENTS

Crime Reduction and Public Safety

A. - 1

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. LEAA's actions in fostering the development of qualified staff at the state level, providing wide latitude to the States in devising plans to improve 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 Conference reaffirms its confidence in the LEAA program and urges Congress to form a partnership with the Governors in working to strengthen LEAA to assure effective intergovernmental action in dealing with one of the nation's most serious domestic problems.

The Conference is concerned that proposed reductions in the budget for LEAA programs may adversely affect progress in improving law enforcement and reforming the criminal justice system. The Conference urges appropriation of the full amount authorized by Congress in the Crime Control Act.

The Conference urges each State to review immediately its state planning agency supervisory board to determine whether certain components of a State's criminal justice system are underrepresented and to rectify any imbalance that may exist. Governors are particularly urged to examine representation by local officials, the state judiciary system and the state legislature.

The Conference further urges state planning agencies to give greater attention to the needs of the courts through greater participation by representatives of the judiciary on state supervisory boards. Where feasible, a planning group representing the courts should be established to prepare plans and make recommendations on funding to the state planning agency.

The Conference renews its intention to work closely with state legislatures in developing comprehensive state plans and to consult appropriate legislative committees, where feasible, to elicit their suggestions and ideas concerning the content of state plans.

The Conference urges state planning agencies to emphasize programs to aid population centers with high crime rates. The Conference renews its opposition to the creation of new categories and reaffirms its support for the present comprehensive state planning process.

A. - 2

STATE-CITY COOPERATION

The National Governors' Conference restates and reemphasizes its commitment to vigorous and effective action to control the burgeoning crime problem in urban areas of the States. Recognizing that the plague of crime knows no jurisdictional boundaries, the Governors pledge their active support to the comprehensive planning and intergovernmental action called for in the Crime Control Act. The Governors are firmly committed to a working partnership with elected and other policy-making officials in the counties and municipalities to accelerate development of comprehensive metropolitan crime control programs and facilities.

The Conference recognizes the need 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.

A. - 3

CRIMINAL CODE REVISION

The National Governors' Conference believes that one of the most critical needs in the improvement of many States' criminal justice systems is the revision, modernization and simplification of their criminal codes. The Governors 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 Conference urges the Department of Justice to establish a clearinghouse for state criminal code revisions as a source of advice and information sharing among the States.

A. - 4

CRIMINAL JUSTICE STANDARDS AND GOALS

The National Governors' Conference considers the establishment of standards and goals for the criminal justice system essential to achieving a meaningful reduction in crime and delinquency. To facilitate this process, the Conference urges each State and local government to begin evaluation of its law enforcement and criminal justice system. The Governors and their individual state planning agencies are urged to take the lead in this effort.

The Conference endorses the goal of reducing in ten years the rate of high-fear crime by 50 percent from its 1973 level. (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.

A. - 5

PREVENTION AND CONTROL OF JUVENILE DELINQUENCY

The National Governors' Conference urges each State to act as the focal point for coordinating the 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 cooperation between the numerous federal agencies with juvenile delinquency programs and between federal and state agencies.

Because the problem of juvenile delinquency is broader than the criminal justice system, program planning should promote maximum use of private and public, social and educational services to youth.

Also, because the key to a meaningful reduction in juvenile delinquency is prevention, each State should strengthen its commitment to basic prevention programs and give particular emphasis to home, school and community services aimed at youth in danger of becoming delinquent.

The Conference commends Congress for enacting the Juvenile Justice and Delinquency Prevention Act (PL 93-415). However, the success of the program depends on the availability of fresh resources, and the Conference urges appropriation of the full amount authorized by the act.

A. - 6

ORGANIZED CRIME

The National Governors' Conference pledges full support and cooperation in the intergovernmental war to eradicate organized crime and urges the States to consider the following actions to improve their capacity to deal with organized crime:

1. Establishment of State Crime Prevention Councils to study organized crime and to recommend legislative, administrative or other means of addressing the problem and to build public support for the effort.

2. Enactment of legislation to protect legitimate businesses from infiltration by organized crime.

3. Enactment of legislation to authorize statewide investigative grand juries under special circumstances.

4. Enactment of legislation to provide criminal proscriptions against loansharking.

5. Enactment or strengthening of legislation prohibiting illegal professional, commercial or syndicated gambling.

6. Enactment of legislation providing criminal penalties for tampering with or coercing witnesses. (Legislation or administrative procedures may also be necessary to provide for the physical safety and relocation of witnesses who testify for the government in organized crime cases.)

7. Strengthening of state revenue departments' capacity to enforce criminal sanctions in the States' tax laws.

Statutory authorization for wiretaps, with proper constitutional safeguards, has proved an effective weapon in the struggle against organized crime in many States. Conscious of the need to protect individual liberties, the Conference recommends that those States which do not authorize wiretapping give serious consideration to the enactment of such legislation, with appropriate safeguards, as a valuable tool in the fight against organized crime.

To assist the States in organized crime programs, the Law Enforcement Assistance Administration should broaden its technical aid and training programs for 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, LEAA should develop and broaden guidelines to help federal, state and local governments improve their effectiveness in dealing with organized crime.

A. - 7

DRUG ABUSE

The National Governors' Conference recommends that the federal government, in combating the proliferation of narcotics and drug abuse problems, continue and strengthen present efforts to coordinate federal programs and to develop goals, objectives and priorities.

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.

Successor legislation to the Drug Abuse Office and Treatment Act of 1972 should be enacted to provide sufficient funds for all States to address the problem of drug abuse treatment and prevention in a comprehensive and effective manner. Such legislation should:

1. Create an office of drug abuse prevention policy to coordinate and provide direction for the federal effort and designate the National Institute on Drug Abuse as the grant funding authority.

2. Continue and strengthen the state planning capability and channel all federal grants for drug abuse prevention through single state agencies.

3. Provide for standardization and streamlining of the grant application procedure to facilitate prompt and efficient funding of state and local projects.

4. Implement a nationwide system of block grants and contracts to the States to facilitate coordinated management of federal and state programs.

The Conference recommends that States enact 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. States should unify all state drug control programs and coordinate public and private drug control efforts.

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.

A. - 8

SELECTIVE SERVICE SYSTEM

The National Governors' Conference urges the Administration to revise its budget for the Selective Service System to provide a more effective civilian and state role in the procurement of personnel for our Armed Forces by retaining the unpaid local board members during the standby period and by maintaining the state directors and a minimal office staff for each state headquarters.

A. - 9

EXTRADITION REFORM

The continued existence of disparities in extradition law and procedure from State to State is a significant barrier to effective law enforcement in the face of rising crime rates and the high mobility of fugitives from justice.

The National Governors' Conference supports the efforts of the National Association of Extradition Officials to achieve uniformity in the extradition laws and procedures. The Conference recommends that States adopt the Uniform Extradition Act as proposed by the National Conference of Commissioners on Uniform State Laws and use the uniform extradition document and forms drafted by the National Association of Extradition Officials.

A. - 10

THE NATIONAL GUARD

The Army and Air National Guard of the several States are organized in more than 4,000 units located in 2,600 communities. The Guard is the most cost-effective of the nation's armed forces, providing 16 percent of the organized force for less than 3 percent of total U.S. military expenditures. The Administration in its fiscal 1977 budget proposed to alter current practices which would adversely affect the Guard's ability to recruit new members and to carry out its state mission effectively.

The National Governors' Conference supported recent congressional action to ensure that:

1. Administrative pay will not be eliminated for Guard commanders.

2. Present regulations which allow civilian federal employees to receive military pay while performing field training will be retained.

3. The 48 annual drill requirement for Guard units will be continued.

4. New enlistees will be eligible for pay prior to commencement of their initial active duty training.

5. All guard units will be furnished the same quality of equipment and the same level of training as afforded to regular units of the U.S. Army and Air Force.

A. - 11*

CRIMINAL JUSTICE INFORMATION SYSTEMS

The National Governors' Conference urges development of legislation establishing basic 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 and the review and expunction of outdated or inaccurate data, and establish sanctions for the misuse of confidential information. Access to individually identifiable information should be strictly limited. States should be permitted to exceed federal minimum standards, and their own legislative standards should prevail over less restrictive federal or sister state standards.

Any federal legislation pertaining to the privacy and security of criminal justice data should expressly provide full state participation in the development and promulgation of regulations and in the administration of the act. In the case of automated data systems, Governors should decide whether information should be stored in a shared or dedicated facility.

A. - 12

COMPENSATION TO VICTIMS OF CRIME

In order to reduce the financial burdens on victims of crime, to encourage full reporting of crime and to assure cooperation with police, 12 States have instituted programs to compensate individuals who have been injured as a result of violent crimes. Many of these state programs have functioned effectively and relatively economically for a number of years.

Legislation to establish such compensation programs is pending in other States, but the fiscal burden on the States of meeting existing financial obligations has deferred many new programs.

*F. - 12, adopted by the Committee on Transportation, Commerce and Technology, deals with the over-all privacy issue.

The National Governors' Conference urges Congress to approve legislation that would provide financial support for existing state compensation programs and for others that may be enacted in the remaining States. Such a federal program should be administered by the Law Enforcement Assistance Administration.

A. -13

STATE LOTTERIES

Revenues from existing state lotteries contribute much to the support of education and other fundamental state services. The National Governors' Conference reaffirms the traditional view that state lotteries should not be subject to excise or occupational taxation by the federal government. States that operate lotteries should be allowed to do so in a manner which will ensure their greatest possible financial contribution to the welfare of the people. The Conference opposes any federal action, through taxation or otherwise, which would tend to discourage or obstruct the successful operation of state lotteries.

A. - 14

ILLEGAL ALIENS

The number of illegal aliens coming into the United States seeking employment has increased dramatically. This flood of immigrants exacerbates unemployment problems in both rural and urban areas. The National Governors' Conference urges the federal government to commit the resources necessary to ensure that legal limits on immigration are observed.

To discourage immigration and exploitation of illegal aliens the Conference recommends enactment of legislation to prohibit the knowing employment of these aliens. However, enforcement of any sanctions should be consistent with the free exercise of the civil rights of all people.

A. - 15

CONSUMER PROTECTION

Because consumers presently lack effective representation before federal regulatory agencies and because this lack of positive representation has resulted in a system of federal regulations that do not adequately reflect the interests of consumers, the National Governors' Conference supports federal legislation that would create an independent, non-regulatory, consumer protection agency.

A. - 16

DISASTER RELIEF

The nation's high incidence of severe natural disasters in past years has resulted in increased costs of relief and recovery efforts by federal, state and local governments. The National Governors' Conference supports the principle of disaster preparedness by all levels of government to mitigate the effects of disasters, increase capability to cope with them and reduce their cost.

The Administration's fiscal 1977 budget proposed $71 million for civil defense instead of $123 million as recommended by the Defense Civil Preparedness Agency. This budget is clearly inadequate if state and local governments are to maintain the capability to which they have committed substantial funds in shared costs.

In addition, the Secretary of Defense has restricted the definition of civil defense activities to preparedness against nuclear disaster and has stated that the cost of any civil defense activity other than nuclear preparedness must be borne by state or local governments. The Conference urges that:

1. Funding of civil defense activities be continued at the same level and under the same program guidelines as in fiscal 1976.

2. Public Law 81-920 be amended to include natural as well as nuclear disaster preparedness as a function of civil defense organizations.

3. Existing federal disaster programs be revamped to meet the special needs of less populous States.

4. A single agency of the federal government be designated to unify, coordinate and promote efficiency in the administration of all federal disaster programs and to remove all unnecessary bureaucratic obstacles to the immediate mobilization of disaster aid.

Executive Management and Fiscal Affairs

B. - 1*

GENERAL REVENUE SHARING

The National Governors' Conference had no higher priority than the renewal of the General Revenue Sharing program. The Governors applaud the approval by Congress of revenue sharing legislation which provides for guaranteed long-term funding to be distributed according to the present allocation formula. However, the Governors are concerned that the legislation will raise administrative costs significantly above the current rate of 1/12 of one percent of program funds.

The Governors urged Congress to approve a general revenue sharing bill in accord with the following principles:

1. Continuation of the distribution of funds directly to States and general purpose governments, using the existing formula which reflects need, population and tax effort.

2. No additional categorization of programs or funding.

3. Long-term, multiyear funding.

4. An increase in the annual funding level to compensate for inflation.

5. Enforcement of civil rights provisions of the act to guarantee non-discriminatory expenditure of funds with adequate provision for due process for all individuals and governments involved, and consolidation of enforcement responsibility in a single federal agency.

6. Guaranteed public hearings providing for citizen participation in revenue sharing appropriations to be conducted by recipient governments as part of their normal legislative budget processes.

B. - 2

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. Toward this end, broadening the market for state and local bonds is desirable.

*Public Law 94-488, the reenactment of revenue sharing, was signed on October 12, 1976. The program provides guaranteed funding of $25.5 billion through September 1980.

Specifically, the National Governors' Conference urges Congress to enact legislation to permit mutual funds holding municipal bonds to pass the tax 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 the Conference encourages, where feasible and relevant, the examination of 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.

Over the past few years several bills which would shift state and local borrowing from the tax-exempt to the taxable market have been introduced in Congress. In most of these bills federal line agencies would act as intermediaries between state and local governments and the public in marketing municipal bonds.

The Conference recommends that use of any federal credit assistance programs by state and local governments be entirely voluntary. Such assistance should be free from federal interference and intervention in matters of state and local concern. Such assistance should also be simple, dependable and free of delay, and should not be viewed as an alternative to federal grant assistance where it is appropriate and necessary.

The Conference reasserts that proposals should not in any way impair the access of state and local governments to the tax-exempt market, infringe on these governments' independence in debt financing, or repeal or limit the exemption of state and local government bond interest from federal taxation.

B. - 3

GRANT-IN-AID OMNIBUS

Public disenchantment with government is presently so great that it threatens the effectiveness of the nation's political institutions. Further, the prime element of growing public cynicism is the fact that government has become so complex, bureaucratic and pervasive that it has lost the capability to respond to the concerns of the average citizen.

The National Governors' Conference believes that the cause of much of the complexity and duplication now paralyzing governmental effectiveness is found in the continuing tendency of Congress to enact programs which do not recognize a proper balance of federal, state and local roles, responsibilities and structures in addressing domestic problems. Congress continues to enact more programs, and to make more complex, narrow and duplicative those which already exist.

The federal bureaucracy, in the absence of sufficient oversight and management direction, continues to add its own perspectives and priorities to congressional enactments through rules and regulations which often extend well beyond the congressional mandate.

Increased congressional attention to the structural and procedural mechanisms through which programs will be achieved can significantly simplify and improve governmental performance and intergovernmental relations. Such attention should reflect an awareness of the unique balance of roles and responsibilities of federal, state and local levels, which is essential if programs are to be delivered effectively.

Toward this objective, the Conference urges that Congress, in the enactment of domestic legislation, recognize and incorporate the following elements:

1. Congressional determination of a compelling need for federal action over and above state and local action.

2. Clear statements of measurable program objectives to reduce administrative confusion and judicial interpretation of congressional intent and priorities.

3. Authorization and appropriation of sufficient funds to meet identified program objectives realistically.

4. Modification of existing maintenance-of-effort requirements so that recipients which lower their "own source" effort would lose federal funds only in the same percentage as their own reductions.

5. Limitation of administrative authority over planning and reporting requirements by specifying the product of planning rather than the process; by designating substate areawide planning to organizations created under state law or by executive order of the Governor; and by requiring justification of any reporting not clearly necessary for the proper administration of congressional objectives.

6. Authority for the administering agency to make agreements with States to perform program audits.

7. Non-specification of state and local administrative structures, and program administration in accordance with the Intergovernmental Cooperation Act of 1968.

8. Enactment of appropriations for federally assisted intergovernmental programs one fiscal year in advance of the year in which funds are to be spent.

Wherever possible, the current system of categorical grant-in-aid programs should be simplified by consolidating programs with substantially similar objectives into broad block grants. These grants should include adequate time and procedures for the transition from categorical to block administration, and hold-harmless funding provisions for recipients to prevent reduction below their allocation under the categorical programs being consolidated. Any future reduction in federal funding should be made only in proportion to the savings from reduced state and local administrative costs.

The Conference urges Congress to adopt a requirement that all federal agencies justify their existence program by program, setting forth need, federal ability to fund, duplication of services, and conflicting requirements and objectives which hinder effective delivery of program benefits and state and local efforts to administer programs.

Congress should consider the impact of its actions on state and local abilities to finance and administer their own programs and terminate those federal programs which, after extensive objective review, are found to have failed to make a significant contribution toward resolving the problems they were created to address.

B. - 4

PUBLIC PENSION PLANS

The regulation of public pension plans is the sole responsibility of state government and most States already regulate their public pension plans. Congress should not enact national legislation to regulate public pension plans. The National Governors' Conference urges each State to reexamine its regulations to provide for adequate and assured pension plans for both the public and private sectors.

B. - 5

PUBLIC EMPLOYEE RELATIONS

Gubernatorial discretion and flexibility in the management of state personnel programs are essential to effective state government.

The imposition of personnel standards by the federal government ignores the diversity of the States and disrupts state and local government institutions, laws and traditions. Federal personnel standards will hamper efficiency, stifle development of innovative personnel management techniques and limit administration of the major components of state and local government.

The National Governors' Conference opposes federal action which would establish federal controls on the ability of state and local public employees to organize and bargain collectively pursuant to state laws; specify merit system standards which are inconsistent with the broad principles outlined in the Intergovernmental Personnel Act of 1970; unilaterally supersede long-standing state and local personnel standards; or impose wage-and-hour provisions on state and local governments.

The Conference fully supports the concept, inherent in the federal system, that interference by the national government in matters of state and local internal personnel administration should be strictly contained.

The Conference takes no position on the principle of collective bargaining for public employees, but reaffirms its commitment to the view that government personnel management is best left to the jurisdiction of the States and localities.

B. - 6

ETHICS IN GOVERNMENT

Two centuries ago, the American people went to war in order to assure open and accountable government. Now, in the nation's Bicentennial, there is a growing citizen distrust of elected officials and government at all levels. This is 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.

The first obligation of every elected official in this nation is to lead the fight to restore citizen confidence in government. As elected officials and politicians, the nation's Governors reaffirm their faith in the capacity of the democratic system to reform and renew itself in a time of crisis and to maintain the confidence as well as the consent of the governed.

Toward that end, almost every State has acted to reduce the influence of money and secrecy in its policy process. Building on this foundation, the National Governors' Conference urges action at all levels of government to ensure:

1. 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, and independent enforcement procedures with strong statutory penalties.

2. 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.

3. 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.

4. Registration and full disclosure of lobbying activities by all special interest groups.

B. - 7

INTERGOVERNMENTAL PROGRAM MANAGEMENT

The federal government with firm state support has sought to improve the management of intergovernmental programs through the adoption of the Intergovernmental Cooperation Act of 1968, the Joint Funding Simplification Act of 1974, revenue sharing and block grants as well as through the issuance of management-oriented circulars (such as OMB's A-95 and Federal Management Circulars 73-2, 74-4 and 74-7).

However, commitment to these concepts and follow-through on their implementation have been inconsistent and in many instances non-existent. Committees of Congress, the Office of Management and Budget, the Department of the Treasury and the General Services Administration have attempted to obtain compliance, but they have not received the full support and cooperation of the entire federal government.

As a result, States are continually confronted with uncoordinated programs that have interrelated objectives or serve the same constituency. Each program tends to develop independently with its own peculiar rules, procedures and practices. These rules are often conflicting, frequently duplicative and always costly.

While the day-to-day operations of government are not characterized by high profile or political glamour, they are essential to the proper functioning of the grant-in-aid system. The extent to which these routine activities are well-meshed and smoothly maintained will determine whether the public will find government responsive, comprehensible and helpful or complicated, confusing and excessively bureaucratic.

The National Governors' Conference believes the federal government must dedicate itself fully to simplifying program management through the reduction of regulations and the enactment of statutory changes to improve efficiency, effectiveness and productivity.

No federal agency should be excused from compliance with intergovernmental coordination acts, and each federal agency should strive to relieve the States of the administrative burdens arising from uncoordinated management of grant-in-aid programs.

The Conference urges the executive branch of the federal government to commit itself fully to a vigorous and total application of uniform policies aimed at better management. Specifically, the Conference urges:

1. Continued Administration support for decategorization of federal aid programs as the best approach to simplification of intergovernmental programs.

2. Vigorous enforcement by OMB of all intergovernmental management circulars and directives.

3. Major review of intergovernmental program planning and reporting requirements to determine if they are justified in view of congressional intent.

4. Renewed efforts to improve intergovernmental information systems by strengthening OMB oversight of agency information policies to eliminate continuing problems over dedicated computers, by strengthening the Budgetary Information System with emphasis on federal regional agencies' performance, and by review of agency performance under Treasury Circular 1085.

5. Stronger oversight of intergovernmental audit procedures under Federal Management Circular 73-2.

6. Renewed Administration support for programs to strengthen state and local planning and management assistance, particularly under the Intergovernmental Personnel Act, and for intergovernmental funding of projects and programs under the Joint Funding Simplification Act.

