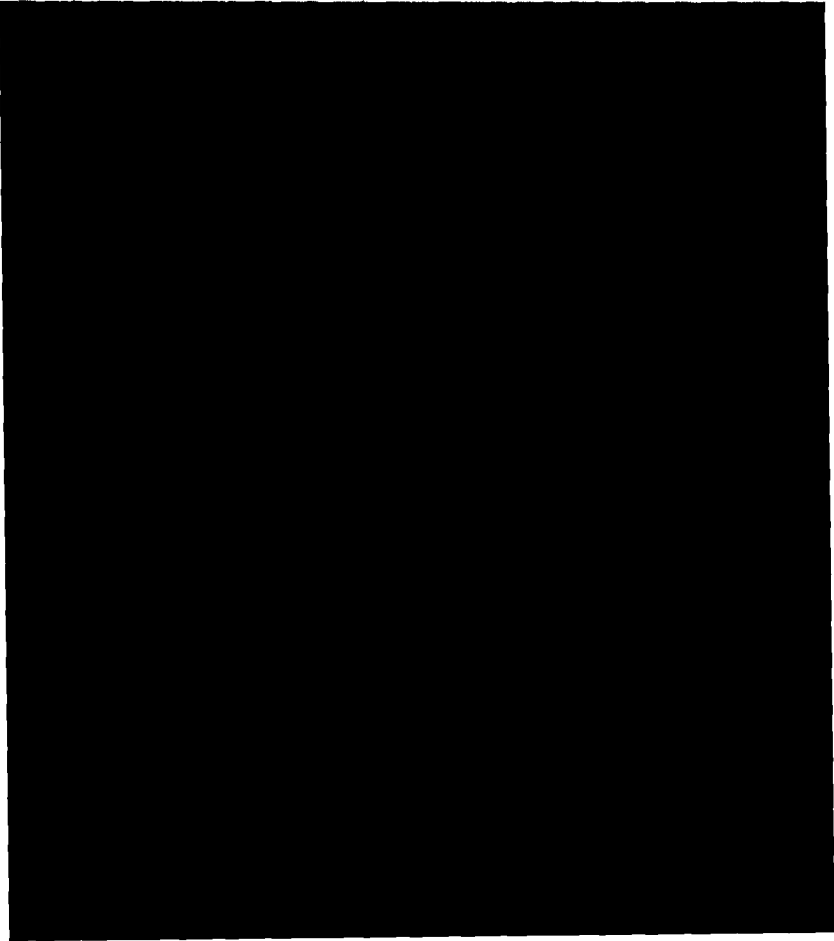


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Winter Meeting  
National Governors' Conference  
Statler Hilton Hotel  
Washington, D. C.  
February 23-24, 1976



## AGENDA

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P R O C E E D I N G S

(Whereupon, the Conference was called to order at 9:10 o'clock, a.m., Monday, February 23, 1976, Governor Robert D. Ray, Presiding.)

GOVERNOR RAY: Will you please take your seats. For those of you who are not governors, we welcome you and you are invited to stay.

I want to officially call this winter meeting of the National Governors' Conference for 1976 to order, and to give the invocation for this important meeting we have with us the pastor of the Fourth Presbyterian Church, Dr. Richard Halverson. Dr. Halverson.

DR. HALVERSON: Let us rise together. Almighty God, we are aware of the significance of this meeting this morning, and of the history that has brought us to this moment. We remember how important God was to our founding fathers; how they sought his counsel and direction in prayer; how the Continental Congress itself was brought through a dead stalemate by prayer; how they gathered for a day of fasting and prayer in Williamsburg.

We thank you, Lord, that we may begin this morning with prayer and we commend to thee these leaders of the States and the States they represent; their staffs and families. As they gather now for this important meeting, may they sense the presence of God; may they enjoy his direction and guidance; may their hearts

be met by Him in blessing, and grace, and love and may the decisions that come from this proceeding be for the glory of God, the benefit of this nation and the world. Through Jesus Christ our Lord, Amen.