7. Increased decentralization of federal program administration to the ten standard federal regions with emphasis on equalizing the administrative latitude of regional administrations.

PREFERENCE TO IN-STATE CONTRACTORS

Several States presently grant or authorize their local governments to grant preference to contractors located within their States by penalizing specified out-of-state bidders. This is done either by a direct grant of preference or penalty or through a complex arrangement designed to retaliate against contractors from States or localities engaged in preferential practices.

The National Association of State Purchasing Officials opposes any legislation to regulate prices or restrain trade. The granting of in-state preferences either through direct grants to in-state contractors or retaliation against specified out-of-state bidders could, in some cases, reduce the number of bidders for government contracts, thereby reducing competition and indirectly affecting prices.

The use of preferences or penalties based solely on the location of the bidder and no other factor is an unreasonable restraint of trade and invites retaliation which provides further restraint of trade.

The granting of such preferences or penalties also violates federal regulations which prohibit preferential treatment in the use of federal funds and requires enormous additional paperwork to comply with retaliatory provisions and calculations of bids. The trend has been toward repeal of preference legislation since it is an additional burden on the taxpayer as well as a restraint of trade. Only 18 States presently have some form of preference legislation, compared with 30 States in 1973.

The National Governors' Conference supports the elimination of legislation granting preferential treatment to in-state contractors or penalizing out-of-state bidders. The Governors are committed to identifying and removing unreasonable restraints of trade and competition adversely affecting citizens and taxpayers.

Human Resources

C. - 1

GENERAL PRINCIPLES

The National Governors' Conference supports the concept of income-based eligibility for programs offering income maintenance, social services, subsidized medical care and nutritional assistance. Equal treatment for families, the working poor, childless couples and individuals should be provided regardless of marital status or family composition.

The Conference believes that human services programs should be structured according to 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. Achieving or maintaining economic self-support to prevent, reduce or eliminate dependency.

2. Achieving or maintaining self-sufficiency, including reduction or prevention of dependency.

3. Preventing or remedying neglect, abuse or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families.

4. Preventing or reducing inappropriate institutional care by providing for community-based care, home-based care or other forms of less intensive care.

5. Securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions.

The Conference supports proposals to remove barriers to States in planning and administering a broad range of allied human services programs in a coordinated manner which more adequately reflects state priorities. Such action would be an important first step toward needed basic reforms, including consolidation of existing categorical programs and a strong leadership role for the States. The Conference supports the following principles:

1. State-designated, substate service areas should be recognized as the common geographical areas for planning human services programs.

2. States should be allowed to transfer a portion of funds available to a certain program to other federal programs included in a State or substate human services plan.

3. States should have the option to waive certain statutory requirements and administrative regulations if they impede the development of a coordinated services program.

4. Special funds for comprehensive planning activities by state and substate service areas and administrative startup costs for the implementation of such plans should be provided.

5. States should be permitted to consolidate funds for planning in various programs of the Department of Health, Education and Welfare.

The Conference commends Congress and the Administration for enactment of the new social services law (Title XX) and urges that the same spirit of cooperation and maximum flexibility for States which characterized the development of the legislation be continued in the implementation and refinement of the program.

However, the Conference supports suspension of enforcement of the Federal Interagency Day Care Requirements developed in 1968 and mandated by Title XX regulations. The quality of day care services should be regulated through the day care licensing programs of individual States.

Federal legislation and programs should provide for increased experimentation among the States and for differing approaches in implementation and administration of these programs to meet the varying needs and situations of the States. This could include an option in which States devise their own structures and programs to meet the goals and objectives of the federal legislation.

The Conference urges Congress to provide in all grant-in-aid legislation a specific section that allows the legitimate state budgetary process to occur prior to the implementation of any new program or changes in existing programs.

The Conference supports 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.

Positive management and initiatives by both federal and state government could increase efficiency and reduce errors in public assistance payment programs. The Conference does not believe that the punitive program of fiscal sanctions levied against States and localities on the basis of error rate samples contributes to the goal of reducing error rates or recognizes the equal responsibility of federal and state partners for high error rates. The Conference urges HEW to revoke its regulation imposing fiscal sanctions and to focus instead on efforts to stabilize regulations, simplify administration and assist States in developing constructive programs to minimize error.

The Conference urges continued financial assistance to programs now funded through the Head Start, Economic Opportunity and Community Partnership Act of 1974, including state offices of economic opportunity. Federal financial assistance to community action agencies should be granted only with the approval of the Governor or a local official designated by the Governor.

C. 2

INFLATION AND COST-OF-LIVING ADJUSTMENTS

Inflation is having a disproportionate and very severe impact on the poor, the unemployed, the disabled, the aged and other people served by human resources programs and on the amount of financial support for programs designed to assist such people.

The National Governors' Conference urges the federal government to make a special effort to provide financial adjustments for inflation in human resources programs and to develop new initiatives to stop continuing increases in the prices of basic human needs, such as food, medical care and home energy needs.

Federal financial adjustments for inflation in human resources programs should be made through additional appropriations for cost-of-living adjustments in the welfare program, for higher stipends in worker training programs, for larger basic grants for higher education students and for other related programs.

Minimum wages should be raised to keep up with inflation, and income eligibility criteria for participation in human resources programs such as educational aid for disadvantaged children should also be increased.

When increases in the minimum wage or inflation reduce the net amount of services that can be offered within statutory ceilings, such ceilings should be raised.

A special federal effort should be made to control the rise in the price of basic human needs through the use of national guidelines, long-range planning, appropriate wage-and-price controls, and national legislation to restructure inflationary economic arrangements, such as might be done with national health insurance.

C. - 3

HEALTH

The National Governors' Conference urges the States to provide continued financial support for the development of state health personnel and education programs and of professional staff needed for the new planning and regulation efforts on the state level.

The Conference urges the States to enact needed planning and regulatory legislation which might include: Establishment of certificate-of-need legislation for facilities and health services; prospective budgeting and other cost control measures; provisions for strong state comprehensive health planning; coordination of the expenditure of federal and state funds; encouragement of local planning; and the development of more flexible licensing laws.

During the legislative debate on the Health Planning and Resource Development Act (PL 93-641), Governors and local elected officials stressed the need to provide for adequate public accountability in carrying out these functions.

The legislation, while containing some amendments sought by Governors, is still unacceptable because of its lack of clear lines of public accountability for developing plans and making decisions that affect the delivery of health care services.

The Conference asks that Congress consider the implications of the health planning laws and regulations as they affect the delivery of more than $100 billion worth of health care services.

The Conference urges Congress to evaluate immediately the adequacy of the health planning law and the policies of the Department of Health, Education and Welfare in implementing the law. Such evaluation and determination of actions needed should focus on the issue of public accountability.

Congress should scrutinize provisions in the law which give one official of the executive branch of the federal government, the Secretary of HEW, the power to control decision-making structures for the critical choices affecting health care services for individuals in their communities and States.

In addition, Congress should recognize that many States have created sub-state districts, with federal encouragement, to reduce overlap and duplication and to support comprehensive planning across functional lines. The administration of the health planning law, as outlined to the States by HEW, would seriously damage States' regional efforts.

The Conference urges that, at a minimum, the following policies should guide the implementation of the law or the development of changes in the law:

1. The Governor, in consultation with local officials, should have the authority to designate health service areas without regard to such arbitrary criteria as population minimums of 500,000 and non-division of Standard Metropolitan Statistical Areas (SMSAs). The Secretary of HEW should adopt the health service area designation submitted by a Governor.

2. The Governor, in consultation with local elected officials, should be responsible for the designation of the health systems agency at the local level to serve as the publicly accountable organization for health planning and related decision-making.

3. The Governor should be responsible for the establishment and structuring of health planning and resource development decision-making mechanisms at the state level to ensure consistency with state law and policies and to facilitate public accountability rather than autonomous decision-making. As an interim measure, the Conference strongly supports amendments to the health planning law to allow waivers from requirements regarding population size of health service areas and waiver of the statutory requirements concerning structure, function and composition of Health Systems Agencies and their governing boards, the Statewide Health Coordinating Council and the State Health Planning and Development Agency.

4. The separate roles of the Governor and the Statewide Health Coordinating Council in the state health policy-making process require an appropriate assignment of authority and responsibility. The Governor's role will, of

course, remain preeminent. The Conference strongly supports amendments to the law which will bring the coordinating council more closely in line with the larger health policy-making system within state government.

5. The health planning law as presently written makes it extremely difficult for public agencies to become health systems agencies. Once a public agency is designated, the law as presently interpreted requires the establishment of an autonomous governing body for health planning. The Conference supports amendments to the law which would remove the obstacles to the public governance of public health systems agencies.

6. In several respects, the health planning law presents the possibility of conflict with state statutes and constitutions. Among other things, the federal statute specifies control over the expenditures of public funds by health systems agencies and by the coordinating councils. The statute also has an appeal mechanism which is contrary to the administrative procedures of many States and gives health systems agency recommendations priority over the decisions made by local governments and public regional planning bodies. The Conference supports amendments to remove these and other potential constitutional conflicts.

7. The Conference also urges each Governor to examine the constitutional issues raised in the pending lawsuits which question the constitutionality of the health planning law. Only after serious consideration of these issues can each State choose an appropriate course of action.

C. - 4

MEDICAID

While the purpose of Medicaid is sound--medical assistance for the poor--the design and administration of the program have produced a system which is bankrupting the States and their localities.

Medicaid has become the most rapidly escalating cost of state budgets and the largest item in many local government budgets. In some States, the amount of money spent by Medicaid on a person's health care is greater than that person's welfare benefits. Many governments approach a time when they will be financially unable to provide adequate assistance for the poor and medically indigent. That is unconscionable and cannot be allowed to happen.

The spiraling cost of this program must be controlled, but without holding the poor hostage to forces beyond their control. The fundamental issues are the need for better control over the rates paid for health services and the utilization of those services by patients.

State governments, which are responsible for the management of the Medicaid program, must intensify their efforts to manage the program better.

To accomplish this, the federal government in cooperation with the States must revise existing regulations and legislation which pose obstacles to effective cost control procedures. States must have greater flexibility in determining appropriate costs for reimbursement, must be given incentives for cost control rather than penalties, and must be assured of adequate mechanisms to control the utilization of services. Also, the federal government must reduce the duplication and conflict between Medicaid programs and other health and human resources programs.

Unless reasonable, strong and immediate action is taken by the federal government, the States cannot promise to supply these needed services at the requisite levels for they will be unable to afford them.

The Governors pledge to review the Medicaid programs in their States and urge federal action, on a priority basis, to address the problems created for state and local governments by the continuing rapid increase in Medicaid costs.

The National Governors' Conference intends to make Medicaid an item of highest priority during 1977 and to provide leadership in working with Congress and HEW to develop needed reforms.

C. - 5

INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED

The National Governors' Conference fully supports efforts to develop high quality, comprehensive services for the mentally retarded. This requires the development of services and programs which offer appropriate alternatives to life-long institutional care as well as the improvement of necessary institution-based services.

The objectives of ICF/MR regulations (49 Code of Federal Regulations 249.13) are generally consistent with the effort to improve the quality of services provided in an institutional setting. However, the March 18, 1977 deadline for compliance with these regulations imposes a severe burden on the States, and ultimately on the retarded. Title XIX participation would be denied States even when good faith progress had been made toward the deadline, but because of circumstances compliance was not possible. The arbitrary nature of the deadline ignores the potential hardship to residents that may result from too rapid an implementation effort. Finally, the deadline does not permit the recognition of other program efforts on behalf of the retarded to improve service delivery and diminish the need for long-term residential programs.

The Conference recommends that on March 18, 1977 the regulations as modified by NGC recommendations shall become effective as standards for ICF/MR Title XIX participation. Provisions should be added to existing regulations to permit the Secretary of Health, Education and Welfare to approve Title XIX participation based on reasonable, time-limited, corrective action plans. HEW's acceptance of these plans should be conditioned by:

1. Evidence of progress toward 49 CFR 249.13 standards as modified prior to March 18, 1977.

2. Time-limited corrective action which provides for scheduled progress and allows for reasonable compliance deadlines for States entering the program after issuance of the 1974 federal regulations.

3. Reasonable assurance of state executive and legislative support.

4. Provision that States will not request federal financial participation for clients who remain in facilities which are clearly hazardous to their safety and well-being.

5. Recognition that a significant deinstitutionalization plan which calls for comprehensive community-based services may constitute a reasonable corrective action.

C. - 6

NATIONAL WELFARE REFORM

The Human Resources Committee of the National Governors' Conference has surveyed the nation's Governors on national welfare reform. It is clear that changes in the present income maintenance system are needed. The Governors believe that a new national consolidation of social benefits should be developed according to the following basic principles:

1. Income maintenance should be available under a unified program to all eligible people below an established minimum income level.

2. A national miminum payment level based on a national poverty level should be established, with provision for regional variations in the national minimum payment level to reflect differences in costs of living.

3. All recipients between the ages of 17 and 60 who are not disabled, are not in secondary school or do not have children under the age of six or older dependents requiring full time care should be required to register for work at the time of application.

4. All registered recipients should be required as a condition of assistance to cooperate fully with employment programs and to accept employment within reasonable commuting distance at the applicable federal or state minimum wage.

5. Assistance recipients should be given equal consideration for public service or subsidized employment programs, and Congress is urged to consider the expansion of these programs, including community work and training, so that employment opportunities are made available to all those required to register for employment.

6. States should be authorized to establish work experience and training programs which would convert authorized maintenance payments into wages which would be earned by recipients doing public service work at the minimum wage.

7. Federal tax incentives designed to expand employment opportunities for the poor should be continued and increased.

8. Disincentives for work should be eliminated, and chronic dependency should be discouraged while self-sufficiency is stimulated.

9. A national income maintenance program should be developed in the context of thoughtful reform of all other social insurance programs (unemployment insurance, workers' compensation, social security). Such an approach should substantially remove inequities and should encourage the proper development of a more basic insurance system.

10. There should be full federal financing at a federally mandated minimum benefit level with 75 percent federal aid available for the costs of state supplemental payments and program administration. Consideration should be given to the full range of administrative options.

The Conference recommends that the Administration and Congress move quickly to propose new welfare reform legislation which can serve as the basis for a rational discussion of national welfare policy issues. Action is needed to provide a stimulus to and a focus for solution of this national problem. Such a proposal should address itself at a minimum to the following parameters: A national payment and eligibility standard; coverage of all eligible individuals; a rational administrative system; elimination of disincentives to employment; and fiscal relief for state and local governments. However, nothing contained herein shall be an endorsement of a guaranteed annual income.

The Conference believes that its staff and the Human Resources Committee should be actively involved in the evaluation of specific legislative proposals and in the development of broad-based support for effective reform proposals.

C. - 7

FOOD STAMP REFORM

The National Governors' Conference is concerned about the rapid increase in the costs of the food stamp program and the reported high error rates in the determination of eligibility and benefit levels. At the same time, the Conference is just as concerned about the unnecessary administrative complexities introduced by constantly changing federal regulations and by projected curtailment of available benefits to families still in need.

The Conference favors a clear definition of program content by Congress, adequate federal financing, effective safeguards against fraud, and simplified administrative and reporting requirements. Specifically, the Conference urges Congress to adopt the following changes in legislation as the present food stamp program is modified.

1. Benefits should continue to be related to the nutritional needs of the individuals and families served.

2. Eligibility should be based solely on income and assets, and categorical eligibility should be eliminated. The existing system of variable deductions should be replaced by a single standard deduction which increases according to family size. This standard deduction should be increased for aged individuals or family members and should be applied to gross income less mandatory withholding (income tax, social security, union dues). Eligibility should be based on prior month or concurrent available income.

3. The purchase requirement for food stamps should be eliminated and the bonus value stamps should be distributed directly to eligible applicants.

4. The administration of the food stamp program should be transferred from the Department of Agriculture to the Department of Health, Education and Welfare to facilitate the development of administrative and reporting requirements

which are compatible with present or modified public assistance procedures. The States should have maximum flexibility in administering the food stamp program. States with excessive error rates should be required to develop and carry out corrective action plans specifically tailored to the conditions in each State. The frequency of eligibility determination should be based on the frequency of errors in broad categorical groups and should not be set arbitrarily.

5. Food stamp recipients should still be required to register for employment and cooperate with employment efforts. Those people 60 years of age or older should be excluded from work registration requirements.

6. Food stamps should not be available to students from families that do not also qualify.

7. The present definition of households should be modified so as not to discourage 18-year-olds who work.

8. The requirement for cooking facilities should be eliminated for the elderly so that food stamps would be available for congregate meals and Meals on Wheels programs.

C. - 8

CHILDREN'S SERVICES

The National Governors' Conference recommends expanding present state child neglect and abuse laws to include emotional, physical and sexual abuse as well as neglect; provide for preventive and remedial measures, and not simply punitive ones; mandate reporting of suspected neglect by all people regularly coming into contact with children; and ensure coordinated reporting and service functions.

The Conference urges the States to enact legislation requiring health insurance companies to begin coverage of children at birth. States should strengthen and support family foster care for children separated from their natural parents.

The Conference believes 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. Health care providers are urged to make special efforts to provide this treatment. The Conference also supports all efforts to assist in the elimination of nutritional deficiencies in children.

C. - 9

EDUCATION

The National Governors' Conference urges each State to review its present system of financing elementary and secondary education, especially in light of the Supreme Court decision which focused responsibility for the financing of education on the States. States should take immediate action toward assuming greater responsibility for financing local education in order to eliminate the influence of local wealth in educational opportunities and to guarantee spending in accordance with educational needs. States should implement alternative financing methods designed to relieve the undue burden on the local property tax.

While achieving equality of educational opportunity is primarily a state responsibility, the Conference hopes for new federal assistance. 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, federal approach to education finance reform. Moreover, federal assistance should not be tied to other objectives such as property tax relief. Local tax relief and reform are state concerns and must ultimately depend on state action.

The Conference supports the assumption by the federal government of far greater financing of education. Such increased funding should take the form of block grants to the States. Federal grant-in-aid programs should continue to encourage new and innovative solutions to the serious problems that face the educational system.

The Conference supports consolidation of existing federal grant-in-aid programs for education into broad functional categories. It further supports maximum administrative simplification of planning, application, allocation, accounting and reporting procedures for all consolidated grant-in-aid programs, and adequate advance funding of existing federal programs commensurate with critical educational needs. Every effort should be made to develop the necessary fiscal and administrative capacity in the States to assume effectively the responsibility for consolidated grant-in-aid programs.

The Conference believes that each State, as an integral part of a free public education, must provide special education services to identify and meet the needs of all handicapped children. Because of the tremendous additional financial resources needed to provide education for all handicapped children, the Conference calls upon the federal government to increase its assistance to the States. Such assistance, however, should allow maximum flexibility and discretion to the States in providing the essential services they deem appropriate; in many States these services are administered by more than one agency.

The funding of post-secondary education has rapidly become one of the nation's biggest problems. In a recent survey, Governors identified financing of post-secondary education as one of their top three priorities in the field.

The Conference supports recognition by federal and state governments of their responsibility to help preserve the contributions of private education.

C. - 10

MANPOWER

The National Governors' Conference urges that the Comprehensive Employment and Training Act of 1974 (CETA) be implemented in the spirit of the legislation. Specifically, the Conference urges 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.

Congress and the Administration are urged to study closely through their oversight and review mechanisms the program effectiveness, planning and delivery of manpower services under all titles of CETA to avoid duplication of services and assure linkages of this act with Wagner-Peyser, vocational education, vocational rehabilitation and apprenticeship services. Assistance, review and advice from State Manpower Services Councils should be sought in this process.

The Conference urges that the role and function of the State Manpower Services Council be maintained and strengthened. Its staffing and organizational location should contribute to its ability to perform effectively its intergovernmental and interagency coordinating functions for all prime sponsors and all private non-profit grantees receiving funds under CETA Title III, Title IX of the Older Americans Act of 1973 and Title X of the Economic Development Act of 1974.

The Conference strongly opposes legislative proposals to establish additional categorical programs and efforts to provide a national guarantee of funding levels by prime sponsors for particular programs and instead urges increased decategorization of manpower programs.

The Conference also strongly opposes efforts to lower the population base of local governments eligible as prime sponsors or to make local school districts eligible as prime sponsors.

The Conference urges the executive and legislative branches of the federal government to augment existing manpower programs with enough fiscal resources to deal quickly and effectively with current unemployment difficulties, including timely summer youth employment funds.

The Conference supports congressional efforts to extend the CETA Title VI programs to provide a significant number of the unemployed with public service employment opportunities, if and when required. The authorization should call for such sums as may be necessary; allow prime sponsors to use up to 15 percent of funds for administrative costs, supplies and equipment; and provide a statutory base for a mandatory equitable distribution of public service employment funds to state agencies in areas of more than 100,000 people. The Conference also supports every effort to extend CETA to permit a closer liaison with the private sector to encourage expansion of the private job market. *

Unemployment data can be improved through a state-federal partnership. Office of Management and Budget Circular A-46 should be revised to ensure that seasonal unemployment data are used for CETA allocation only when such data are available for all CETA areas. State estimates of unemployment should not be used as the basis of an arbitrary national estimate.

The Conference endorses the concept of a single state organization such as the manpower services council to set the framework under which individual state agency planning in employment and training can proceed without duplication and overlap.

*CETA Title VI was extended through fiscal 1977 with such sums as may be necessary (PL 94-444), and prime sponsors may use up to 15 percent of funds for administrative costs.

Federal, state and local governments should continue to explore the concept of career education as a life-long process of learning about, preparation for entry into and continuation in occupational choices.

The Conference strongly supports decategorized funding of vocational education to maximize flexibility in meeting local needs and urges the expansion of vocational education programs on the secondary, post-secondary and adult levels to meet the needs of all people, particularly the disadvantaged, the handicapped and those living in rural as well as urban areas who need special services to achieve self-sufficiency.

The Conference urges cooperative efforts between vocational rehabilitation agencies, CETA, public service employment agencies, public welfare agencies and other manpower programs to increase the vocational training and placement opportunities for handicapped individuals.

A vigorous manpower policy will expand and financially support the federal-state apprenticeship agencies for the development of skilled trade training in traditional and non-traditional jobs.

The Conference supports the need for adequate appropriations from Congress to enable state employment services to meet the needs of workers, employers and community organizations. It further supports equitable distribution of appropriate funds to States through establishment of a base budget, with provision for additional resources based on productivity and anticipated work loads.

The National Governors' Conference endorses the inclusion of relevant volunteer experience on employment application forms and consideration of such experience in evaluation of the application.

C. - 11*

UNEMPLOYMENT COMPENSATION

The National Governors' Conference supports full state funding of the unemployment insurance program during the first 26 weeks of unemployment and half-state, half-federal funding from the 27th to 39th week. Any extended benefit programs beyond 39 weeks should be fully funded from federal general revenues and be based on needs test criteria beyond mere unemployment.

The Conference endorses an increase in the taxable wage from $4,200 to $6,000 effective January 1, 1977, a wage base equal to 66-2/3 percent of the

*Under the unemployment insurance amendments (HR 10210 now PL 94-566) funding provisions for the first 26 weeks and additional 13 weeks were unchanged. The wage base was raised to $6,000 with no escalator and the net federal tax rate to 0.7 percent. Existing trigger provisions were changed so that extended benefits will be available when the seasonally adjusted national insured unemployment rate reaches 4.5 percent, based on the most recent 13 weeks. The 120 percent requirement may be waived when that rate reaches 5 percent. States will not have to pay administrative costs for state and local coverage but will have to assume existing federal costs for the extended benefit program for state and local employees. Although not included in the bill, States will be reimbursed for benefits paid to CETA public service employees.

nationwide average covered wage for 1978 and beyond, and an increase in the net federal tax rate from 0.5 percent to 0.7 percent as of January 1, 1977.

The Conference also endorses a change in the existing trigger provisions (eliminating the 120 percent requirement) to provide a seasonally adjusted national insured unemployment rate of 4.5 percent based on the most recent 13-week period. States should be reimbursed from federal revenues for benefits paid to CETA public service employees.

The Conference opposes the Administration's proposal to require States to pay the total administrative costs for state and local coverage and the existing federal costs for the regular extended benefit program.

The Conference also opposes extending federal standards into areas of benefit duration and denial of benefits. Unemployment insurance benefits are designed to meet short-term problems in individual earning power and should be determined by the States at their own discretion.

C. - 12

WORKERS' COMPENSATION

Since their inception at the turn of the century, workers' 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 diseases as a result of their employment is a continuing state concern.

The National Governors' Conference supports the conclusion of the National Commission on State Workmen's Compensation Laws that "the States' primary responsibility for the program should be conserved."

C. - 13

NON-DISCRIMINATORY TREATMENT

The National Governors' Conference urges that federal programs and legislation in the human resources area be revised to provide non-discriminatory treatment for the people of the Commonwealth of Puerto Rico and the Territories.

The Conference supports the removal of ceilings on the amount of federal Medicaid expenditures, of "set-asides" on the amount of federal education expenditures, and of formulas which do not treat Puerto Rico and the Territories in the same way as the States. Each State should develop and administer all its programs in a completely non-discriminatory manner.

Natural Resources and Environmental Management

D. - 1

GENERAL PRINCIPLES

National goals must be established for protection of the environment and for energy availability. These must be joint goals because of inevitable trade-offs. The quest is for a reasonable and responsible balance between benefits and costs, including the cost of handling waste. To make the most efficient use of our dwindling resources, adverse impacts must be minimized, and to achieve this, clear and accurate information measuring the values and costs involved in each policy and program must be developed.

The genius of the federal system is in the dynamic interplay it nurtures between the federal government and the States. The creative function of the States must not be stifled by preemptive federal legislation. Rigid uniformity denies innovation. The frontier areas of policy and program require multiple approaches with careful evaluation and sharing of the results. States know best their own traditions, societies and economies.

This is particularly true in those areas where responsibility has traditionally been vested with the States. In new areas, where the States have been slow in recognizing their reponsibilities, there is greater justification for the expression of federal interest.

National energy policy, if it is to have the vitality and acceptance critical to its success, must involve all levels of government and the private sector.

To involve the private sector, individuals and organizations should first be solicited for voluntary responses based on reliable information and analysis. If voluntary conduct does not meet the needs of society, government should then consider an appropriate mix of tax incentives and regulation.

Policy and program planning must involve data collectors, social scientists and natural scientists sharing insights and judgments. Research results and agendas must be coordinated. This means improved communication between those who collect and analyze information, those who seek new knowledge and those who formulate policy and assign programs.

Reliable information, collected from sources free of even the taint of partisanship or special interest, is essential. Only as confidence in the reliability of information is achieved can the nation resolve policy issues successfully.

While short-term action is needed, national energy policy-makers must be guided by long-term planning and policies. Too often, short-term necessity lays the foundation of long-term policy. Planning for energy and environment must be done in terms of decades, not seasons. In the quest for adequate energy supplies, the quality of the environment must be protected and non-replaceable natural resources must be conserved.

General programs in the public interest may produce hardships for one region or sector of society. General programs in the public interest may burden one group while benefiting others. Compensation should be provided to ensure that benefits and burdens are equitably distributed.

Regional differences produce regional viewpoints. Respect for diversity and a willingness to compromise remain crucial ingredients of an effective national energy policy. The nation's Governors have demonstrated that they can resolve regional differences to serve the national interest.

State laws relative to the protection of the environment, the siting of energy-related facilities, land use planning, and the use and regulation of intrastate water rights should not be preempted by federal laws, rules or regulations.

D. - 2

NATIONAL ENERGY POLICY

The nature of the present economy coupled with growing problems of energy availability and higher prices makes strong, coordinated and clear action necessary by all governmental levels and individuals to develop a national energy policy. The nation's energy policy that finally emerges should be truly national in scope and developed and implemented in partnership with the States. Full and early opportunity for public review and comment should be afforded as new policies are formulated or when changes to existing policy are proposed.

The people of this country are receptive and responsive when the problems are clearly described and when realistic, achievable objectives are set forth. The fractionalization of the executive and legislative branches of the federal government impedes effective consideration and enunciation of a coherent energy policy. Both branches should more clearly define the missions of various components and reduce the overlaps that confuse and frustrate purposeful action.

A conservation program of massive proportions must be the central focus of the nation's short-range energy management program. The federal government has a responsibility for necessary national leadership in the accomplishment of such a program on a largely voluntary basis. To date, there is no such over-all integrated effort. Consequently, those who have concluded that voluntary citizen actions have been either too slow or inadequate fail to recognize that there is no real program in place. Rather, there is only the concept, not an over-all integrated plan. A comprehensive conservation plan must be adopted quickly. It should set forth specific, understandable and measurable goals for collective and individual actions. It should be coordinated through all levels of government and should be amply financed and staffed.

A properly constructed program will build on existing public and private elements. It will recognize the key factor of automotive efficiency and use. It will support positive measures and incentives to accomplish its objectives. It will also include the following ingredients:

1. Accelerated and stronger standards for automobiles, including gasoline usage requirements and taxes and other disincentives for inefficient vehicles.

While this element would mandate changes for a prime user of petroleum resources, it would also provide an economic stimulus to the automotive industry after a period of redesign and adjustment.

2. A more vigorous enforcement of the 55 mile per hour speed limit.

3. Stronger programs for public transportation, including more federal commitment.

4. Tax and other incentives to encourage conservation.

5. Better and more intensive educational efforts on a national scale with necessary adaptations to differing state and local requirements.

6. Accelerated state energy management programs with federal financial support.

7. Weatherization of buildings.

These initiatives should be prepared and implemented quickly. Close monitoring of the program will be necessary to determine if basic objectives are being met.

If additional measures are necessary to meet these objectives, then the price mechanism or allocation programs could be brought into play. Prices will necessarily rise as a result of efforts to increase supplies and discourage wasteful use. Such price increases should be phased to avoid abrupt impacts and allow time for adjustment.

Tied to this approach should be a standby allocation program if progress toward meeting reduced usage goals is inadequate. If the volumetric allocation process is used, the program should conform to previously prepared plans and should provide the flexibility necessary to minimize inequities or unfair burdens on regions or individual States. Allocation management plans should involve the States. An allocation program should be implemented only if the foregoing elements fail.

This comprehensive plan, based on immediate broad-gauged conservation, has the most promise of quick effective action, citizen receptivity and response, and achievement of goals. With a backup program of price-supported usage adjustments and a standby allocation program, the country will be prepared to move toward an energy ethic which stresses wise use of energy with a clearer recognition of necessary fundamental changes to be made over the next few years and encourages the immediate development of alternate energy sources.

It is clear that the federal government has a profound responsibility to initiate specific policies and programs to close the gap between energy supply and demand. Each individual State fully acknowledges its responsibility to see that this country reduces its dependence on foreign sources of energy.

However, the primary responsibility of each chief executive is to protect the health, welfare and safety of citizens. This responsibility should in no way be inconsistent with the national goal of averting an energy crisis. Each individual State that provides energy resources has the clear responsibility to apply all state laws and regulations designed to assure maximum protection while necessarily accelerating energy production.

As individual federal programs are designed through administrative and legislative channels, they must clearly delegate authority to the States to apply state laws and regulations governing environmental protection, extraction and use, taxes, water rights, health, safety and land use concerns, if those individual laws and regulations are at least as stringent as applicable federal laws and regulations.

Additionally, the impacts of energy development should be fairly borne by the ultimate beneficiaries of such developments. Citizens living in areas experiencing accelerated energy development should not be asked to bear inequitable impacts.

As a condition to any federal energy development program, appropriate federal authorities, after consultation with the Governors of the affected States, must assume the responsibility of ensuring that all direct and indirect impacts are identified and ameliorated.

Different States have different legal provisions regarding incurring debt, pledging revenues or credit and passing through funds. These should be respected as far as possible in providing assistance for amelioration. Furthermore, present economic development programs should not be sacrificed or diminished in addressing the new impacts caused by accelerated energy development.

Individual States recognize their responsibility to meet the challenge of closing the energy gap; they stand ready to work with the federal government and with industry to provide appropriate policies and programs. By honoring valid state concerns and providing for joint action, national energy goals will be much more attainable.

D. - 3

CONSERVATION

The nation's Governors are dedicated to promoting the conservation of energy to slow down the increase in demand which far exceeds the population increase. Saving energy will help to relieve the depletion of resources and increase the time period for developing more efficient energy sources.

States must take the lead in national efforts to conserve energy. States should require that all state agencies follow sound energy conservation practices in their operations (including construction of public buildings) and program activities. Both state and federal procedures should be established to require energy resource statements on all projects as part of the existing system of environmental impact statements.

A national standard on thermal efficiency for new residential and commercial buildings should be supported and implemented.

Utility rates, tax rates, license fees and other regulatory or revenue-raising practices should be reviewed for their impacts on energy consumption. The utility rate structure could be altered to discourage wasteful use of energy. Personal and property tax rates can be set to encourage the use of energy-saving devices or practices. Registration fees for automobiles or other vehicles can be used to promote less fuel consumption.

Efforts to construct and improve the efficiency and attractiveness of mass transit systems should be supported at the state and federal levels.

Major programs to educate the public on energy conservation practices should be undertaken. The use of utility funds for this purpose should be considered.

An inventory of energy needs should be made for each State, and contingency plans for meeting these needs should be developed.

An interstate energy clearinghouse should be established to 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 energy resource clearinghouses.

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 to balance environmental protection against the need for surface-mined, energy-producing resources and for resolving differences over the needs of generating facilities.

D. - 4

STATE ROLE IN CONSERVATION

The National Governors' Conference energy conservation policy antedates the shortages in late 1973 and thereafter. The Governors predicted the need for an effective conservation effort several years ago and their judgment has been confirmed by events.

However, the federal government has not provided the leadership or the support which the goal of meaningful conservation merits. State efforts have not been uniform and much remains to be done. The Governors believe that conservation can proceed even while waiting for appropriate federal responses to the challenge. The Governors and their States can make a meaningful contribution on their own.

In the final analysis, successful conservation will depend on the good will and good sense of an informed citizenry. Currently, people are confused about the scope, if not the very existence, of the energy problem. Conflicting voices from the nation's capital and ambivalence in Congress belie the gravity of the problem. Availability of products (albeit at a higher cost) appears inconsistent with rhetoric about shortages. Inadequate supply is usually the hallmark of a shortage and this traditional evidence is lacking.

What is needed is a large-scale coherent exposition of the problem which this country faces as it becomes more dependent on foreign nations to meet its essential needs. What is required is a clear description of the effects on the domestic economy of paying out more than $24 billion a year to purchase foreign oil.

To establish credibility of the message from the nation's leaders means that all opinion-makers must work together--those in government and those outside--to help educate the American people and to mobilize their joint efforts to resolve the problem.

The Governors pledge not only to provide leadership in the energy conservation effort but also to enlist the cooperation and support of their legislatures, private individuals and organizations and local governments.

While the temptation is to work only on those projects which produce easily measurable results, other efforts can make major contributions even though the savings are hard to quantify. For example, appeals to turn down the thermostat in winter should be made continually, although no acceptable governmental program can be devised to assure compliance.

The quest is to reduce waste, to use less fuel to accomplish desirable tasks. It is essential to devise measuring standards that will test efficiency--their use will guide evaluation of energy conservation. The diesel fuel and gasoline used per acre of cultivation or bushel of corn recovered is the standard, not the total use of petroleum for agricultural production. A bumper crop may necessitate using more petroleum products than a low yield.

The chart on the following pages lists actions which have already been taken by some Governors. In addition, the Federal Energy Administration and the Conference are preparing a source book for guidance in developing an energy conservation program.

Early state involvement is crucial to the formation and implementation of a national energy conservation program. Formal mechanisms have not been established for this involvement in either the executive or legislative processes. The traditional reactive role assigned to the States is inadequate for the national energy problem. The Conference recommends the task force mechanism established by FEA and itself as the model for all federal agencies and Congress. Furthermore, the Conference recommends that effective regular communication with the States be instituted and maintained.

The proliferation of energy conservation programs without proper coordination impedes the States' attempts to become participants in the formulation of national energy policies and programs. The Conference recommends that a single lead agency such as FEA be given adequate authority to coordinate activities between state and federal governments.

D. - 5

NON-REPLACEABLE NATURAL RESOURCES

This nation has a responsibility to future generations to conserve its non-replaceable, non-replenishable natural resources. The senseless waste of these resources can no longer be tolerated. All levels of government must act to discourage such waste.

The present electric power rate system, which frequently encourages heavy consumption, should be examined with the objective of conserving resources. Conservation methods such as energy efficiency labeling of appliances should be developed to enable consumers to conserve in their homes. Large industrial users of electricity should be provided with incentives to develop energy conservation plans.

ENERGY CONSERVATION ALTERNATIVES FOR GOVERNORS

Program	Administrative	Legislative
1. Conservation in government facilities.	Executive Order; assignment of monitoring responsibility to a single agency. Establishment of a realistic energy conservation goal. Public education and information. Utilize savings figures in state budgeting process.	Establishing the requirement for life-cycle costing for all state facilities, buildings as well as equipment such as automobiles, air conditioners, etc. Requiring a conservation program for all units of local government, including life-cycle costing.
2. Support and enforce state 55 mile per hour speed limits.	Executive Order. Public education.	Legislating the limit into state law. Realistic penalties.
3. Public education and information.	Through existing energy agency, department of education, environmental agency, state road department, state commerce departments, natural resources department. Support of information and education funding requests. Personal appearances, etc.	Funding of agency public information and education programs, establishment of state program in department of education.
4. Review energy impacts of all state programs.	Executive Order requiring review of energy impacts of state programs and appropriate program revisions, if feasible and lawful.	Energy impact legislation for all major state actions.
5. Support mass transit and car-pooling programs throughout the state.	Through department of transportation, energy office, departments of commerce, education, etc. Enlist the help of private, industrial, and commercial sector.	Incentives and funding.
6. Land-use planning.	Executive Order (where lawful) stressing need for energy impact studies in all land-planning actions; state and local.	Legislation requiring energy planning by state and local agencies.

Program	Administrative	Legislative
7. Building codes.	(After implementing legislation) Ensure adequate energy consideration in state building codes.	Mandatory state building code legislation.
8. Data gathering.	Assignment of responsibility to state energy office for consumption as well as supply-demand information.	Mandatory reporting requirements.
9. Technical assistance for local government, commerce and industry, public consumer protection.	Assignment to state energy office support for budget requests.	Funding, consumer protection legislation.
10. Encourage use of, and research on alternative energy sources.	State energy office, information program; technical support from university system.	Tax incentives. Research funding.
11. Utility regulation.	Work with public service commissions and utilities to promote private conservation and to determine whether alternative rate structures in different areas would promote conservation without unacceptable adverse impacts on the economy of a State or area.	Mandatory legislation based on results of studies. Public utility commission action, where lawful.
12. Freight regulation.	Review, study, recommend to public utility commission and legislature.	Mandatory legislation, action by public utility commission, where lawful.
13. Weatherization.	Assignment of responsibility to state agency, seek federal assistance, allocate state/federal funding.	Funding, consumer protection.
14. Appliance and/or automatic labeling and efficiency standards.	Information program; state procurement policy.	Mandatory legislation.

Policies for transportation, space heating and industrial use of petroleum products should encourage the highest premium use of these non-replaceable fossil fuels.

Because less than one percent of the earth's water is potable, federal and state policies should be designed to reduce consumption of water and ensure supplies for future domestic and agricultural needs.

Interstate freight rates should provide incentives for the transportation and reprocessing of waste materials. Recycling programs should be established to enable citizens to participate in this form of resource conservation.

Most importantly, a national awareness of waste and its costs to society must be fostered, along with a national determination to make more efficient use of dwindling resources.

D. - 6

PRODUCTION AND SUPPLY

A long-range policy that encourages domestic self-sufficiency in the production of energy should be adopted and underlie foreign and economic policy decisions as well as basic research and development.

Research and development efforts should contribute to the integrity and adequacy of the nation's energy resources. Far more than technology is involved in decisions relating to the development and use of specific energy sources. Intensive research which assesses not only the methodology of development but also energy costs and benefits as well as environmental and socio-economic impacts should be conducted in the following areas:

> Shale oil, coal gasification, coal liquefaction, nuclear fast-breeder reactors, nuclear fusion, tar sands, solar energy, geothermal, magnetohydronamics (MHD), wind power, and more efficient forms of electrical generation and transmission.

In attempting to ensure an adequate supply of energy, environmental standards must be maintained to the maximum extent feasible. Exceptions should be granted only for specific time periods and after appropriate show-cause proceedings.

To facilitate needed construction with minimum environmental harm, procedures must be established for the siting and certification of energy production and transmission facilities including the development of deepwater port facilities.

Federal mandatory petroleum allocation programs need to ensure that retailers receive continuing and sustained supplies for current agricultural 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.

D. - 7

FACILITIES SITING

One essential part of a good energy management system is development of the best level of capacity for energy production. Too little capacity strains the energy system and places unreasonable constraints on economic and social systems as well as making the nation vulnerable to foreign suppliers. Excess capacity wastes money and natural resources, particularly non-renewable resources which will remain the mainstay of the supply system until technological advances supplant them.

The location of energy facilities is a difficult and complex problem, caused in part by the competition for sites that exists between energy and other social and economic purposes. Dangers to the environment will always exist in the work that man does, but they can be minimized and must be minimized where the losses which will result from a miscalculation are severe. Decades of total disregard of the environmental consequences of some technologies and practices have created a need for a sweeping program of environmental controls to overcome a backlog of problems. Responsibility for enforcement has been placed at all levels of government. Pressures to bring the domestic supply of energy into closer balance with demand should not--and need not--operate to recreate threats to the health and well-being of the people and the environment on which they depend.

Supply and distribution systems in the energy field are so complex that no region or community can shirk its responsibility without imposing unfair burdens on others. If a fair share of the energy supply is demanded, then a fair share of the responsibility on the supply side must be assumed. Needed changes in levels of demand or supply must be made. At the same time, abrupt or poorly analyzed changes can produce chaos in one area while having little impact in others.