GOVERNOR RAY: Thank you very much. In order that we may conduct the affairs of this meeting with the approved rules of procedure, I would like to call your attention to the fact that in that packet of material that you have before you on the yellow sheet are the rules of procedure, two recommendations that were unanimously recommended by the Executive Committee of the National Governors' Conference.

One change is Item Number 2 which moves from the Mason's Rules to the Robert's Rules of order. The main reason is no one could find a copy of Mason's Rules and, Number 4, there has been a change so that we can allow for the introduction of resolutions by prospective members during a two day conference instead of a three day conference as we have had previously. Are there any questions about the rules?

GOVERNOR BYRNE: I move for adoption of the rules of procedure.

GOVERNOR NOEL: Second.

GOVERNOR RAY: It has been moved and seconded to approve the rules of procedure for this meeting. Any discussion? All those in favor signify by saying aye.

(Chorus of ayes.)

GOVERNOR RAY: Opposed? None opposed, the rules are adopted. We have with us two governors that have recently been elected. One is the person who became Governor of the State of Kentucky when Wendell Ford went to the United States Senate, and he has served on this Conference before. I want to congratulate Julian Carroll from the State of Kentucky.

(Applause)

Our newest member of the National Governors' Conference comes from Mississippi, The Honorable Cliff Finch, a former legislator and former district attorney, and he was a very unique campaigner, and very successful, and we want to welcome you Cliff Finch to the National Governors' Conference.

(Applause)

This morning we have with us Mr. John Warner, Administrator of the American Revolution Bicentennial Administration, and John is here to very briefly tell us about the Bicentennial Commission and introduce us to our next speaker who also has something of particular concern and interest for all of us on this very special day. The Honorable John W. Warner.

THE HONORABLE JOHN W. WARNER: Thank you Governor Ray, Governors, ladies and gentlemen, I assured Governor Ray this was not my speech this morning, but it is a computer read-out of what is taking place across our nation on behalf of the Bicentennial. In these volumes, one volume is devoted to the East, one volume

devoted to the West, and there are over 40,000 programs and events put together by your constituents in honor of this country, and this archive record is growing at the rate of several thousand programs and events each month showing the initiative, stamina, and money that people are putting into the Bicentennial.

Three years ago, when I had the privilege of taking over the reins of this small government agency without really any money, I turned to the governors of the 50 states and the territories for help. I am here, this morning, on behalf of the people of the United States to say thank you, and that this program is going to be a great success. Although these are 50 stamps representing 50 nations, we will use the Bicentennial as the gateway for one nation into our third century. Thank you very much.

GOVERNOR RAY: John, thank you very much. He said he would take about 10 seconds and he did. I now want to introduce Benjamin Bailar, Postmaster General, who has a presentation of the 50 state flags. Mr. Bailar.

THE HONORABLE BENJAMIN F. BAILAR: Thank you, Governor Ray. Of all the obstacles in the path of the men who led the fight for independence in this country, the most imposing and certainly the most difficult task was persuading the 13 fiercely independent colonies to agree on anything, especially the Revolution. But they did succeed in that, and as a result they waged a successful rebellion against one of the most powerful empires of the world.

Historians have a multitude of reasons for the success of the American Republic, but locked firmly into the framework of government is a keystone which held the whole structure together. It has to do with what the leaders of this young nation did with this independence once they won it. They knew that the strength of the United States would come directly from the degree of independence that existed within its own boundaries. Not only was this consistent with their own views, but it was a means of giving America freedom to grow.

The postal service is issuing, today, a sheet of 50 stamps showing the flags of the 50 states. But the theme, 50 states, one nation, pays tribute to the success of the founders of this country. Their accomplishments have been tested by time, by war, by uncertainty and by upheaval.

I'd like to present some albums this morning, very quickly. It is the tradition on the first day of issue to present the first album to the President of the United States, and I will see that this is given to the President at an appropriate time. It has a sheet of these 50 flags in sequence of the admission of the states to the Union. I have a presentation for Robert D. Day, Governor of Iowa. Governor Ray. One for John W. Warner, and there is also an album at each of your places which is for your respective state archives. Thank you.