For example, expansion of refinery capacity can change the patterns of distribution. This may be, in the aggregate, a benefit to the nation and to a total region. However, some part of that region may become disadvantaged; as existing product sources and distribution systems are replaced, present users may be denied traditional supplies on which they have built their communities and their economies. Similarly, conversion from reliance on scarce fuels must depend on the availability of useful alternatives.

As the costs and burdens of energy facilities are better defined, private individuals and businesses will understand better the need to reduce demand where possible. Decreasing demand reduces the pressure for committing scarce resources to expanding supply. The equation of supply plus reasonable demand must frame the expansion of supply.

Land and water resource management systems can be very valuable in selecting the best sites for new or expanded energy facilities which our society will need to permit orderly progress. However, even if a State is not in a position to do comprehensive land management, it may find it useful to assume a greater role in identifying site location criteria for new energy facilities and to ensure that required added capacity is located most usefully for that State and its region.

States should be provided with technical and financial assistance for facility siting management and/or general land management as they develop the appetite and competence. Federal programs can help to create the best atmosphere for such activities; there is no need for federal preemption. The problems and capacities of different States and the determination of how to reconcile conflicting policies cannot be successfully achieved by federal fiat. Indeed, it can serve to stifle innovation and create intrastate and interregional frictions which will frustrate orderly progress.

The federal government should accumulate data from public and private sources and establish a framework in which energy information is maintained accurately, completely, currently and in uniform modes. Data pertaining to a particular State should be accumulated, wherever possible, through the Governor to ensure that the data are compatible with federal information and with information other States are using.

Interstate cooperation in planning and programs is essential. Congress should authorize States to enter into compacts in the energy field without having to wait for congressional ratification. This approach, as used in the crime abatement field, would eliminate one of the obstacles to regional cooperation.

Energy facility sites can be designated in advance of actual use. A federal revolving fund could be set up so that acceptable sites could be land-banked. After they are sold for use, the proceeds of the sale would be returned to the fund. Streamlining of federal licensing procedures where these are part of the process for construction of an energy facility could also help to alleviate a national problem.

D. - 8

OUTER CONTINENTAL SHELF RESOURCES

The outer continental shelf is a great public natural resource which should be managed with scrupulous care to ensure the long-term productivity of all its resources and a fair economic rate of return to the public. Proposals for the development of outer continental shelf energy resources must be an integral part of a comprehensive, balanced energy policy. This policy should reflect not merely the proposed uses for offshore oil and gas, but also whether such offshore development is necessary in light of prudent conservation measures and alternative sources of energy.

The Governors believe the outer continental shelf should be explored promptly to determine the extent of its energy resources. However, the exploration of an OCS tract must be separated from the decision to develop and produce that tract commercially.

The federal government should establish, in cooperation with the States, a phased and measurable production objective for offshore oil and gas. This objective should reflect the role of OCS oil and gas in import substitution and its relation to other sources including production from naval reserves, existing OCS leases and onshore facilities.

On the basis of a phased production objective, the Department of the Interior should revise its proposed leasing schedule to take into account objective environmental rankings, hydrocarbon prospects, regional energy needs and economic impacts, transportation and refinery linkages, costs and productivity of development, material and manpower, and capital constraints.

An OCS program must include an evaluation of sometimes conflicting national goals. In some areas of exceptional non-petroleum resource value, no petroleum-producing activities should be permitted if production will seriously jeopardize other natural resources. The Governors believe that total restrictions should be imposed in appropriate cases.

Development, production, transportation and onshore facility plans should be submitted for approval to the Interior Department, but only after a review by the affected coastal States to ensure consistency with state coastal zone management plans and other state statutes and regulations. The National Governors' Conference urges that States be given adequate time, as determined by Congress, to develop coastal zone management programs before any OCS production commences.

The present leasing system should be changed to ensure an equitable return to the public and efficient management and development of OCS resources. No single leasing method is ideal. However, the present system of cash bonus bidding plus low fixed royalty does not adequately balance the need for a fair return to the public with the need to provide industry with reasonable incentives to explore and develop OCS resources.

Anticipated onshore development will require States to plan for and eventually finance public facilities to cope with the impacts of that development. Since the OCS program is national, there is a clear federal responsibility to assume the necessary related costs of development. Adequate federal funds should be made available to States now to enable them to stay ahead of the program and plan for onshore impact. Once the program commences, federal assistance such as royalty revenues should be made available to affected coastal and adjacent States in compensation for any net adverse budgetary impacts and for the costs of fulfilling state responsibilities in the regulation of offshore and onshore development.

The Conference supports the following administrative or legislative reforms:

1. An effective institutional mechanism must be established to ensure an ongoing working relationship with potentially affected state governments. Through this mechanism the States should have timely access to data necessary for planning to avoid or minimize adverse impacts and chaotic development, and should participate fully in both technical and policy decisions affecting the program.

2. The States should participate in the decision to permit production of an OCS tract and should also share responsibility for review of the adequacy and implementation of environmental safeguards and OCS regulations. The full requirements of the National Environmental Policy Act of 1969 should be strictly observed.

3. The States should coordinate the participation of various state agencies with a view to improving the over-all efficiency of resource management decision-making. Federal funding is required for onshore planning and impact mitigation. With federal assistance the States must dedicate sufficient personnel to expand their planning and regulatory capabilities with respect to economic, environmental, land use and energy aspects of coastal zone management.

A major oil spill or blowout can have devastating effects on the coastlines and the economies of the coastal States. Fairness dictates that the oil industry should be strictly liable for all cleanup and consequent damages flowing from a spill and that this liability should be unlimited. If the federal government posits that it is in the national interest to limit the liability of those who cause the spills, then the full risk should be shared on a national level with insurance to cover the difference between what the oil company pays and what a State is forced to absorb.

In summary: OCS is a national resource; prompt exploration of OCS is in the public interest; exploration of OCS areas should be separated from the decision to produce oil and gas from individual OCS tracts; and a phased production objective should be established, relating OCS resources to import substitution, other oil and gas sources, and demand reduction measures.

Also, a new leasing schedule should be developed, which would consider these production objectives as well as environmental rankings, regional energy needs and economic impacts, transportation and refinery linkages, material and manpower, and capital constraints. New leasing procedures should ensure an equitable return to the public as well as efficient development and management of OCS resources.

Administrative or legislative reforms should be introduced to provide a more effective state role in resource management and more timely availability of necessary data for state planning needs. The States should increase their efforts and participation in resource management, decision-making and regulations.

Federal funding is needed to assist the coastal States in coping with planning needs and adverse impacts of OCS development, and strict liability and no-fault compensation measures are essential.

D. - 9

NATURAL GAS

The total resource of domestic fossil fuels is finite, and the total annual production of energy from these sources is limited. Natural gas is the most environmentally acceptable, readily usable and least expensive fuel, which has led to the rapid exploitation of available supplies.

Since 1968, production of natural gas has exceeded additions to inventory. Future natural gas curtailments are expected to cause increased distortion and dislocation in the economy. Even with stringent conservation, discovery of new gas fields will be needed to provide lead-time while alternate energy resources are developed.

Federal price policies in the face of mounting prices for rival fuels have undervalued interstate gas with respect to other fuels, which results in lowered incentives for exploration, an artificially high demand and few incentives for conservation.

The National Governors' Conference supports the deregulation of new gas wellhead prices. Such deregulation should not affect contracts in force on the date of enactment of legislation, but the purchase of gas at the end of a contract should not be subject to federal wellhead price control. This phased process will serve to mitigate abrupt increases to existing customers. To determine the effects of deregulation, the federal government should provide for continued monitoring and evaluation of the performance of the natural gas industry, and report its findings to Congress.

The deregulation of producers' prices for new natural gas would offer an incentive for exploration and would provide the nation's oil and gas operators with the ability to attract needed capital. Such deregulation would encourage sales in the interstate market and ease the specter of sharp curtailments in the many States relying on interstate supplies. Increased average prices should encourage conservation and the conversion to alternate energy sources.

The deregulation of natural gas will result in an increase in the price of new gas. These higher prices create the possibility of excessive profits. It is highly desirable that any excess profits be used to explore for, find and develop new natural gas supplies.

If the price of new natural gas is deregulated, the Governors believe that Congress should simultaneously enact an effective excess profits tax which contains a plow-back provision that provides relief from such tax if excess earnings are dedicated to the exploration and development of new natural gas supplies.

To prevent accelerated depletion of remaining supplies of natural gas which could result from deregulation, such action should be accompanied by legislative and executive commitments to determine national priorities of use of natural gas, specific programs designed to promote natural gas conservation, and a major effort to convert and phase out as rapidly as possible those existing natural gas facilities which do not represent the wisest and best use of natural gas under current circumstances.

A program should be developed which would commit new supplies of gas sold to interstate pipeline carriers in such a way that inequities among regions are reduced.

There is evidence of vertical and horizontal integration and interlocking relationships among natural gas producers and purchasing pipelines. There is also evidence of integrated and interlocking relationships among natural gas, petroleum, coal and uranium mining firms.

There is a stong concern that this may result in an anti-competitive aspect of the energy industry which could cause an artificial inflation of the price of natural gas and other energy supplies.

It is the position of the Governors that developments of the energy industry should be closely monitored to determine whether the letter and spirit of national antitrust laws are fully respected.

The Conference urges prompt action by the Administration and Congress to facilitate the earliest availability of natural gas from the Arctic slope to markets in the Midwest, East, Middle South and Pacific Coast States. This resource, essential to the health of these sections of the United States, must not be withheld because of delays in administrative agency approval or unnecessarily extended court proceedings.

The Conference supported neutral procedural legislation which would achieve the above goals by providing:

1. A limit to court challenges to orders allowing construction of the pipeline.

2. A March 1, 1977 deadline for a Federal Power Commission recommendation of a pipeline system.

3. An April 1, 1977 deadline for other affected federal agencies to file their reports.

4. A July 1, 1977 deadline for the President to issue a final decision.

5. The concurrent approval by both Houses of Congress of the route selected by the President with congressional analysis and review of the environmental impact of the proposed route as a critical part of the process. *

D. - 10

COAL

To reduce the nation's continued dependence on finite supplies of oil and natural gas and to limit the importation of oil, and energy program is being formulated that will cause coal to be a more significant energy source by the year 2000.

The development of a comprehensive coal program to stimulate both production and utilization must protect the physical, social and economic environment of the producing region.

The Department of the Interior, in cooperation with the States, must act to protect the environment of coal-producing States, including subsurface as well as surface reclamation.

A commitment to total reclamation, as directed by state land use decisions, must be made. The quality of air and water must not be diminished because of mining activities. Toward that end, the perfection of coal desulfurization technologies is vital. The Energy Research and Development Administration should make coal desulfurization its first priority. Research on returning refuse to the subsurface should also be stepped up. State access to all exploratory drilling logs and soil analysis should be assured.

Coal conversion processes offer a near-term (5 to 10 years) solution to the availability problems of oil and natural gas. The federal government should sponsor extensive research and development programs to advance coal conversion technology. This must be paralleled by the federal financing of pilot conversion plants in all coal-producing regions. Tax credits and other considerations should be granted to industry and utilities to convert to coal, and to States lacking adequate facilities to transport coal.

Accelerated coal extraction activities will place unusual demands on state and local governments to serve the needs of the workers. Insofar as these

*The legislation (S 3521 now PL 94-586), which the Conference endorsed, extends the FPC deadline to May 1, 1977 and the presidential deadline to Sept. 1, 1977.

increased demands are stimulated by out-of-state demands for energy from coal--either by direct transfer of coal or by transfer of electricity and/or gases derived from coal--the costs of those services should be proportionately borne by the ultimate user of the energy.

Surface owners must be adequately protected and fully compensated for hardships stemming from mineral development.

D. - 11

UTILITY REGULATION

Regulation of utilities which produce and/or distribute electricity has traditionally been the province of state government. Complex, interrelated systems have been designed to encourage optimum production at the lowest reasonable price to consumers. At the same time, state agencies have tried to assure a rate of return that would not reduce the incentive of investors to maintain private ownership of a significant portion of this industry.

Events of the past few years have put a combination of special strains on both the utilities and the regulatory system. Inflation has boosted construction costs and the cost of credit. Fuel prices have risen erratically and rapidly. This has meant frequent applications for rate adjustments. Generators built for coal were converted to other fuels which had fewer environmental problems. Then they were encouraged to convert back as oil and gas became affected by price and availability. Finally, conservation and a weakening of the economy reduced sales, and over-capacity in many areas raised unit costs as operations fell below optimum levels.

The regulatory commissions were asked to respond to all these rapidly changing elements of cost and calculate a useful rate structure. Commission case loads spiraled and pressures mounted to make sure the utilities remained financially viable. Domestic fuel shortages evoked calls for revision of rate structures to achieve both conservation and equity.

What is clearly needed are guidelines which spell out various options to deal with each type of problem and the combinations of problems. Predictions of local requirements are more difficult because demand is subjected to structuring to meet national and subnational goals. Complex systems to conform supply capacity to shifting plans and to set rates to permit reasonable returns on equity require tailoring to meet the different challenges in each State.

The proposals to establish uniform federal standards regulating a few of the many variables do not answer the national problem. This is a time to strengthen the various state regulatory mechanisms rather than tamper with pieces of a complex system. Studies done with and by the regulatory agencies are urgently needed. Standardized accounting practices for utilities should be sought, but state authority to set standards should not be supplanted. Innovative modifications of rate structures should be encouraged and evaluated.

To some extent, federal policies and programs create strains and costs. Shifting between fuels is one obvious example. Where federal policies produce the problems, federal help should be available to pay to solve them.

The NGC Energy Program should carry forward its work with the National Association of Regulatory Utility Commissioners as well as with federal and state regulatory commissions seeking to expand the range of alternatives that can be considered by the States. Each State can best judge how to meet the needs of its own citizens and can best determine the role of quasi-judicial agencies in the regulatory field. Information on options, not restriction of options, is what the nation needs. If solutions require mechanisms and coordination beyond the boundaries of one State, regional approaches will be more logical than national standards.

D. - 12

INDEPENDENCE OF RESEARCH

The nation's Governors endorse the establishment of the Energy Research and Development Administration as an excellent application of the general principle of separating regulatory functions from research, development and promotional activities.

However, in stack-gas desulfurization research (scrubbers), this separation principle has not been implemented. Scrubbers may be an option for electric utilities to meet compliance schedules of sulfur oxide emissions (SOx) according to the primary health standards of the Clean Air Act of 1970.

The Environmental Protection Agency has the regulatory responsibility to enforce compliance of clean air standards and its policy favors the use of scrubbers. At the same time, EPA is conducting virtually all scrubber research and development both in the laboratory on a bench scale and (in collaboration with the Tennessee Valley Authority) on a pilot-plant scale.

ERDA, by contrast, is pursuing desulfurization of coal only through the mechanisms of gasification and liquefaction, and is not involved in research on cleaning the gases resulting from the combustion process. It would be appropriate for part of the EPA research to be transferred to ERDA, which could expand the program in cooperation with research programs currently under way in certain coal-producing States.

D. - 13

SPECIAL ENERGY PROJECT

A piecemeal approach to the energy crisis, based simply on conservation and penalties, will not suffice to serve the nation's pressing needs. A major effort must be undertaken to develop new sources of energy.

The National Governors' Conference views the current energy shortage as a national emergency demanding immediate and extraordinary measures by Congress and the President to acquire a more adequate supply of energy.

The Conference urges the establishment of a special energy project to marshal and utilize the nation's resources in the discovery and expanded production of all energy sources available to or controlled by the United States.

Special authority should be granted to this project for the greatest possible utilization of all energy sources. Expanded efforts in the development of new energy sources such as solar, water, nuclear and coal are necessary, and the project should include expanded efforts to develop the environmental technology necessary to allow production of adequate supplies. Expansion of supply while upholding environmental quality will require that exploration begin in areas with the least environmental hazards.

Such a project should be designed to promote the operation of the free enterprise system.

D. - 14

ENVIRONMENTAL EDUCATION AND MANAGEMENT

The success of any government program designed to protect and preserve the nation's rich natural resources ultimately rests on the active participation of an informed citizenry. The problems created by ever-increasing demands on the economic system, energy resources, food supplies and natural resources may be solved only if each individual is prepared and willing to contribute to the solutions.

Even though state and federal laws designed to protect the environment are rigorously enforced and in many cases backed by serious penalties, these laws alone will not guarantee a clean environment. Local, state and federal construction programs to provide the latest and most advanced pollution abatement technology in the world are not enough.

There is an urgent need to teach environmental awareness and population dynamics as a major basic requirement in primary, secondary and higher education, and as an integral part of adult education. Curricula at all levels of education need to be examined for their relevance to the rapidly changing conditions of the environment, natural resources and population. Environmental education should be viewed as an essential component of a comprehensive attack on ecological problems and should begin with the basic principles of ecology.

To ensure the most effective management of increasingly complex pollution abatement programs and systems, specialized training programs must be provided for the operators of these systems. The most sophisticated pollution control equipment can be only as effective as its human operators.

Environmental impact studies are necessary to ensure the preservation of environmental quality. The federal government requires the States to have a clearinghouse to handle Environmental Impact Statements. The Governors call upon the federal government to adopt a clearinghouse to process the statements.

Furthermore, there should be an office at the regional level to handle routine impact studies as well as 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 delays.

The National Governors' Conference strongly urges that Congress again consider the Interstate Environment Compact, first introduced in the 93rd session and passed by the Senate. This compact would facilitate the establishment of "supplementary agreements" between States for the purpose of taking joint action to abate pollution problems which affect more than one State.

D. - 15

STATE LAND USE PLANNING

The issue of national and statewide land use planning and decision-making must be faced in this decade. The proliferating transportation systems, large-scale industrial and economic growth, conflicts in emerging patterns of land use, fragmentation of governmental land use planning powers, and the increased size, scale and impact of private actions have created a situation in which land use management decisions are being made on the basis of expediency, tradition, short-term economic considerations and other factors which are often unrelated to a sound land use policy.

Across the nation, public and private enterprise has had to delay, litigate and cancel proposed utility, industrial and commercial developments because of unresolved land use questions, thereby wasting human and economic resources and threatening public services. Often utilities and industrial and commercial facilities end up being located in areas of least public and political resistance, without regard to relevant environmental and economic considerations.

The substance and nature of a national land use policy should consider the needs and interests of state, regional and local governments as well as those of the federal government. The long-range resolution of land use matters lies in the significantly increased participation of state government in land management policies and programs.

A national land use policy should be developed to serve as a guide in making national decisions which affect the pattern of environmental and industrial growth and development on federal lands, and as a framework for the development of interstate, state and local land use policy.

This national policy should:

1. Foster the continued economic growth of all States and regions in a manner which is compatible with a quality environment and consistent with other public and private rights.

2. Favor patterns of land use planning, management and development which offer alternative locations for specific activities and encourage the wise and balanced use of the nation's land and water resources.

3. Influence population distribution so that scenic, environmental and cultural amenities are available to the people.

4. Contribute to revitalizing rural communities and encourage new communities which offer diverse opportunities and living styles.

5. Help state governments to assume responsibility for major land use planning and management decisions which are of regional, interstate and national concern.

6. Increase coordination in the administration of federal programs to encourage desirable patterns of environmental, recreational and industrial land use planning.

7. Develop systematic methods for the exchange of land use, environmental and economic information to assist all levels of government.

8. Coordinate planning for private and public lands, especially in those States where federal and non-federal lands intermingle.

9. Ensure that federal urban and metropolitan programs and activities are consistent with approved statewide land use plans and programs by developing an effective procedure for States to interact at an early stage in federal decisions.

10. Provide adequate grant assistance to States to implement the preceding objectives, including the training of qualified land use planners to alleviate the present shortage.

11. Refrain from imposing economic sanctions against States that are unable to comply with federal land use policy requirements. Because of the highly sensitive nature of land use control, state and local governments will have to work out equitable and judicious procedures for land use planning and decision-making.

Furthermore, sanctions generally have proved an ineffective tool in bringing about desired change. In this instance, they would be even less effective because they focus on the Governor alone, and state legislatures and local government officials have equal responsibility to develop the joint relationships necessary for exercising land use control.

12. Encourage States to regain their sovereign responsibilities to protect critical environmental areas and to ensure that adequate developmental standards 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 standards of living.

D. - 16

COASTAL ZONE MANAGEMENT

The coastal zone is one of the nation's most perplexing environmental management challenges. The 31 States which border the oceans and the Great Lakes contain 75 percent of the nation's population. Increasing population and economic development threaten the balance of natural, economic and aesthetic goals in the use of the invaluable and non-replaceable coastal resources.

Coastal States, because of the unique conditions 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.

To ensure the continued economic productivity of coastal resources while maintaining an acceptable level of environmental quality, two actions are required. First, the administrative and legal framework should be recast to facilitate cooperative and coordinated activities affecting coastal resources. Second, additional knowledge of the nature of the coastal zone is necessary to help determine the multiple effects that different uses would have.