(Applause)



GOVERNOR RAY: Mr. Bailar, thank you very much. I want to thank every one of you governors that made the effort to be here on time. Over the years we have found that it has been virtually impossible to start one of these meetings on time, and you people have responded extremely well this morning, and I appreciate it, and I know it is going to be helpful because as some of you are aware the President will be here in just a few moments.

I might tell you that it is customary when the President makes an appearance that we interrupt whatever we are doing, and bring on the President for his remarks. He is scheduled to make an appearance and speak at 9:30 this morning. It was his idea to come a few minutes earlier because he would like to hear just a little bit about the National Governors' Conference activities, what we are doing in the states, and I think this is a tremendous credit to the President, and if you will stand at ease for just a few moments the President will be here, and my remarks will be very brief, and then he will address you.

While we are waiting, I would like to bring a young man over here that I would like to introduce to you. Many of you already know him, but we have a new Director of the National Governors' Conference. He is Steve Farber. Steve Farber comes to us with great credentials. He was most recently an assistant to the president of Harvard University, and Steve now has been working

for about three months with the National Governors' Conference, and if you haven't yet had a chance to shake hands with him and get to know him I hope you do while you are here at this winter meeting.

(The Honorable Gerald R. Ford, President of the United States, entered the conference room.)

GOVERNOR RAY: Mr. President, I have already explained to these people why you were going to be sitting there for a couple of minutes while I speak. I didn't want them to think that we don't have some understanding of protocol, but I have explained that you asked to be here just a few minutes early to learn more about the National Governors' Conference and the activities of the governors. So I would like to welcome you, Mr. President, as I welcome other guests and particularly all of the governors to this winter meeting of the National Governors' Conference for 1976.

Actually my welcome is a little late because this meeting really began some three months ago. It began with the hiring of a very able new Director of the National Governors' Conference, Steve Farber, that I introduced to you just a moment ago. It began with the decision following the last NGC Meeting to streamline and make into a working session this next conference meeting. It began when the President of the United States, together with the members of his Cabinet, met with the standing committee chairmen

and me as Chairman of the NGC so that we could present to the Executive Branch of the federal government a review of the state of the States for consideration as the President prepared to present this nation with his State of the Union and budget messages.

This meeting is different from meetings of the past. The time frame has been compressed into two days. Those in attendance have paid registration fees to eliminate outside financial support for our activities. We will have concurrent working sessions where we can learn from each other in the areas of, one, restoring confidence in government; two, state and local fiscal pressures and, three, crime and corrections.

We will focus attention on the very critical need for continued revenue sharing, starting with a discussion with the congressional leaders this morning. We will work with an unprecedented number of Cabinet members, and we begin today with the participation of the President of the United States.

The meeting will deal with the role of the states in their partnership with the federal government, and with their responsibilities to provide leadership and service to the people of the respective states.

Perhaps there is no better time than during the Bicentennial Year to refresh our memories of how the federal government was created. It was formed by the states, and it has those powers which the states saw fit to delegate to it for the common good of

their citizens--not just for the good of a country or a state--but for the good of the citizens.

It seems strange then that over the years we have found states with the feeling of helplessness at times--helplessness in coping with the gigantic bureaucracy that is constantly nipping at the heels of the states, and often helplessness in explaining what government is doing to our people not what government is doing for them.

But federal pressure on the states isn't anything new or anything that just developed in the 1970s. Professor Luther Gulick said in 1933, "The American state is finished. I do not predict that the states will go but", he said, "I affirm that they have gone."

The governors at our meeting today are living evidence that Mr. Gulick was lacking in foresight. If Luther Gulick were here today, he might find a surprising development. The states have not only managed to survive, they continue to serve as a focal point for growth, innovation and restoration of confidence in the governmental process.

The activities of the respective states, highlighted in the summary of the Governors' State of the State Messages we have distributed to you today, are evidence that the states are facing and solving problems that often are only studied and debated, and sometimes even ignored, in our nation's capital.

Mr. President, I would like at this time to give you a copy of that and I am sure you will have an interest in it.

The states have proven themselves capable of innovation, public responsiveness and the ability to confine error when solutions don't work. In short, errors don't have to be made on a national scale when states actively share the attack on problems with the federal government.