Under the Coastal Zone Management Act of 1972, the nation can develop a rational process for defining and ensuring the greatest benefit from natural and man-made coastal resources. To be effective, this process must keep local decisions in the hands of local government, improve intergovernmental coordination in making decisions of greater than local impact, and collect and disseminate coastal resource information to improve decision-making at all levels of government.

The Coastal Zone Management Act is not an opening for extended federal control. Federal agencies are directed to subordinate virtually all programs affecting coastal regions to state coastal management plans. Federal cooperation with the state planning process and outer continental shelf development is especially critical. The ultimate success of a coastal management program will depend on the effective cooperation of federal, state, regional and local agencies. This requires a federal administrative framework that will encourage the States to establish effective coastal zone management programs.

Basic to coastal zone management programs are the funds necessary to plan and take action. The requirements for coastal zone management are so urgently needed that federal funds must continue to be made available to the States at a level which will not only provide incentives, but also will allow an adequate program to be developed, based on federal, state and local participation.

The National Governors' Conference supported the establishment of the Coastal States Organization to represent the collective interests of the coastal States. The CSO has performed that task, especially in support of the Coastal Zone Management Act. However, many coastal and marine-related problems remain. The Conference supports CSO in 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 matters that the delegates of coastal States consider important. The Conference urges the coastal States to continue to support CSO with adequate resources.

D. - 17

OCEAN RESOURCES

The world's oceans represent an enormous 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. Coastal areas of the United States and other developed countries are under increasing pressure due to their desirability for commerce, industry, habitation, recreation and transportation.

The utilization of ocean resources and the solution of ocean-related problems depend on developing oceanic knowledge and technology, resolving conflicts of national and international jurisdiction over the oceans, protecting the quality of the marine environment and establishing a clear and comprehensive national ocean policy.

D. - 18

SAFE DRINKING WATER

The Federal Safe Drinking Water Act (PL 93-523) was enacted to supply safe drinking water throughout the country by establishing and enforcing national requirements applicable to all water systems that provide piped water for human consumption to at least 15 service connections or regularly serve at least 25 individuals.

Numerous public and private water systems will have to comply with the detailed national requirements for monitoring, record-keeping and public notification of violations. However, many owners of these water systems are not aware that the national requirements must be met by July 1977. The Environmental Protection Agency should undertake a national public information program to advise public and private owners of water systems about the new requirements with which they must comply.

The National Governors' Conference supports the intent of the act that States assume the primary enforcement responsibility. To carry out supervision of public water systems, the act authorized program grants for States at $15 million for fiscal 1976 and $25 million for fiscal 1977. Only a portion of the authorized levels, $7.5 million for fiscal 1976 and $15 million for fiscal 1977, was appropriated. These appropriations are inadequate for States to carry out fully the requirements of the act, in many cases providing only 25 to 50 percent of a State's costs.

Also, there is no authorization for state program grant funds beyond fiscal 1977, which makes it very difficult for States to develop phased program plans and budgets to implement the federal requirements.

The Conference recommends that Congress authorize up to $40 million annually for fiscal 1978, 1979 and 1980 and that the full authorization for state program grants be appropriated. Additionally, a construction grant program should be established to assist publicly owned water systems in implementing the act.

Congress should appoint a National Safe Drinking Water Review Commission, with adequate state and local government participation, to evaluate the social, economic and technical impacts of the act and recommend changes by July 1979.

D. - 19

WATER POLLUTION

The National Governors' Conference endorses the policy of Congress, as declared in Section 101(b) of the Water Pollution Control Act Amendments (PL 92-500), "...to recognize, preserve and protect the primary responsibilities and rights of the States to prevent, reduce and eliminate pollution...." The Governors encourage the prompt passage of amendments to the act and changes in the regulations to permit full implementation of this policy and the prompt obligation of available construction grant funds. Specifically:

1. Title I should be amended to authorize and implement advance funding of the state program grants.

2. Title II should be amended to authorize the States to administer the construction grants program and the Environmental Protection Agency to accept a State's certification of a project. This amendment should provide additional financial support to assist the States in administering the grants program, and eliminate the duplicative and time-consuming reviews by both States and EPA.

3. Title II should be amended to require EPA to abolish the three-step, time-consuming construction grant application process and to replace it with a simplified one-step process, especially for those projects serving less than 10,000 people.

4. Title II should be amended to clarify the areawide waste treatment management requirements of Section 208 and eliminate the potential duplication of efforts under Sections 201, 208 and 303(e).

5. All elements of pollution abatement or control facilities should remain eligible for federal grants. Individual States should establish priority for the use of the funds for specific projects and parts of projects in accord with Section 106 of the act. Nothing in Section 106 should be construed to limit the States' ability to fund projects to abate health and environmental hazards.

6. Federal control and influence over local municipal user-rate structures and industrial cost recovery systems should be removed. Current federal statutes and regulations are cumbersome to administer and disrupt long-standing local arrangements and prerogatives in citizen taxation. Federal involvement should ensure only that local governments provide for the local share of project costs and sufficient funds for proper operation, maintenance and compliance monitoring.

7. Attempts to legislate treatment and sewer facility design life should be terminated. State-approved plans based on abatement of existing pollution and reasonable growth are capable of constraining design life more reasonably.

8. The 1977 timetable for municipal secondary treatment should be extended through the conditions set by the National Pollutant Discharge Elimination System. Such conditions should reflect the availability of federal grant funds as specified in Section 101(2)(4) of PL 92-500.

9. EPA must establish effective administrative procedures to receive state input early in the statute and regulation drafting process.

10. Present regulations should be modified to allow States to make minor adjustments to project scope subsequent to facilities plan approval.

11. To provide for more effective management of the construction grants program and to promote the expeditious commitment of available federal aid, authority to issue case-by-case waivers of the regulations should be delegated to EPA regional offices.

D. - 20

WASTE WATER TREATMENT CONSTRUCTION GRANTS

The Water Pollution Control Act Amendments (PL 92-500) set a goal of secondary treatment for municipal waste water treatment facilities to be accomplished by July 1977. Congress initially provided $18 billion to help meet this goal. However, the 94th Congress did not enact spending authorizations for fiscal 1977 and a significant number of States will exhaust available funding before the end of fiscal 1977. The failure to authorize fiscal 1977 funding will halt construction projects and seriously undermine state and local efforts to meet water quality goals. Additionally, lack of funding will impair the ability of state and local governments to plan for orderly and efficient construction programs, resulting in further disruption of progress.

The National Governors' Conference recommended that Congress authorize up to $7 billion in fiscal 1977 for the waste water treatment construction grants program to sustain the necessary momentum to meet water quality goals. Multiyear authorization of construction grants beyond fiscal 1977 is essential to ensure planning stability and to prevent unemployment in the construction industry and a slowdown in the nation's water pollution abatement efforts. If projects on the States' priority funding lists are to be constructed on a realistic schedule, realistic future funding levels must be established now.

The Conference also supports continued federal support at the current level of 75 percent of project costs for all construction mandated under the act to abate pollution.

D. - 21

NAVIGABLE WATERS

The U.S. District Court (District of Columbia) has directed the Army Corps of Engineers to adhere to the definition of navigable waters contained in Section 502(7) of the Water Pollution Control Act Amendments (PL 92-500). The act's definition encompasses all waters of the United States including territorial seas. Such a definition radically expands federal jurisdiction over the nation's waters and threatens statutory and administrative procedures which have been developed and refined by the States for nearly a century. The encroachment of federal regulatory control over all bodies of water unnecessarily usurps the States' control and responsibility for management of natural resources.

The National Governors' Conference urges Congress to enact legislation to limit the criteria of navigability to waterways that are presently capable of transporting commerce and asks the Corps of Engineers to delay further navigable determinations at this time.

D. - 22

FLOOD PLAIN MANAGEMENT

The National Governors' Conference believes enactment of the Flood Disaster Protection Act (PL 93-234) is an excellent first step in implementing sensible flood plain management of the nation's streams, rivers and coasts.

However, identification and mapping of special flood hazard areas by the Department of Housing and Urban Development have been hastily and inaccurately promulgated. This results in significant hardships for state and local governments which are attempting to comply with the act, and jeopardizes the National Flood Insurance Program.

The Conference urges the Administration to develop a reasonable scientific system for identifying and mapping Special Flood Hazard Areas which is acceptable to state and local governments. The effective cutoff date for federal financial assistance should be extended to no less than two years from the date of accurate mapping of the Special Flood Hazard Areas.

The Conference also urges the federal and state governments to prepare and implement flood plain management programs that will:

1. Minimize and prevent the loss of life and property, the disruption of commerce and the impairment of the tax base.

2. Minimize the extraordinary public expenditures and demands on public service that result from flooding and the threat of flood damage.

3. Provide for adequate passage of floodwaters and prohibit uses which substantially increase flood stages.

4. Encourage public awareness of the nature and extent of flood hazard areas and make available to potential landowners and developers information concerning the wise use of the flood hazard area.

5. Provide information to local communities so that they can meet the requirements for land use and control measures set by the Federal Insurance Administration and be eligible for the National Flood Insurance Program.

6. Promote land uses that will preserve existing resource management activities and maximize resource management opportunities in flood hazard areas.

7. Protect necessary wetland areas such as swamps, bogs and marshes to meet habitat requirements of wildlife located in flood hazard areas.

D. - 23

STREAM CHANNELIZATION

The Small Watershed Program administered by the U.S. Soil Conservation Service provides many benefits to the States, local governments and private landowners. However, one aspect of the program, stream channelization, has caused significant problems, primarily from the inherent conflicts between the environmental effects of channelization and States' responsibilities to protect fish, wildlife and water quality.

The environmental effects of channelization, which is used 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, national attitudes and approaches to water resource management, particularly flood control, have changed in recent years. Flood plain management and land use controls are now the most desirable methods of reducing flood problems, with structural and engineering approaches 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.

D. - 24

AMENDMENTS TO THE CLEAN AIR ACT

In drafting the Clean Air Act of 1970, Congress recognized the critical state role in achieving environmental objectives. This role must be further strengthened if States are to deal successfully with the complex air pollution problems that exist throughout the nation. The National Governors' Conference urges Congress to include the following principles in further amendments to the Clean Air Act:

1. Any decision to postpone current auto emission standards should be accompanied by a concurrent postponement of standard deadlines for auto pollutants in order to avoid increasing the restrictiveness of transportation control plans.

2. Waivers for technology innovations granted by the Environment Protection Agency should not be issued without the concurrence of state and local governments.

3. Although equipment and fuel shortages may make it necessary to extend compliance deadlines for certain power plants, nothing in the law should prevent EPA from requiring power plants to enter into contracts prior to 1980 to purchase flue gas desulfurization systems as such systems are needed to achieve air quality standards.

4. Where it has been shown to be impossible or infeasible to comply with air quality standards, state and local governments should be empowered to issue enforcement orders which extend past the attainment date.

5. A State should be granted the authority to extend the final compliance date for attainment of national primary air quality standards for suspended particulate matter upon application of its Governor and demonstration to EPA that all available practical control measures will be implemented.

6. Specific legislation is necessary to require prior state consent to any proposed federal actions that would cause state or local air quality standards to be exceeded.

7. The significant deterioration issue should be clearly resolved by Congress in a manner which gives each State the flexibility to determine for itself what is meant by "significant," consistent with state values.

8. The EPA Administrator should be required to notify a State before contacting an air pollution source within that State concerning an implementation plan deficiency.

9. Upon petition of a State, or upon his own motion after consultation with a State, the Administrator should be permitted to alter the boundaries of air quality control regions to provide greater flexibility in developing control strategies tailored to local problems.

10. Federal facilities should be required to comply with all state and local procedures on control and abatement of air pollution.

11. Where technical limitations on performing measurements would inhibit a control agency or an industrial concern from verifying compliance with a specified emission standard, the EPA Administrator should be empowered to specify the installation of a particular piece of equipment as a substitute for emission limitations.

12. EPA should be permitted to increase civil penalties sought against air pollution violators from $5,000 to $25,000 per day of violation.

The 95th Congress should move swiftly on 1977 amendments to the Clean Air Act. Clear direction from Congress is necessary for the States to carry out their proper roles in air pollution control without having to face continuing litigation based on uncertainties over congressional intent or lapsed deadlines in the current act.

D. - 25

RECREATION PLANNING

Meeting the nation's recreational needs has increasingly depended on government action as the quantity and quality of natural resources have diminished. The States have developed plans to deal with recreational needs and problems unique to their areas. While significant progress has been made, the National Governors' Conference supports the following actions to ensure successful implementation:

1. Increased and timely funding for acquisition and development of outdoor recreational facilities authorized under the Land and Water Conservation Fund Act of 1965. The act should be amended to allow the federal government to fund the operation and maintenance of outdoor recreation facilities, and to allow States to use up to 25 percent of their annual apportionment to enclose outdoor facilities for year-round use. *

2. Evaluation of States' obligation performance every three years from the date funds were actually received.

3. Improved intergovernmental coordination, with early and full state involvement in the development of the 1978 revision of the National Outdoor Recreation Plan. The revised edition of the plan should present a composite of federal, state, local and private evaluations and recommendations for the highest and best use of recreational resources, management and protection alternatives and funding possibilities.

4. A more equitable distribution of designated wilderness areas among the several States. Additionally, other methods and criteria which encourage the multiple use of urban and rural public lands need to be developed.

5. Federal assistance to the States to enable them to assess urban recreational needs. In view of transportation constraints imposed by the energy crisis, the Conference urges Congress to establish and ensure implementation of a rational, comprehensive policy on critical urban recreational needs as identified by the States.

D. - 26

FORESTRY

Anticipated shortages of wood products combined with increasing public demands for the recreational, environmental and wildlife benefits of the nation's forests have led to inevitable conflicts in the management and use of forest lands. The National Governors' Conference strongly endorses the balanced utilization of public forest lands as required by the Multiple Use Act of 1960.

In response to criticism of the Forest Service for over-emphasis on timber harvesting to the detriment or exclusion of other forest uses, Congress enacted the Forest and Rangeland Renewable Resources Planning Act of 1974. This act required the Forest Service to ensure the wise use of national forests and initiated a procedure to develop both short and long-term policies and programs. This process should be encouraged and the necessary programs initiated and funded. All timber harvest should be based on long-range plans that consider the multiple-use concept of sound forest management.

*Amendments (PL 94-422) to the act authorize increased funding to $600 million in fiscal 1978, $750 million in fiscal 1979 and $900 million annually through fiscal 1989. States may use 10 percent of their funds to enclose outdoor facilities.

In carrying out these and other legislative mandates relating to national forests, the Conference urges that all plans and management programs be directly linked to the funding and allocation of adequate personnel to ensure implementation.

States and other interested parties should be allowed to participate at the earliest stages of the planning process and to comment on plans and revisions by requiring submission through the A-95 review process. Public participation including public hearings must be made an integral part of the planning process.

Private lands will play a major role in providing forest products. The Conference endorses federal programs to improve reforestation and management practices. In addition, millions of tons of fiber products are now incinerated or buried in landfills daily. Federal and state governments must emphasize the research, development and implementation of efficient recycling and utilization systems for fiber products.

D. - 27

WILDLIFE MANAGEMENT

The national economic impact of wildlife activities approached $10 billion in 1974 and has shown substantial annual increases as revealed by recurring national surveys. Clearly, the concept of wildlife management in its broadest interpretation has achieved prominence.

Poor farming and grazing practices, unlimited timber harvests, increasing hydro-power requirements, water pollution, non-existent or unenforced fish and game laws, fires and other factors have caused gross destruction and depletion of wildlife habitat. The results are clearly visible in the reduced numbers and occasional elimination of some species.

This situation is being reversed. There is general public acceptance of sound wildlife management principles, which include conservation education, habitat management, controlled wildlife harvesting, applied research and law enforcement. State and federal cooperative agreements are being established to fund and coordinate state and local efforts to halt the steady decline of certain species and to restore such populations to safe levels. Non-game species of wildlife have also benefited.

However, this is no time to relax surveillance and management of wildlife populations. Present threats to habitat are often insidious and subtle in their effects. Land drainage, expansion of cities, development of rural areas, use of pesticides and the tendency toward over-protectionism have now been added to the more traditional dangers of mining, oil spills and industrial pollution.

The National Governors' Conference endorses the concept and science of wildlife management as an absolute requisite in the over-all scheme of resource management at the national, state, regional and local levels.

D. - 28

SURFACE MINING

The National Governors' Conference supports federal legislation to assist States in developing and carrying out programs to regulate surface mining.

Regulation of surface mining operations should reside with the States since they have knowledge of and are sensitive to the great diversity of terrain, climate, and biologic and chemical conditions. States are more responsive to the needs and aspirations of their citizenry and local governments. States have or can develop the qualified staff and the enforcement authority necessary for effective regulation. Surface mining is a form of land use, and its regulation and control must be considered within the context of state land resources.

Any federal surface mining legislation must set forth broad federal guidelines to be implemented by the States, preserve basic state regulatory and enforcement power and maintain the right of States to set stricter standards than the federal government's. In addition to including all minerals, federal legislation should leave establishment of any slope limitations to the States but should provide for a study of the effects of slope limitations on mining operations and the environment.

D. - 29

SOLID WASTE MANAGEMENT

Federal policy on solid waste management should establish national goals and provide assistance to state governments to attain these goals. Such goals should be to develop reliable, economic, solid waste management services; improve the environment; minimize the amount of solid waste; maximize the recovery of material and energy resources from solid waste; and dispose of potentially hazardous materials in a safe manner. Because of the States' unique responsibilities and powers and because of their proximity to the problems of solid waste, state government must be the major focal point for planning and action in solid waste management. The Governor of each State should be responsible for the administration of all planning funds whether planning is undertaken at the state level or delegated to regional or local levels.

The implementation of federal policy can best be achieved by the establishment of minimum federal management standards for solid waste and hazardous wastes, which may be set by the States; the enforcement of such standards by the States, supported by adequate program grants; continued federal support in partnership with the States of solid waste management, manpower and technology development and technical assistance programs; the provision of incentives at all levels of government to broaden the markets for material and energy resources recovered from solid waste; and encouragement of private solid waste management and resource recovery industries.

Special emphasis should be placed on the development and implementation of incentives to reduce excess packaging and elimination of planned obsolescence of products. To help reduce the nation's dependence on foreign sources of energy, the potential of energy-producing resource recovery systems should be explored. The federal government should provide financial assistance for innovative resource recovery, source reduction and energy-producing systems which demonstrate a reasonable likelihood of success.

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.

D. - 30

RADIOACTIVE WASTES

The increasing use of nuclear reactors in the production of electricity will result in an escalating inventory of high-level nuclear wastes. Because the half-life of some of these materials exceeds tens of thousands of years, disposal sites in the conventional sense do not exist.

While the federal government has recognized its responsibility to develop disposal techniques and locate proper disposal sites, permanent disposal solutions are still lacking. An increased emphasis on developing permanent disposal technology is needed if future generations are to be spared the responsibility for the problems created by the present appetite for energy.

D. - 31

LANDSAT FOLLOW-ON PROGRAM

Timely decisions in the management of natural resources are becoming increasingly complex and difficult because of the growing competitive demand for resources, the dwindling availability of key resources, the increased rate of resource use, the expanding regional nature of decisions and resulting impacts, and the necessity to achieve a balance between economic well-being and environmental quality.

State, regional and local resource managers are looking more and more to remote sensing techniques, and in particular to the Landsat program as an important new technology that can expand the present information base. Resource management decisions based on Landsat data have helped reduce the waste of funds and resources resulting from delays and litigation associated with unresolved land management issues.

The National Governors' Conference supports the Landsat Follow-On Program and would welcome imagery of greater resolution to assure continued and improved data for use in natural resources decisions by the States.

D. - 32

TOPOGRAPHIC MAPPING

The Topographic Division of the U.S. Geological Survey is considering a plan to convert the standard quadrangle map series to the metric system. Several States are at present only partially mapped at the standard 7.5 minute quadrangle scale of 1:24,000. A change to the metric system before completion of mapping at this scale will result in many adjoining maps with different scales.

This will inconvenience the map user and require conversion of many maps to compatible scales. Such conversion will waste much time and effort. The National Governors' Conference recommends that mapping programs in the various States be completed at a single scale and as early as possible.

Community and Economic Development

E. - 1

GENERAL PRINCIPLES

In the national effort to meet rural and urban development needs the States should play a full and meaningful role in the formulation, implementation and coordination of community development policies and programs.

The National Governors' Conference strongly believes that the development of state policy management and coordination capacities will help strengthen the state-regional-local partnership and, consequently, the development of coordinated urban and rural development objectives. If national resources are to be used wisely in these endeavors, federal financial resources for community development should be distributed to the States in the form of broad block grants. States should supplement such block grants by providing capable direction, management and technical assistance to local and regional grant recipients.

The Conference also recognizes the need for the development of a mechanism in each State through which alternative goals, objectives and programs can be developed to guide the distribution of state block grant funds. The progress of each State in achieving such goals and objectives through block grant programs should be evaluated annually.

During most of its 200-year history, this nation has devoted much of its interest and most of its public and private resources to new growth and development. In this Bicentennial, the Conference calls for a renewed focus on the quality of life in America and an expanded commitment to conservation of natural, man-made and human resources.

In cooperation with state and local units of government, Congress and the Administration should begin to refocus on existing federal policies and programs concerning urban and rural development, giving increased emphasis to the stabilization, preservation and rehabilitation of urban and rural communities.

E. - 2

NATIONAL ECONOMIC DEVELOPMENT

In support of the goal of balanced growth and economic development, the National Governors' Conference strongly urges the Administration and Congress to approve legislation authorizing special investment tax credits for job-creating industries in non-metropolitan and economically depressed areas on the fringe of metropolitan areas. States, in cooperation with local governments, should play active roles in such a program, primarily in the designation of areas eligible for such tax credits.

Implementation of existing Title V regional commission programs and future block grant economic adjustment programs should adhere to the following guidelines:

1. There should be maximum flexibility in the planning and program activities of state, multistate and substate entities, including provisions for development projects involving States not within the same multistate entity.

2. Available resources should be concentrated on selected priority goals and areas as designated by state and local authorities.

3. To the extent possible, federal regional administrative and program boundaries should be consistent with multistate and substate arrangements which have been established by States.

Legislation is necessary to assist in the sound and orderly growth of communities impacted by coal, shale, offshore oil and other energy development activities. This legislation should authorize direct and adequate financial assistance to such communities to offset the inordinate increases in the costs of local services resulting from federal energy decisions. Such a program is vitally needed to accelerate national energy production consistent with sound community growth and environmental quality.

No single approach will solve the dual problems of unemployment and increasing inflation. Consequently, the Conference urges the Administration and Congress to adopt a coordinated strategy for continuing the attack on unemployment and inflation by using a mixture of public and private programs.

Improving conditions and incentives for private business and industry should be a high national priority to return workers to their former jobs and to create more employment opportunities. Toward this end, regulations that have adverse effects on increasing employment should be immediately reviewed and, where necessary, modified.

In terms of subsidized public service jobs, the federal government should be viewed only as an employer of last resort. In line with this concept, the Conference urges the following steps:

1. Continued appropriations for public service jobs under the Emergency Jobs Program, with emphasis on selecting the locations and types of jobs based on the severity of unemployment problems and productivity.

2. Relaxation of regulations governing the jobs program, allowing a portion of the funds to be used to retain current public service employees who might otherwise have to be laid off.

3. Modification of regulations so that funds for public service jobs and public works projects may be mixed within the same program or project. This mix, to be determined by state and local governments, will provide the flexibility needed to focus on specific types of unemployment problems.

To mitigate the effects of joblessness in the short term, unemployment compensation programs should be responsibly funded to ensure that qualified unemployed workers receive adequate compensation payments. The existing federal-state partnership in this program should be maintained without the imposition of unnecessary federal standards.

E. - 3

NATIONAL AGRICULTURAL DEVELOPMENT

The health of America's vast food-producing capacity is so vital to the nation's defense and economic future that plans must be made now for its well-being. The National Governors' Conference supports a philosophy of ever-increasing production to meet ever-increasing domestic and international food demands.

A national food policy should be developed to ensure that the nation can feed itself and meet its responsibilities to other people in the world. Such a policy should reflect the importance of providing a quality environment consistent with a growing population. This policy should focus attention on improving agricultural production capabilities, transportaton, foreign market development, agricultural processing near the production source and efforts aimed at developing rural America.

The proper role of the federal government is to establish goals for U.S. agricultural policy and monitor progress toward those goals. The planning of specific programs to meet these specific goals might be developed by an appointed body, representing all those concerned in agricultural production, distribution and domestic consumption. These goals must include a concept of stability and equality of resource earnings for agriculture compatible with other sectors of the economy.

Rapidly increasing production costs, caused in part by increased costs of energy, threaten the future supply of reasonably priced food and fiber. The Conference urges the federal government, in cooperation with the States, to ensure that the agriculture industry will receive priority in any energy distribution plan.

The Conference again urges suspension of imports of those agricultural products for which domestic producers receive less than their costs of production. The Conference recommends farm legislation that will raise low target prices and loan rates on grains, develop export markets and strengthen price supports for dairy products. The Conference further urges the elimination of precipitous government interference with agricultural exports and price freezes aimed solely at agricultural products.

The Conference vigorously urges the Environmental Protection Agency to reevaluate immediately rules and regulations concerning predator control. Current regulations which could be used to require training and licensing of all farmers who apply pesticides in predator control programs would place an unwarranted burden on the nation's farmers and ranchers.

A strong farm program is a necessary element for a growing national economy and a vital step toward providing reasonable food prices for consumers while assuring a fair return for all agricultural producers.

In order to provide adequate protection for the family-sized farm and the maintenance of its landownership base, the Conference endorses changes in the outmoded federal estate tax provisions by increasing exemptions from the current level of $60,00 to $200,000.

E. - 4

URBAN AND RURAL COMMUNITY DEVELOPMENT

As part of a national community development policy, the Administration should design programs to enhance the economic and physical viability of both urban and rural communities. Such a policy should consolidate existing community development programs administered by the Departments of Health, Education and Welfare, Housing and Urban Development, Agriculture and Commerce, and should expand cooperation with state community development programs. This consolidation of federal programs should not result in decreased funding for community development.

A national policy should recognize that the county governing, planning and development entities, coordinated by state planning agencies, are integral parts of most state and federal programs for rural areas.

Rational community development policies cannot become a reality unless States provide the vital link between various community development and planning programs. Congress and the Administration should adopt a program which provides broad block grants to the States for community development, comprehensive planning and management activities. These grants should allow the States to develop and operate their own systems for setting and implementing community development priorities. Federal funding should cover long-range community development, planning and management activities, with sufficient flexibility to achieve state and area priorities. Federal funding for rural community development, planning and management should reflect the high costs of space, sparse population and the general diseconomies inherent in rural town and county governments.

The Conference urges increased funding of rural community development in areas with clear development potential. Several States should be designated as pilot projects for the purpose of coordinating rural development services.

Congressional mandates and federal requirements for States to concentrate the use of rural development funds on housing and land use planning should be eliminated because such mandates and requirements discourage state initiative and flexibility.

An increasing effort must be made at the national and state levels to make rural America more attractive to prospective employers and workers by improving the quality of rural services and facilities. The Rural Development Act (PL 92-419) should be amended to recognize state governments as the central policy-makers in their States for all community development activities covered by the act. The National Governors' Conference urges Congress to appropriate all funds authorized for full implementation of the Rural Development Act.

Economic delivery of health services is a particularly critical problem in rural areas because of sparse population, low incomes and insufficient medical facilities. The Conference believes that the States and substate units must be given greater latitude and support in the development of health systems agencies and emergency medical service systems to meet the needs of various States. The Conference generally supports consolidation of categorical health care programs into a block grant.

Viable rural development is based on a coordinated program of research and education that suggests new and more effective ways to use existing human, natural and institutional resources. Land grant universities have been conducting rural education and research programs on a limited basis for many years. These institutions have the capacity to expand research and educational programs in support of rural development. Increased federal financial support, coupled with more direct involvement of state governments in setting priorities, would allow these universities to accelerate and expand their work on revitalizing rural services and facilities.

One of the critical problems confronting the nation's urban and rural communities is the need for decent, safe and sanitary housing, located in a suitable environment with adequate facilities. In many areas an insufficient supply of adequate housing is frustrating economic growth and community development. Resolving the housing problem will require maximum use of the technical and financial resources of the private sector as well as increased intergovernmental action.

The Conference recommends the establishment of a federal housing block grant program, giving the States the broadest possible discretion in allocating funds among state and local housing programs. In addition, a transitional federal housing administrative structure should be retained to assist States that are developing their own delivery capabilities. Federal and state housing assistance programs and tax policies should give increased priority to the rehabilitation of the existing housing supply.

Transportation, Commerce and Technology

F. - 1

GENERAL PRINCIPLES

The National Governors' Conference commends the Department of Transportation (DOT) for its generally excellent communication with States. To improve communications further, the Conference urges that all proposed regulations be reviewed by representatives of the States prior to publication in the Federal Register. Such review would provide early input of each State's special situation and critical analysis. DOT should allow the States to assist in the development of regulations through the Conference.

The Governors call on all States to develop administrative and legal structures equal to the challenge of comprehensive, integrated transportation systems. Many States have already created central departments of transportation to coordinate all modal programs.

The Governors support full coordination of federal transportation programs. Toward this end, all transportation programs should be developed according to the policy of DOT, which should also coordinate the projects of the Corps of Engineers involving transportation service.

Existing functional agencies within DOT should not be separated, and proposals to remove the Federal Aviation Administration or maritime activities from DOT should not be approved. However, the streamlining of departmental operations through internal reorganization may be appropriate.

The Governors call for an active dialogue with the Transportation Secretary to refine DOT's integrated national transportation policy so that it may be used for setting continuing priorities in the nation's transportation program.

The States are the appropriate level of government to provide for the coordination of transportation planning and control of transportation programs. The metropolitan planning organizations should provide local input from which coordinated statewide transportation plans can be developed.

In pursuing energy conservation as the best possible method of reducing the nation's reliance on foreign oil products, the Conference urges a reevaluation of transportation funding mechanisms. State and federal highway programs depend heavily on motor fuel taxes and most States have already felt the impact of declining fuel tax collections.

The Governors continue to call for the creation of a single unified national transportation trust fund by phasing in all transportation tax revenues and other tax revenues made available for transportation. The unified trust fund should be used for all modes of transportation, based on a comprehensive and integrated national transportation plan. Such a plan should rationalize rates of investment among all transportation modes and should address transportation problems in the context of the nation's long-term energy supply. In addition, a major portion of revenues generated by energy conservation taxes should be included in the unified trust fund and supplemental funds should be added as necessary to meet the needs of a comprehensive, integrated transportation system.

As elected chief executives, Governors are best able to determine the transportation needs and priorities of their States. Congress should distribute all transportation funds to the States because these funds can be administered in a more orderly and accountable manner if they flow directly through the Governor. The Governors are particularly concerned about long-term financing of transportation. The nation's highway system must receive high priority and sufficient funds must be dedicated to ensure its continued operation.

The Conference applauds the establishment of the National Transportation Policy Study Commission to make a complete investigation of the nation's transportation needs and of the resources and policies required to meet such needs. The Conference endorses the objectives of this commission as set out in Section 154 of the Federal-Aid Highway Act (PL 94-280), encourages all parties to move forward with this study, and pledges its willingness to participate.

In its study, the commission is encouraged to consider block grants to the States for transportation needs and preemption by the States of a portion of the federal motor fuel tax.

The Governors pledge their cooperation in providing appropriate environmental assessments of transportation construction. The A-95 program should give the Governors a stronger role in the evaluation, analysis and implementation of all transportation projects to avoid duplication and waste as well as environmental damage.

The federal government should provide minimum environmental standards to protect the basic health and safety of every citizen, while leaving state governments free to deal with specific problems of extraordinary severity or to respond to citizen demands for a higher level of environmental quality than national standards.

The federal government should join the States in an effort to apply innovative technology in discovering new sources of energy and new methods of reducing pollution and disposing of wastes produced by the transportation system.

More specific guidance and clear expression of congressional intent is needed in implementing the Clean Air Act of 1970, Section 4(f) of the Transportation Act of 1966, Section 404 (PL 92-500) concerning the Corps of Engineers and other environmental legislation to rectify and ease administrative difficulties experienced over the past few years. In lieu of federal requirements, the States should be allowed to develop standards responsive to their specific needs while conforming to national minimum standards. States that have enacted standards equivalent to federal standards should take over administration of environmental protection.

The Governors pledge increased emphasis on the design of highways and other transportation systems so that these facilities complement rather than conflict with the total environment. 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 rather than by the present threat contained in highway funding legislation. The Conference opposes any federal penalties on the States when Congress fails to appropriate funds which have been authorized to aid States in beautification programs.

The Governors support the basic premise that a representative government has the responsibility to ensure that public transportation needs are met by at least one mode of service. To attain this objective, transportation regulation may be justified if free market conditions cannot provide reasonable and adequate service at economical prices.

The Conference urges the formation of a national commission to investigate the broad range of state and federal regulatory practices. The present problems of the rail and trucking industry, especially rate structures, indicate the immediate need to begin this investigation. The Governors support the "zone of reasonableness" method of rate setting, which is designed to protect the carriers and foster competition at the same time.

F. 2

HIGHWAY TRANSPORTATION

The National Governors' Conference strongly supports continued development and improvement of the nation's streets and highways as essential to the over-all transportation system and the vitality of the national economy. The Governors urge that the program mandated by the Federal-Aid Highway Act (PL 94-280) continue as a partnership between state and federal governments because support and coordination are needed at all levels of government if the effort is to be effective.

Congress and the Administration should continue to review with the nation's Governors the various transportation programs to determine the appropriate roles for state and federal governments in the development and maintenance of a comprehensive transportation system and to eliminate duplication of effort and overlap of responsibility.

Congress and the Administration should focus on reducing the complexity of federal aid and increasing the flexibility of the States to administer highway programs and to spend funds on state-determined needs for new construction, reconstruction, rehabilitation and safety projects. Existing categorical programs should be reduced to no more than four: Interstate, urban, rural and safety. Each State should receive its fair share of funding in these categories to be used as its own priorities dictate.

The Highway Trust Fund should be extended to ensure completion of the Interstate System and to provide for its reconstruction and rehabilitation. The possible benefits from the sale of bonds to provide for early Interstate completion should be studied. Many States have used or are now using bond revenues to finance their Interstate systems.

Any modification of the Highway Trust Fund must reflect highway needs, the tax base required to support those needs and the impact on the various States. Serious consideration should be given to a formula that would provide each State no less than 80 percent of the tax payments it makes into the Highway Trust Fund. The remaining 20 percent would be allocated for a national transportation system.

The Conference opposes any diversion of the present Highway Trust Fund revenues to the general fund. The nation's current transportation needs far exceed the nation's capability to pay for them.

Although no Highway Trust Funds are being impounded, Congress has imposed an obligational ceiling on the funds, thus perpetuating the practice of impoundment. The Conference supports removal of the ceiling, allowing the States to use all past and present authorizations within the limits of cash available in the Highway Trust Fund. Obligational authority should be provided as far ahead as possible.

Gasoline and other motor fuel taxes should not bear the full burden of the energy conservation effort to the detriment of the over-all highway program or the individual State's ability to finance construction and maintenance of its highway system. Should Congress establish additional user taxes, sufficient funds should be directed to the States or preemption to the same degree should be allowed to offset any reduction in highway funds. The Conference supports continuation of federal funding for advance acquisition of rights-of-way.

The use of certification acceptance procedures by several States has proved beneficial and the 1976 Highway Act amendments will provide for greater use of these simplified procedures. The Conference urges the Federal Highway Administration to develop the program fully. The reductions in FHWA personnel could benefit the other modal administrations of the Department of Transportation.

Although the fuel shortage has diminished, the trucking industry remains affected by high fuel costs, disparate tax and licensing structures, size and weight regulations, and similar problems. The Conference again recommends that Congress and the Interstate Commerce Commission investigate the obstacles facing the trucking industry. States should consider legislation to permit uniform axle, tandem and gross weights consistent with federal regulations. States are also encouraged to join the International Registration Plan to streamline the administration of road taxes and registration.

Congress, in enacting the Highway Safety Act of 1966 and its amendments, mandated a comprehensive and coordinated attack on highway safety problems. However, sufficient funds have not been provided to meet the requirements of the act. The Conference urges appropriation of enough funds to implement the act.

The Governors commend Congress for repealing the 10 percent penalty clause in the Highway Safety Act and applaud the more realistic 1976 amendments. However, the Governors are concerned about the trend of state legislatures to repeal existing state safety legislation because of the flexibility extended by Congress. The Governors pledge their leadership and support to strengthen the safety programs of their States.

The National Highway Traffic Safety Administration and FHWA should administer the highway safety program in a unified manner and should move toward a programmed approach for highway safety funds. Federal aid requirements should be simplified and States should be permitted to focus funds on their most pressing problems.

The Governors also commend Congress for requiring NHTSA and FHWA to evaluate the effectiveness of current highway safety standards in cooperation with the States. The evaluation should be conducted with appropriate state officials and the National Conference of Governors' Highway Safety Representatives.

NHTSA should act as a clearinghouse to coordinate research by public and private sectors and to provide information to the States.

The Conference opposes draft orders issued by NHTSA and FHWA requiring States to absorb the planning and administration costs of the highway safety program. If the two agencies fail to reverse their action, the Governors request congressional action to secure continued federal funding.

The Conference also opposes any proposal to interfere with state enforcement of traffic speed limits. Earlier regulations proposed by DOT implied that Governors would default in their constitutional responsibility to see that the law was faithfully executed, and that their performance should be monitored by a federal agency. These presumptions are still totally unacceptable. Any contributions to energy conservation and highway safety are incidental when compared to federal usurpation of traditional state police power under coercive threat of highway fund withdrawal.

The Governors pledge in good faith to support the 55 mph national speed limit. Certification by Governors that their speed control programs are fully operative should be enough to satisfy the intent of Congress. The Conference recommends that studies relating the lowered speed limit to decreased highway accidents, deaths and property damage be reviewed and expanded.

Because more than 50 percent of highway fatalities are alcohol-related, the Conference recommends the early implementation of counter-measures in all States, including use of the implied consent law in testing drivers for drunkenness, and urges that necessary resources be made available to the Governors to implement these counter-measures.

School bus safety requirements (23 United States Code 406) are too rigid and force the Governors to spend funds in one narrow area of safety. The Governors recommend that Congress repeal 23 USC 406 and fund school bus safety through more general safety standards (23 USC 402).

F. - 3

AIR TRANSPORTATION

Because aviation is a critical component of a balanced state transportation system, the National Governors' Conference endorses current Department of Transportation policy which would transfer general aviation programs from federal to state administration.

Convincing reasons for a strong state role include the importance of general aviation to industrial and community development; the need to plan airport facilities as components of the state transportation system; the cost-effective implementation by States of general aviation programs; and the fact that 49 States currently provide state funds for airport development. All States are urged to broaden even further their financial and technical assistance to airport sponsors.

All airport facilities development should continue to be guided by state and national airport system plans as required by the Airport and Airway Development Act of 1970. Amendments which will permit project funding without regard to long-range planning conducted by the States are unacceptable. Local and regional airport plans should be integral elements of the over-all state plans, and the national airport system plan must reflect essential elements of state plans.

The Conference calls for a continued planning grant program to help the States carry out comprehensive air transportation planning in the context of statewide multimodal system plans.

Because airports must be protected from incompatible encroachment of urban areas, the Conference believes that land banking must be used to preserve future airport sites in some areas.

Flexibility in the distribution of airport development funds is necessary to provide assistance to areas of desirable future growth. Distribution of funds entirely on the basis of current passenger enplanements would leave only limited funds to respond to developing needs in areas with low enplanements. The distribution formula should also favor smaller air carriers and general aviation airports that have the least self-financing capability.

While the Aviation Development Aid Program (PL 94-353) does not contain all the Governors' policies, the Conference endorses the compromise program and the principle of user financing to support it. Existing taxes should continue. Proposals to provide new forms of aviation taxation, such as departure fees for general aviation, should not be adopted; such taxation would adversely affect general aviation activity throughout the country.

States should encourage effective local airport zoning laws to achieve land use that is compatible with airports and aircraft operations. The Conference applauds recent federal proposals and regulations designed to reduce aircraft noise and certain States' initiatives to control and mitigate aircraft noise.

Joint use of military airport facilities by civil aircraft should be encouraged wherever feasible, and this policy should be implemented expeditiously at the highest federal level.

The changing complexion of certified air carrier service indicates a stronger role for commuter air service to many smaller communities. The Conference recommends that the Civil Aeronautics Board develop and promote a policy which recognizes the need for commuter service. States and the federal government should develop new means of financial support to provide strong incentives for self-sufficiency in the commuter airline industry.

Regulatory reform is needed to remove artificial and unnecessary economic constraints, increase efficiency in the airline industry, and provide better services at lower costs while maintaining the present high level of safety. Public hearings will bring forth the facts and discussion necessary for proper decisions, and the impact of regulatory reform on small air carriers should be carefully evaluated along with proposals to promote and support the development of commuter air service.

F. - 4

RAIL TRANSPORTATION

The nation's railroads are a major element in the American transportation system, providing special advantages for energy conservation, environmental protection and the efficient movement of people and goods. Railroads are also a mainstay of the national economy. The high costs of operating on run-down physical facilities and the resulting poor service have contributed to inflation and the recession. A revitalized national rail system should be a prime element of any program to revive the economy and promote balanced growth. A modern rail system will help achieve greater energy independence because railroads are efficient users of energy and provide vital access to the nation's coal reserves.

The National Governors' Conference urges the Transportation Secretary to pursue a national rail plan in cooperation with the States. The first step is the functional designation of the nation's railroads for which the Secretary should acquire inputs from the States.

Plans which are limited to reorganizing or restructuring rail carriers will have little if any success in improving service and profitability without programs to ensure the availability of finances for reconstruction and modernization, to reform regulatory policies or to increase productivity of rail labor through new work methods and appropriate work rule changes.