During this winter meeting we are going to have an opportunity to work with Cabinet officers, congressional committee leaders and, of course, the President himself all of whom are coming here I hope to help us and, in return, we offer them our help. In other words, when we have their attention and they have ours we are bound to make some progress.

In no small part, much of what states are able to do depends on local judgment applied to local problems through more flexible funding. Examples of sound federal policy would be financial flexibility, revenue sharing and block grants.

Progress is increased when states and local units of government share in the thinking of what is good for America. One thing is certain, every effort must be made to establish a path for open and frequent communication between state administrations and the federal administration. It is the federal government that so frequently sets the rules and makes the regulations, and it is the states which have to administer the federal programs, and have

to apologize to the people when programs are too late and often too little.

We are most grateful to you, Mr. President, for willingly and genuinely providing a line of communication. You have not only shown your concern but you, too, have introduced programs of constraint. I want to compliment you and thank you for the productive and unrestrained cooperation that we have been receiving from you, your Cabinet members, and the members of your staff at the White House. It truly has been a pleasure to work with the White House. Many of us here have had experiences that have not netted a cooperative effort, but since you have been President we have found an open door; found that the President has been willing to listen, and I think it has shown that he not only listens but he responds as was true after our meeting when we reviewed the state of the States with the President, and members of his Cabinet, and we are very pleased that you are with us this morning.

Now, ladies and gentlemen, I want to present the President of the United States.

(Applause)

PRESIDENT GERALD R. FORD: Thank you very much, Governor Bob Ray, governors, guests, ladies and gentlemen, let me say it is a great privilege and a very high honor to be here among all you distinguished governors and esteemed fellow candidates. Betty and

I am, of course, looking forward to having you for dinner tonight. I think we will have a pleasant and I trust a very enjoyable evening.

I am delighted to greet you all at this historic Bicentennial winter meeting of the National Governors' Conference. This is a memorable year in which to give new balance and meaning to relations between the Federal and our state governments. I eagerly anticipate working with you to achieve better government at all levels for all of our people.

It has been said by some that Federal-state relations are the most deadly boring of all political issues. I do not agree. As a matter of fact, I feel a sense of excitement and eager anticipation at the progress we are making to restore to you and to your states more say on decisions affecting the daily lives of all of our citizens.

This process does not bore me. It really turns me on, especially the prospect of working more closely with all 50 states to restore--during this National Bicentennial--the balance among us that was first conceived by our founding fathers 200 years ago. George Washington warned against the danger of the monolithic, centralized power of the Federal government. In recent years, state and local authority has eroded as the Federal establishment has grown and grown.

This trend of categorical grants and decision making by the bureaus and agencies of the Federal government has not made life

easier for the beneficiary, nor has it made government more responsive. The Federal government now employs more people than the entire combined population of the 13 original states when our founders reserved to state governments, and to the people, all power not bestowed upon the national government.

When your state constitutions were adopted, great care was taken to preserve the basic principles of self-government. Americans have always wanted the decisions affecting their daily lives made at home, in their local communities, and their own states.

But freedom is now misinterpreted by too many individuals to mean freedom from personal responsibility and instant gratification of all desires by the rich Uncle Sam in Washington, D. C. In pursuit of that quest, and that fantasy, the Federal bureaucracy has grown and grown. Power is drained away from your states, your counties, your cities, and your towns to an increasingly centralized national government, always bigger, always more meddlesome, but not always more efficient nor more responsive to local needs.

This process has undermined individual pride and resourcefulness. It threatens our economic prosperity and dims our vision of a future in which every citizen can help determine his or her fate. You and I must make some hard decisions this year.

It is all too easy to offer unrealistic suggestions in the heat of an election year. But a President, or governor in office, has to provide accountable and realistic leadership with honest



answers to all constituents.

I will never irresponsibly transfer serious problems from the Federal government to state governments without regard for human needs and fiscal realities. I am determined to preserve a constructive partnership with the states on all mutual concerns through cooperation, and not through treatment that is worse than the disease.