The Conference endorses federal support of the railroads through a Rail Trust Fund or a single unified Transportation Trust Fund to be financed by appropriate user charges and/or general funds.

Almost all railroads have deferred maintenance and capital improvement projects which they cannot finance from either internal cash or private borrowing. Government financial aid to railroads is required, but it should be provided in a manner which guarantees improvements in physical plant and service.

The Conference continues to urge a reassessment of basic rail passenger needs and funding. Deteriorated roadbeds and tracks are a significant factor in hampering the efficient operation of passenger service, which would benefit from the creation of a Rail (or Transportation) Trust Fund to finance modernization of physical facilities.

The Conference supports the use of public service employment to begin rebuilding neglected railroads. A rail reconstruction and modernization program could provide thousands of new jobs in the next few years to help counteract high unemployment levels.

Governors are hopeful that Amtrak will reevaluate its current approach to passenger service in consultation with the States. Amtrak must strengthen its communications with the States so that Governors can help shape the rail systems of the future. The Conference calls for the creation of regional councils to advise Amtrak officials on long-range goals and the adequacy of present services.

Congress should require higher operating standards from Amtrak and the development and implementation of advanced rail technology similar to that used in Europe and Asia. Increased efforts should be made at the Federal Railroad Administration's test facilities in Pueblo, Colo. The new trust fund for freight should help to repair seriously deficient track, but Amtrak must also build up its schedules, reduce its unit costs and provide a high level of service on lines outside the Boston-Washington corridor.

The problems now confronting the rail industry point to the need for a thorough reevaluation of regulatory matters. The Conference urges Congress and appropriate federal agencies to continue the reevaluation begun by the Railroad Revitalization and Regulatory Reform Act of 1976 with the objective of simplifying and expediting the entire regulatory process, including modernization of rate structures. State legislatures and regulatory agencies should begin a similar reevaluation.

F. - 5

WATER TRANSPORTATION

Waterways have served as major transportation routes since the first settlements in America. Most large cities are located on navigable waterways and industrial expansion has often followed waterways. Modern watercraft transport vast quantities of commodities at relatively low unit prices. Coal and other minerals, agricultural products and petro-chemicals are among the many bulk materials handled on the nation's waterways. Advances in cargo movement such as the barge-on-ship concept and containerization permit more direct international shipments between remote inland ports and the ports of the world. The fuel and operating economies which can be realized by this transportation mode point to the need to include waterways in the national transportation policy.

The National Governors' Conference urges the Department of Transportation to create a marine transportation system to promote an awareness of the value of waterways for commercial and recreational use. The inland waterway system now meets a national need for commercial navigation and recreational use. New construction and maintenance of the system's existing facilities should be provided as needed.

Although the construction and management of multiuse water resources may be the responsibility of other agencies, their transportation use should be coordinated into DOT's over-all national plan.

The Conference urges a comprehensive study of the present and future needs of the nation's public ports along with an analysis of the financial requirements needed to maintain port facilities. The Conference supports proposed federal legislation to provide grants which would enable public ports to comply with federal regulations and standards relating to environmental protection, public health and safety, and port and cargo security.

The Conference supports the U.S. Coast Guard's enforcement of the Boat Safety Act of 1971, the establishment of national uniform standards for safety in the manufacture and maintenance of boats, and continued state licensing and regulation of boat operators and operations.

F. - 6

URBAN AND RURAL PUBLIC TRANSPORTATION

Many States have used their authority to form areawide public transit districts, and have granted them taxing authority and bonding powers. Several States now provide direct capital grants for the construction of mass transit facilities. Some States finance operating subsidies and others have used their powers of taxation and tax exemption to stimulate the development of transit service and rural transportation.

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 in the context of a unified national transportation policy.

Federal mass transit assistance programs should be coordinated by the Governors who have the responsibility to provide strong incentives for local solutions to local transit problems and to resolve conflicts between political subdivisions. The National Mass Transportation Assistance Act of 1974 gives a significant and meaningful role to Governors in the planning and development of urban mass transit systems. This role will help to ensure equitable treatment of the various political subdivisions within the States and achieve a balanced transportation system. In addition, the States will be able to coordinate their transportation programs with emphasis on areas of greatest need.

Local participation is encouraged and expected in all phases of urban and rural transit development to ensure that projects are responsive to and compatible with the needs of the local population from both operational and fiscal aspects.

The Conference believes that States should recognize the potentially beneficial impact of public transit service on the life of rural areas. Federal, state and local governments should join in a concerted effort to respond to the needs of rural people for improved public transportation.

Comprehensive planning policies should include major public and private developments such as hospitals, shopping centers, industrial sites and residential areas in the transportation network of the region. A multimodal policy at all levels of government, while improving cooperation between modes, minimizes imbalance and enables each mode to realize its inherent advantages.

The Conference supports an assured source of federal funds for urban transportation programs. 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.

Public transportation, a necessary component in the total transportation network, cannot survive without governmental assistance for capital outlays and operating subsidies. Without federal support vital elements of public transportation would be extremely difficult to initiate. Federal, state and local agencies should join in improving existing public transit services and establishing new services where needed.

The Conference supports a limitation on funds for operating assistance. The formula concept of Section 5 of the 1974 amendments to the Urban Mass Transportation Act aids immeasurably in planning operating and capital needs, but a limitation must be placed on operating subsidies so that the capital needs of the nation's transportation system are not neglected. This limitation should be placed at the state level so that state funds can be integrated with federal funds to ensure effective use of tax dollars.

The Conference recommends that UMTA's provisions on rural funds be amended to allow operating subsidies as well as capital grants in the same manner operating subsidies are authorized for urban areas.

The Department of Labor's interpretation of Section 13c of UMTA has led to problems for state and local governments in building and operating urban mass transit systems. Congress did not intend to burden urban transit systems with the sign-off authority which DOL has assumed. Congress and the Secretary of Labor are asked to resolve this sign-off question so that urban transit programs will not be adversely affected.

The Conference urges the improvement of marketing efforts in the areas of public information, promotion, scheduling and transfers to increase the conversion of auto drivers to transit users.

F. - 7

PIPELINE TRANSPORTATION

Because of the importance of pipelines in the transportation of energy and the need for coordination of this mode of transportation with other modes, the National Governors' Conference calls for the development of a national pipeline plan by the Department of Transportation and pledges its support and cooperation.

F. - 8

TRAVEL AND TOURISM

The travel and tourism industry, with its many diverse components, has become an increasingly important element in the national economy. Last year, annual spending by travelers in the United States was approximately $70 billion, which represents more than five percent of the Gross National Product. Tourism is among the top three industries in 46 of the 50 States and the No. 1 industry in the Virgin Islands.

The growth of the travel and tourism industry has been a direct result of many factors, among them the level of affluence of many Americans, the increased amount of free time now available to many citizens, and the rapid development of improved communication and transportation. Much of the growth has taken place within the past few years and has been so rapid that the full impact has not been entirely realized.

However, entire cities, towns, counties and regions of the nation now depend on the travel and tourism industry for their economic livelihood. National policy and governmental action which do not accept this fact unduly penalize an important segment of the national economy and jeopardize those States which rely heavily on this industry for jobs, income and economic stability.

Because of its accelerated growth the travel and tourism industry requires a new level of attention and consideration within regional and national priorities.

A national travel and tourism policy should be developed within the federal government to maximize the effectiveness of present resources. There are now more than 50 agencies engaged in 100 identified tourism programs. The National Governors' Conference calls for the consolidation of all federal agencies dealing with tourism into one existing agency with increased visibility to implement a national policy.

Federal fiscal policies should not discriminate against the recreation and leisure travel industry. Present policies which discourage loans and creative development in these areas have added to the already serious financial problems facing the industry. The unavailability of money and the extremely high interest rates could have disastrous effects on the economies of those States dependent on the travel and tourism industry.

Severe restrictions on gasoline resources in travel and tourism areas have already had serious economic effects in many States. Should the shortage occur again, fuel allocation decisions should recognize the economic needs of these areas which depend on travel and tourism as their major source of income.

International travel by American citizens is the fourth largest contributing factor to the imbalance of payments. Accelerated efforts should be made to expand the number of cities with regular and chartered international airline services for passengers and cargo. Only when direct regular service between cities and overseas markets is improved can this nation realize its full travel potential.

F. - 9

FOREIGN COMMERCE

The National Governors' Conference proposes that the United States pursue a national policy for the aggressive expansion of world trade which will increase the U.S. share by at least one percent each year.

The Governors believe the Administration and Congress should continue to require U.S. foreign offices to emphasize commercial activities. The Administration and Congress should identify existing problems and seek out possible solutions to advance the commercial activities of foreign offices, which should be furnished more technical support and staff.

The Conference urges the President to designate a single agency that would set foreign economic policy and to instruct other agencies to coordinate with that agency. The policy should cover the widening wealth gap between the developed and developing nations and the need for a reconciliation between this nation and the developing nations which depend on its economic wealth. The problems of free world commodity markets and the resulting price turbulence need to be solved quickly so that the market for U.S. suppliers is stabilized, customers are guaranteed a supply and, to the maximum extent possible, market forces determine prices.

F. - 10

INSURANCE

Historically, States have regulated the insurance industry. In response to an increasing need, 48 States have enacted auto insurance laws providing consumers protection against loss of coverage from insolvent companies. State response to this problem demonstrated that auto insurance regulation need not pass to the federal level. The best possible solutions to the problems of auto insurance lie in continued state regulation and experimentation.

In the debate on no-fault auto insurance, some have argued that a uniform national system must be imposed from the federal level. However, the Governors believe that individual state action and interstate cooperation can 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 without increasing rates.

The adoption of national no-fault or federal standards is not an acceptable option to individual state action. Congress should take no action which would pre-empt state efforts to establish a no-fault auto insurance system.

The National Governors' Conference urges those States that have not enacted no-fault legislation to continue to examine the available options and to achieve maximum interstate coordination in any actions they may take. The Conference also urges each State to consider the model legislation drafted by the National Conference of Commissioners on Uniform State Laws and by the Council of State Governments.

F. - 11

COMMUNICATIONS

The National Governors' Conference commends those States that have taken the lead role in guiding the development of the cable television industry to realize its full potential in rural and urban development and, at the same time, controlling its application to protect the public interest.

States should help to establish minimum requirements for the safety of cable system construction and implementation, and should ensure that cable systems do not abuse their natural monopoly positions.

The Conference agrees with national goals for cable television and recognizes Federal Communications Commission involvement in cable television regulation. However, the Conference opposes any federal regulatory intervention that usurps the rights of States.

The regulatory program adopted in individual States should be designed to reflect the particular circumstances and needs of those States. Such programs should avoid unnecessary duplication through an intelligent division of responsibility among federal, state and local levels of government.

F. - 12*

PRIVACY

Personal privacy is a fundamental right of every American citizen. However, the increasing application of technological advances and the proliferation of personal data information systems threaten that right as never before.

Numerous instances of misuse and abuse of information by the public and private sector exist: Gathering too much extraneous personal data; using information for purposes other than those for which it was collected; using incorrect, incomplete or out-of-date information; and keeping the existence of a person's file and its contents a secret from him or her. Because there is little legal protection against the abuse and misuse of personal information, the National Governors' Conference supports the efforts of the States, the Administration and Congress to develop and establish privacy safeguards and standards for the collection, maintenance and dissemination of personal data, and encourages the enactment of legislation to protect privacy.

The Conference urges that any federal legislation pertaining to privacy should provide full participation by States in the development and promulgation of regulations and administration of the act. The designation of shared or dedicated computer systems should be left entirely to the discretion of the Governor.

The Conference supports the following privacy safeguards:

1. Data systems should collect only the data necessary to carry out their purposes and should institute security precautions to prevent unauthorized access and misuse of data.

2. Data files should be periodically updated and purged of incorrect information. Data operators should keep a record of those to whom information is disseminated so that they may be notified of corrections. Operators should publish annual notices of the existence and character of their systems.

3. Individuals should have access to their files and be able to learn how information about them is being used and to whom it is being disseminated. Individuals should be able to challenge incorrect or out-of-date information on themselves and to have corrections made upon verification of the facts. If the data system declines to accept the challenge, it should be recorded and disseminated with the data. No data collected about individuals for one purpose should be used for an unrelated purpose without the individual's consent.

F. - 13

TELECOMMUNICATIONS TECHNOLOGY

The National Governors' Conference, in conjunction with the federal government, would like to implement as soon as possible a telecommunications

*A. - 11, adopted by the Committee on Crime Reduction and Public Safety, deals with criminal justice information systems.

system which would allow Governors to communicate more effectively and quickly with each other and with Congress and the Administration; ensure that each Governor has a common understanding of the facts and background on national issues; and eliminate time lost by Governors through unnecessary and costly travel.

Such a system would provide:

1. Audio service linking all Governors, the President, key Cabinet officials and the congressional leadership.

2. A conference call capability for up to 25 people on the relatively short notice of one to four hours.

3. A rapid facsimile transmission capability which would send a page of written material from any point on the system to a distant point in no more than four minutes, and messages from one point on the system up to 60 points at the same time.

4. The capacity for the Governor to express a yes or no opinion which would be registered electronically at some central location.

5. An over-all cost which is no more expensive than similar telephone and facsimile transmission systems.

As a first step toward implementation of such a system, the Conference requests the Office of Telecommunications Policy to allow all Governors access to the Federal Telecommunications System.

F. - 14

SCIENCE AND TECHNOLOGY

The United States has long led the world in the research and development of new technologies. The federal government has invested huge sums of public revenues in this scientific effort during the past few decades. For that reason the general public is entitled to receive maximum benefit from the practical application of government financed discoveries in science and technology.

Presently, the fruits of civilian oriented research and development provide important mechanisms for solving many problems of state and local governments. However, specific research and development should be focused on other problems of state and local governments.

At the same time significant state capabilities in the area of technology must be developed. These capabilities should be responsive to state and local government officials and directed toward resolving a broad range of problems.

As a major supporter of programs which generate new technologies, the federal government should understand that the success of its programs will depend to a large extent on close coordination with the States to identify and document the opportunities and problems created by new technologies.

To complement a federal technology information system, the States should become directly involved with the federal government in a long-term cooperative arrangement. Using the talents of competent personnel, the States could identify and define important problem areas which would benefit from the application of new technology, and relay specific or particular problems or needs back to the federal government, industry and the academic research community.

In addition, federal, state and local governments should cooperate to produce the large market required by certain types of technology. Needs based on standardized specifications from many jurisdictions would reduce unit costs and would make possible the development and manufacture of software and hardware systems particularly suited to the needs of government.

Miscellaneous Resolutions

G. - 1

EQUAL RIGHTS AMENDMENT

The Twenty-seventh Amendment to the U.S. Constitution, known as the Equal Rights Amendment, which would grant full citizenship rights and opportunities to women, has not yet been ratified by the necessary 38 States. ERA must be ratified by at least four more States by 1979. There is no doubt that the American public supports ERA as indicated by a number of opinion polls and the active support of organizations representing women and men in all walks of life. ERA ratification is an issue that cuts across party, ethnic, class, racial and economic lines, and in the nation's Bicentennial, it is appropriate that remaining limitations on full and equal citizenship be eliminated through a constitutional guarantee. Those 14 States which have state guarantees of equal rights have proven records attesting to the benefits for all citizens. Therefore, the National Governors' Conference supports full ratification and implementation of the Twenty-seventh Amendment to the U.S. Constitution.

G. - 2

STATE- FEDERAL PARTNERSHIP

The Governors express their full support for the National Governors' Conference as their agent to deal with units of the federal government in matters concerning the States. The Governors do not believe that recent decisions limiting participation by state organizations in the partnership of state and federal governments should be allowed to stand unchallenged. The Governors will take appropriate action to preserve their right and opportunity to deal with the federal government through institutions of their choosing on a sovereign-to-sovereign basis.

Appendix VIII

REENACTMENT OF REVENUE SHARING*

The first plenary session of the 1976 Winter Meeting of the National Governors' Conference began with an address by President Gerald R. Ford, who was introduced by NGC Chairman Robert D. Ray, Governor of Iowa.

The President discussed the federal-state relationship as it was conceived by the original 13 States and as it has evolved into centralized bureaucracy, "always bigger, always more meddlesome, but not always more efficient nor more responsive to local needs."

In the campaign to reenact revenue sharing, the President told the Governors: "You are well aware of how this $30.2 billion, five-year program is now administered at the federal level at a cost of a twelfth of a penny for every dollar spent. You know how our States are now making state decisions on the local use of their federal taxes.

"It was last April, almost a year ago, when I asked Congress to renew revenue sharing for five and three-quarter years so that you could make timely plans for your fiscal 1977 state budgets. Regrettably, Congress did not share my sense of urgency. Thus far it has failed to act, and the deadline is getting closer and closer.

"I have seen your warning of higher taxes or drastic curtailment of public services if federal revenue sharing is discontinued. You are right in saying that our present economic recovery would be endangered if Congress were to end general revenue sharing. It would force the States to fire workers, to increase state taxes and even to institute new state taxation. You know, and I know, that we must join forces—and I am glad we are—to get some action on general revenue sharing.

"I ask you today, as the chief executives of your States, to join me in moving the mountain which we know as Capitol Hill. The whole concept of balanced federal-state relations is at stake. You are more aware than anyone of the new realities in your States. If we fail this year to assure continued movement toward general revenue sharing, there will be a new escalation in the categorical programs of an increasingly centralized government."

Before relinquishing the chair to Governor Patrick J. Lucey of Wisconsin, who moderated the session, Governor Ray said that revenue sharing is "very dear to every Governor" and its advantages "should be obvious to everyone." However, it is just as obvious that these advantages are not apparent to everyone, Governor Ray said, for, as Senator Russell B. Long of Louisiana put it, "revenue sharing is in trouble and cannot be taken for granted."

Governor Lucey said he knew of no incumbent Governor who would not support a continuation of revenue sharing. "In fact, I can think of only one former Governor who does not support federal revenue sharing," a reference to former Georgia Governor Jimmy Carter. "I don't want to be facetious about it, but while there may

*A summary of the discussion at the Winter Meeting of the National Governors' Conference, February 23, 1976, in Washington, D.C.

have been some legitimate argument with the philosophy of federal revenue sharing in 1972, now that federal revenue sharing is in place, to cut it off suddenly would be like asking a drug addict to take the cold turkey treatment.

"I think in many States, if they are like Wisconsin, an end to federal revenue sharing would simply mean a very substantial increase in property taxes, which is the most regressive part of our tax system. Instead of collecting that money by the most progressive means—the federal income tax—we'd be going back to the home owners and small businesses of Wisconsin to raise the dollars.

"I think the Governors would argue that this program has been a good one; that the money has been used intelligently. I suppose that if one looks hard enough at any federal program or governmental program, one can find examples of abuse. But if you compare general revenue sharing with any other federal expenditure in relation to state and federal funds you will find a more efficient use of tax dollars. I am just delighted that we have here with us this morning three members of Congress who are in positions to exert great leadership in the determination of whether or not this Congress does, in fact, during calendar 1976, extend federal revenue sharing."

Governor Dolph Briscoe of Texas introduced Representative Jack Brooks of Texas, Chairman of the House Government Operations Committee which deals with revenue sharing legislation. Representative Brooks said that grave reservations about revenue sharing were evident. "I have opposed revenue sharing, and I can tell you why in a very few words. I think public officials should be held strictly accountable for their expenditure of public funds. There was a popular saying here about 200 years ago, no taxation without representation, and I'd like to go one step beyond that and add, no expenditures without accountability. Separating the right to expend public funds from the pain of extracting the funds from the taxpayers is not consistent with our democratic form of government.

"I am also concerned about the effect revenue sharing has on the future of our federal system of government. Revenue sharing was originally presented as a means of decentralizing the power building up in Washington, but when I hear local officials . . . say that the cities can't survive without it then I wonder what price we really are paying for that program.

"I remember a county judge who talked to the county commissioners . . . when they first brought revenue sharing in—and nobody is closer to the people, as you all know, than the county commissioners—and he said to them: 'This is a great program. They are going to raise it and we are going to spend it. You will be in office forever.' They are still in office and still spending.

"Revenue sharing is now in its infancy, and I think it is kind of like snakes. You ought to kill them when they are little. But as your dependence upon—and I ought not to put this in, I guess—but as your dependence upon revenue sharing grows, it will become an infinitely more powerful lever for the federal government to use. On occasion, when the power resides in wrong hands it can be an extremely dangerous political tool or weapon.

"Far from leading to decentralization, revenue sharing may be establishing a base for the complete nationalization of local government.

"Another assumption behind revenue sharing relates to the solving of municipal problems, the modernization of local government, and apparently that has not happened. Testimony at our committee hearings on revenue sharing shows that most of the money has been absorbed in the regular operating and capital expense budgets, and that the basic problems remain untouched.

"Ours is a dynamic nation, with the population moving from the cities to the suburbs and back to the cities from north to east and west to south. Dynamic state and local governments are needed to accommodate that transient population in a shifting social environment. Our revenue sharing study has reflected that these revenue sharing funds have tended to prop up antiquated governmental structures rather than require them to reform as needed.

"Now my philosophical reservations about revenue sharing have been compounded substantially by my concern over the current fiscal condition of this country. At the present time, the federal government is operating at approximately a $74 billion deficit, with nearly 20 percent of the federal budget being financed with borrowed dollars. I am not afraid of borrowed dollars, but the most optimistic prediction for next year is that we will get another $43 billion into the red.

"The House Budget Committee, and we have the distinguished Chairman, Mr. Brock Adams, here today, says that we will go $50 billion into the red at least, and that expenditures will run in the neighborhood of $410 billion instead of about $395 billion. Is there anybody here who would like to bet his next year's salary that Ford isn't right about a $43 billion deficit? I am looking for that kind of a taker.

"In States having local elections last November, the voters rejected 93 percent of the dollar value of proposed bond issues, and that seems to me a very clear message that the people in this country are wary about unlimited government spending. They must be equally concerned with the federal government borrowing as much as $20 billion in the next five years of fund revenue sharing.

"Disguising that deficit in the form of revenue sharing does not change the fact that it is still a debt that the same taxpayers are going to have to pay.

"Now I have stated to you that I have a very sincere and deep concern about the principle of the practicality of revenue sharing . . . and I want to tell you what my position is. As Chairman of the House Government Operations Committee with jurisdiction over this little monster, I have taken no action to delay it, to impede it or to obstruct the passage of revenue sharing legislation. To the contrary, I have made every possible resource available to the Intergovernmental Relations Subcommittee whose Chairman is L. H. Fountain of North Carolina. With my support, that subcommittee has undertaken a most strong and probing review of the revenue sharing program.

"This subcommittee will be moving into mark-up in a very few days, and I would predict at this point that a revenue sharing bill will be reported out by the subcommittee, and by the full committee. It is my intention to work with the supporters of revenue sharing to ensure that any extension of this program will provide the taxpayers of this nation with the most efficient, productive and responsible government that this concept will allow.

"I just hope that the implementation of any extension of this ill-advised concept does not do irreparable damage to our nation's government at all levels. If the program is to be extended, it is absolutely essential that the program be funded in a manner consistent with the congressional effort to solve our fiscal problems by establishing responsible control over our budget process, and I would strongly recommend that revenue sharing, like most other government programs, be funded through an annual appropriation process, recognizing the need of state and local governments to conduct planning and budgeting in order to use these funds more efficiently.

"I will support a one-year forward funding of these appropriations. Secondly, the suggested five and three-quarter year extension of this program is an unreasonably long term for a program of this size to go without further consideration by the authorizing committees of Congress. Five and three-quarter years would mean that neither of the next two Congresses would have any opportunity to review and even act on revenue sharing.

"I would propose that a more equitable and realistic extension be adopted. A secret ballot in Congress would probably kill the whole program, two to one.

"Thirdly, some changes in the formula for allocation and distribution appear to be needed to remove inequities in the present program and to funnel these funds into areas where they are most needed and most deserved."

Governor Daniel J. Evans of Washington was tempted to respond to Representative Brooks' remarks but said he would refrain until each of the Congressmen had made an opening presentation. He said he found it somewhat puzzling that only one deliberative body, Congress, finds revenue sharing "a strange, new and rather distressing procedure. In my own State many state-collected funds are redistributed to the cities and counties without reporting, without strings, without matching, and that is the true essence of revenue sharing."

Governor Evans introduced Representative Brock Adams from Washington's 7th District, Chairman of the House Budget Committee. Representative Adams said that in his capacity he was "required to deliver more and more messages of blood, sweat and tears."

"Now my message to the nation's Governors is that America cannot, at this time, afford a five-year commitment to a revenue sharing program as long as the federal budget is in deficit. There are, by definition, no revenues to share. Also, as pointed out so ably by my colleague, the Chairman of the Government Operations Committee, the program destroys the basic principle of taxpayer control by having one level of government raise taxes and another spend it.

"Now since revenue sharing started in 1972 we have never had a surplus in the federal budget. We could have reduced our total deficit by about $35 billion if we had not enacted the program, and as you all know . . . during 1972, 1973 and 1974 the States ran a total budget surplus of more than $36 billion.

"Now from my point of view, as Chairman of the Budget Committee, the present revenue sharing system is bad budgeting. It is bad because we are trying to gain control over the federal budget, but we can't in less than three years because there are too many mandatory spending programs such as revenue sharing built into the budget. I want to repeat that. We cannot get to a point of balancing the federal budget in anything less than three years because of the number of mandatory programs built into it.

"Last year, out of $374 billion of spending, more than $270 billion were mandated to be spent by past actions of Congress, and could not be touched through the appropriation or the authorization process.

"Now . . . as Chairman of the Budget Committee I consider myself, as I know Jack Brooks does, a servant of the House of Representatives and of the people. If it is decided that revenue sharing is to be passed, then I will advocate—as does Chairman Brooks—that it be made subject to the appropriation process.

"I want to . . . turn to the philosophical problem of why I once supported revenue sharing in the early 1970s and have a different position at this time. In 1970 when this was originally proposed we were looking for the economy—according to the economists and those in public office—to produce a surplus during the middle 1970s.

"In order to avoid the cutting of federal taxes, a revenue sharing program was proposed at that time. One of the leading advocates of it was economist Walter Heller. We went through a great deal of effort, but instead Congress chose to reduce taxes and we have reduced taxes at intervals since 1972. In fact, if we had left our federal income and corporate taxes at the level of 1972 and 1973 we would have had $54 million in corporate taxes and $15 million more in . . . excise taxes, and there would have been enough revenue to have balanced the federal budget last year.

"But instead we cut taxes and we did it in order that the States and local governments could pick up these revenues. When we finally enacted this program in 1972, however, things had changed. That year the federal deficit was $23 billion, while the combined state and local unified budgets were in surplus by $13 billion . . . . What happens in periods of good times is that receipts for States and local governments rise more rapidly than spending . . . .

"When you have a recession, of course, the opposite effect occurs. You have pressures on your budgets at that time, and you run into a deficit figure. We started in 1972 going into a deeper and deeper deficit position for the federal government in order to give it to the state and local governments across the board.

"Now I brought this message this morning not because I am happy with it. Nor in any sense are we attempting in any way to tell you that we don't like state governments or local governments, or that we don't think that you do a good job. Quite the contrary, we think you do a very good job. We think you have desperate problems in terms of financing . . . .

"What I am saying to you is that the federal government has some pretty desperate problems (too) . . . . You Governors are saying that there is no free lunch; there is no free lunch from the federal level either. I am trying to make recommendations to the House so that they won't be called big spenders. For example, when I tell them that getting the budget under control has to be done over three years they look at me and say, well, you have got to do a lot better than that . . . . And I will say this, that everybody in the United States is against spending in general and for spending in particular, particular being their program.

"Now I am just trying to be realistic as to where we are, so that when this program comes out of Jack's committee and comes onto the floor, you will understand that our problem is difficult. Now I think we should move toward establishing a federal budget surplus and . . . I believe we can do it in three years, and that budget surplus should be used for the needs of the United States, and for the needs of the people, and revenue sharing at that point, what revenues there are to share, may very well be a program that should be passed.

"But I want to warn you that if revenue sharing is in the appropriation and authorization process, which I think is legitimate for the federal government to require, you are going to be confronted with national health insurance advocates, with advocates of cutting the federal deficit so that the interest rate won't be so high, with advocates of another tax cut, with advocates who say we should do more in our central cities.

"My message is that we are trying very hard to do the right thing. I don't think we should, as one of the earlier Governors said, put you on cold turkey. But . . . we might stretch you out a little bit over the next two or three years. I won't say what kind of a drug we will use. We know you are in trouble during the recession, and . . . we will try to ease the pain as it goes along, but our problems are the same as yours."

Governor Lucey introduced Senator Long, Chairman of the Senate Finance Committee, who told the Governors they had a champion to carry the fight for revenue sharing, namely himself. "You are not in trouble in the Senate," the Senator said, but in the House. "Jack Brooks is a tough guy, twice as tough as anybody I know, and I know he thinks he is right." If the Governors want revenue sharing, they will "have to outvote Jack Brooks or go and find votes on the other side."

"The same thing might be true of Brock Adams, and when I hear all this talk about fiscal responsibility my reaction is that it's a matter of whether it is your program or the other guy's program. I have never yet seen any of those fellows . . . take the view that you can't find the money in the budget for his program.

"Now, furthermore, there was a time when . . . nobody seemed to worry too much over the fiscal responsibility of building all those bases in Texas with printing press money, and we fellows did what we could to get along with our Texas friends, and so many military bases and federal installations were put in Texas with money that came out of either the Federal Reserve, or out of the Reconstruction Finance Corporation, or the Armed Services Department, that they had to double deck the place to put another military base there.

"Now . . . I learned a lot from my friends in Texas. I learned from watching LBJ and Bob Kerr and seeing how they got all their money for their State. Now this Budget Committee recommends that we should have a balanced budget and has come up with all these ideas and is trying to push down the President's throat something he is unwilling to sign and trying to override a veto, and begging everybody to vote for their program that would cost on an annual basis about the same as your revenue sharing program would. They can find plenty of dough if it happens to be for one of these fellows who has worked on it and thinks it would be a good idea.

"Now economic conditions being what they are in the country, everybody knows it is important but difficult to try to balance the budget at this point. I don't think that you ought to be expected, if you can find enough votes to pass a revenue sharing bill now, to go along with your bill being written by somebody who is against your program.

"It seems to me that if you are going to have a revenue sharing bill it ought to be written on the Senate side by people who believe in the idea. We have a majority vote and we ought to be able to pass it, and we can do it in the Senate in my opinion.

"If you people don't believe in it enough to fight for it, just forget it and let's not waste our time on it. I think if you are willing to fight for your program, and if the mayors are willing to fight for their program, and if those county commissioners and local officials are willing to fight for revenue sharing, I don't have the slightest doubt that you can get the folks to vote for it.

"Now these two men you are looking at here are great statesmen. They are the product of the House reform. One of the things they did was take revenue sharing away from the Ways and Means Committee and put it over in the Government Operations Committee which has the idea that, if possible, it is going to be tough to pass the bill.

"I can think of no greater reform that I could advocate for the House, and I have advocated it for 20 years, that if a majority of the people in the House wanted to vote for something they ought to have an opportunity whether the committee chairman likes it or whether he doesn't like it.

"I feel that same way about the Senate, if I don't like something and the Senate wants to vote, they have the right to vote and I have had it happen many times. I am prepared to accommodate myself and I would ask these two statesmen to take the same attitude.

"If most of those members elected to the House want to vote for something, let them have the opportunity. As far as my congressional district is concerned, we have had our mandate. The Congressman who represented my district was against revenue sharing, but he might have voted for the final passage after doing everything he could do to prevent its passage. Now the local officials knew it, and they went out and fought him and beat him. I was for revenue sharing, and I got 75 percent of the vote in that district.

"You can fight for your program and you can get it and the President will help you get it, but if it doesn't mean that much to you just forget about it and you can save me a lot of time and trouble, and I can work on something else."

Governor Philip W. Noel of Rhode Island, who said he had "been champing at the bit," was the first to comment on the Congressmen's opening remarks. Governor Noel said he could understand the philosophical problem expressed by Representative Brooks, that one level of government raises the money and another spends it. However, "we are talking about revenue sharing in 1976, and the backdrop is a whole myriad and maze of confusion, a mess of bureaucracy that has been foisted on the States and local governments by the Congress of the United States over the years. When I look at revenue sharing in 1976 I am for it because it is a hell of a lot better than anything else you have given us in the last 20 years.

"People in this country are sick and tired of your kind of accountability which means that they are opted out of their choice of responsive government, and they have to fight their way through a whole bunch of statements that say you can't do this, and you can't do that.

"If we were starting from base zero I'd be on your side of this issue. But with this backdrop of confusion, this mess of so-called federalism, I say that revenue sharing is a hell of a lot better than anything I have seen in the 16 years that I have labored in the other two levels of government.

"I think we should look at it in this light and not just standing on its own. That is my statement about revenue sharing. I am for it. I am willing to fight for it on the House side, the Senate side, and I hope that the Congressmen and Senators on both sides will look at it in the context of the federal and state relationship that exists in this day and age, and not something that they would hope for in a better day."

Governor Christopher S. Bond of Missouri said he often wondered where people in Washington got their funny ideas—they must talk to each other. He asked Representative Brooks if he could be counted on to oppose congressional programs which force upon the States unwanted and unneeded expenditures?

"Will you, Congressman, oppose the federal categorical grant programs which tells us not only how we have to spend the dollars that you provide us but also how we have to increase our taxes or use our existing revenues for federal programs that you mandate? Will you be consistent in opposing not only revenue sharing but also the imposition of new spending programs on the States?"

Representative Brooks said he would be pleased to cut back the amount of money that goes to the States and would hope it would help the national budget. He said: "I think we are spending too much."

Governor Richard Kneip of South Dakota asked if "these same gentlemen who oppose general revenue sharing will go across the board and fight for block type grants?"

Representative Adams said: "The answer to your question is yes. In 1975, we said it is much better to send the money out in flat grants to the people who are handling (the various areas) rather than going into specific categorical programs . . . .

"We agree with what the Governor of Rhode Island said, that there are too many maze-type operations . . . . But when we start to cut back, beware of it in the budget, because our analysis of the figures for the four block grant programs — and I am sure the federal budget director will be here to analyze them . . . and I hope that your staffs analyze them — indicates that if Congress were to adopt these programs this year you'd get $1.8 billion less than you did last year. And, more importantly, there is no future growth.

"In other words, as you have more people or the quality of life changes in the

States, all of the responsibility will fall upon you as Governors to cut back those services or raise taxes. That is the thrust of the block grant program, and lots of us are trying to keep that from happening all at once, and that is why there is pressure on every program—federal revenue sharing, the Defense Department, food stamps—because they are all running too high for us to keep borrowing money to afford."

Governor James B. Longley of Maine commented that he was shocked at the erosion of tax dollars sent to Washington which come back with mandated programs, bureaucracy, red tape and harassment. He asked if there had been any attempt to find the bottom line benefits of revenue sharing.

Representative Adams replied: "Governor, the problem we have with reevaluating revenue sharing is that the money goes generally into the budget, and the reporting system is under the complete control of those who spend it, so that if you want to report that you spent it to cut taxes you can. If you want to report that you put it into police salaries, you can because the money is in one pot . . . .

"Now, I think of greater concern to this Conference is the fact that we sent approximately $60 billion to the States in fiscal 1976 which won't come close (to what is needed next year) considering inflation and the additional number of people in the States that you represent. Therefore . . . you may get your revenue sharing. It is going through the appropriation process, and there may well be the votes to pass it but even if you get it, you will still not meet your current services with the money that is coming in from the federal government regardless of regulations.

"We are trying to at least get that back for you; it is going to cost us somewhere between $10 and $15 billion just to hold those programs where they are; no increase, no building up or program growth. There are only two places in the federal budget presented by the President where there is any real growth."

Governor Longley, who pointed out that there was more than bipartisan support for revenue sharing among the Governors—the support was tripartisan—asked Representative Adams if he needed more evidence from the cities and States of the accountability of performance.

"Not at all, because there is no way that you can account for general revenue sharing because it goes into your general budget. The voters elect or defeat you on your general budget and your general efficiency or lack of it in your budgetary practices, and there is no way that can be reflected to us. It may well be, particularly in this time of recession, that we have to accept the fact that you spend general revenue sharing for whatever you feel is correct. If you say to your constituents, police and fire salaries are going to be cut if revenue sharing isn't enacted, then the reaction of Congress will probably be, all right, we will send you the money for police, fire and health services if that is what you are lacking," Representative Adams responded.

Governor J. James Exon made the point that taking away Nebraska's $15 million in revenue sharing funds, "isn't going to break us . . . . All that I would like you to do, Congressman, is to . . . change some of the laws passed by you and your colleagues to remove some of the bureaucracy . . . . If you do that, we can save more than $15 million in Nebraska.

"I get a little weary of sitting here and listening to this kind of discussion . . . . There are those of us in state government who have followed a program of cutting down and holding the line. Certainly the Governors of these States have led the way in fiscal responsibility, not the Congress of the United States, nor the President.

"Let me ask you a question. Will you work with me specifically if I outline to you what we can do to save more than $15 million in Nebraska . . . Congressman, would you work with me in support of such programs?"

Representative Brooks said he would be delighted to look at specific recommendations on reforming some of the bureaucratic excesses in Washington. "I have not been running the government for the last five or six years, most of us Democrats just work here now, but I know there are serious problems . . . and I'd be pleased to work with you . . . . "

Governor Exon stressed that the loss of $15 million in revenue sharing would certainly hurt Nebraska because most of that money was invested in education, not in expensive new programs. He added that runaway spending and inflation could not be entirely blamed on the Executive Branch; everyone shared the blame for that.

Governor Kneip took a different tack: "I wonder if the Congressmen themselves know that what was really intended along with revenue sharing was a dismantlement of a great part of the federal bureaucracy. Each of us is concerned about these categorical grants and all the rules and regulations that come about in a federal bureaucracy. I happen to believe firmly that the opposition to block grants and general revenue sharing comes not so much from the Congressmen as from the bureaucracy.

"In South Dakota, we tried innovative things in categorical areas, and we combined rural area payments and services under the welfare system. We were penalized $3.5 million and found ourselves in court trying to recover that penalty alone. I could give you example after example where rules and regulations have tied our hands and we were not able to use the money wisely or efficiently.

"Even with the block grants that we have, there has not been any dismantling of the federal bureaucracy as was intended. I think that is one of the reasons why many Congressmen object to block grants because the intent of the system is not being carried out. Elected officials at the local level just don't feel that you understand their problems. You can't run these programs from Washington."

Governor Longley said the bureaucracy is the most influential lobbying group that exists right now, and the people must be given an opportunity to speak up about the influences that steer federal spending. "All this red tape is costing us much more money than we are getting." Governor Kneip added that a lot of money could be saved by cutting out the forms and paperwork and all the expeditors and investigators. "You could save $6 billion in revenue sharing cost if you just eliminated a great deal of this unnecessary paperwork to report on the money that is spent," he said.

Governor George Busbee said Georgia, like other States, had seen difficult financial conditions and had balanced its budget during hard times. But he cautioned those who would balance the federal budget . . . .

"Since revenue sharing has been implemented, you have increased our categorical grants and now matching funds have been increased. You mentioned Medicaid. It started off with one percent that we had to put up at the local level and from the state government and now we have to put up a higher percentage. In creating all these federal programs you are requiring that we match these to get our own tax dollars back.

"In highways, we have plenty of money to paint center lines, which is one category, but we don't have any bridge money. The time has come for the Governors of the States to be able to represent their sovereign States and sit down and work with Congress.

"You cannot keep dumping these categorical grants on us and increasing the amount of money that we must match. The system whereby you write the program, we administer the program and jointly finance it will not work. So I would like to see the Governors, through the Governors' Conference, have an opportunity to address in a bipartisan manner some of the problems that we have in this nation. I think all of us want to address these problems, but you cannot isolate revenue sharing . . . . "

Representative Adams agreed and said he would support removal of matching requirements in areas such as Medicaid, national health insurance or welfare, but Senator Long pointed out that he would fight the federalization of welfare because "it would end up costing ten times as much." He added: "Now I personally like the idea of doing what we can to give the state and local people a great deal more freedom about how they run the welfare program. But . . . federalizing will mean taking the lid off, and there will be no minimum on what the thing will cost. I think that is inconsistent with the objectives of balancing budgets."

Governor Marvin Mandel of Maryland criticized the restrictions in federal programs. "We don't run any programs. I mean who is kidding whom? The only program we run is revenue sharing, because the money comes to us and we can decide what to do with it. But the rest of the programs are run out of Washington. We are just getting the money and they tell us what to do with it and how to spend it. This may be sacrilegious but I'd like to get a little less money from Washington and let us run the programs, because we can do it better and more efficiently. Perhaps we can help you reduce your expenditures by helping you to reduce some of your bureaucracy.

"But this business of saying that we are running the programs . . . we just take the rules and regulations and try to read them and understand them. No one understands them. You have a mess in welfare and Medicaid. You take an $8,000 a year clerk and tell him to read 10,000 regulations and make sense out of them so he can prepare a form properly; it just can't be done. I will challenge any one of you to read those rules and regulations and fill out a form that doesn't have some mistake in it.

"This is where the problem is. We are not running the thing, we are being run."

Governor Meldrim Thomson, Jr., of New Hampshire said that the States, if they want to be sovereign, have got to begin backing away from the federal trough. He asked if Congress had given any thought to decreasing revenue sharing gradually, along with returning responsibility and sovereignty to the States.

Representative Brooks replied: "Certainly the gradual remission of revenue sharing is one possibility, but it is a little bit difficult to cut back the first year. Probably not many of the States and local communities would really be able to survive this, to be honest about it. Some local communities no doubt feel they are in real trouble so they will probably want to get their full allocation this year, with the hope that if we reevaluate it in the next couple of years they will be able then to reevaluate their needs, and maybe you can taper it off."

Governor Ray ended the session by thanking the Congressmen for participating. He said: "I think we get the message from you and I hope we left you with a message."