Let us cooperate to move the decision making process back to the states and to the people. Let us work to assure that we really help the needy not the greedy. We must clarify and simplify the complex, frustrating, and inefficient regulations and categorical grant rigidity that invite abuses and rip-offs. Those sworn to protect the public interest must assure that every tax dollar is used honestly and effectively.

In the campaign for general revenue sharing, I have worked longer and harder for that legislation than almost any other. You are well aware of how this 30.2 billion dollar, 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. I am now seeking to extend this excellent program for five and three-quarter additional years.

It was last April, almost a year ago, when I asked the Congress to renew revenue sharing so that you could make timely

plans for your fiscal 1977 state budgets. Regrettably, the Congress did not share my sense of urgency. Thus far it has failed to act, and the deadline is getting closer and closer. The nation needs your help, and I am especially pleased by the response that I understand you are undertaking.

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 the Congress were to end general revenue sharing. It could 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 getting 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.

I am determined to shake up and shape up, with your help, the worthwhile and proven programs we now have rather than permit a proliferation of new and untried programs. Categorical grants and categorical expectations have created more problems, many more

than they have solved.

While I expected some criticism of my State of the Union and Budget messages, and I suspect some of you have had the same, I regret the revival of the old knee jerk response that I failed to propose enough new federal programs. We already have more than enough programs. What we need is quality not quantity. My messages contain proposals that not only improve quality but also reduce quantity.

Let me now show you a chart here on the right. When I first looked at that chart, in late December, my impression was that it looked like the electronic setup for our new space shuttle. But the truth is that is the way that federal dollars for health services go from the top line down to the beneficiaries or the recipients. It is what we call a mess chart. It is the most complicated, I think irresponsible and unsuccessful way to deliver health services to the American people with the federal tax dollar.

After looking at that mess chart, and knowing that services are badly delivered to the recipients or the beneficiaries too expensively, too long delayed, I was convinced beyond any doubt whatsoever that we had to simplify it.

If you look over here on the other side, and if you will note these Xs, you will find that under the proposal that I have made for a block grant program of health services these Xs

indicate the removal of the federal excess baggage. It would simplify, it would improve, the delivery system of health services to the American people and with your cooperation I think this program is infinitely superior to the one we have.

(Applause)

I can say that in the other three block grant proposals we could substitute the same chart here, and it would look virtually identical whether it was in education; child nutrition, or social services and the alternative chart would be even--in each case--as impressive if not more so.

Now I am frankly encouraged by the way the states and localities are responding to the challenge of balanced federalism. Behind the block grant concept is the conviction that you can do a far, far, better job in many ways than the federal government, and your performance in the past gives me renewed faith but we have to do a lot more. The states and localities can lead the way. These block grant programs provide a dramatic and an effective way to serve local priorities.

Under one such block grant, the Community Development Program enacted into law in late 1974 after a long and controversial struggle, resulted in the following: Federal regulations which a community must follow have decreased from 2,600 pages under the categorical programs to 25 pages for the block grant program. Under the Community Development Act, a community need file only

one application consisting of 50 pages rather than the previous average of five applications consisting of 1,400 pages. Under this change from categorical to block grant, the processing and approval of a community block grant application averaged 49 days although under the categorical urban renewal program processing took over two years.

Due to the success we have had in simplifying the community development program, I am recommending that we use this approach in other federal programs involving social services, health, education and child nutrition. Therefore, I am asking the Congress to approve the Community Services Act, and I am sending the proposal to the Congress today. It will significantly increase the flexibility of states in delivering social services to low income families, and I refer in this category to such programs as day care, foster care and homemaker services.

Many of the responsibilities now placed by law in the hands of federal bureaucrats will be passed back to locally elected or state elected officials. The basic responsibility on how best to meet the needs of a state's low income families would be returned to each of your respective states. This determination, as I see it, can best be made through an open process of local planning that directly involves your citizens.

Later this week I will transmit proposals consolidating Medicaid and 15 other categorical health programs into a single

\$10 billion block grant. With it, and I think this is significantly important, is a commitment to each of you that your state will receive more federal funds from this single new program in Fiscal Year 1977 than your state received in 1976 from the 16 existing programs.

The hard choices of how best to meet the health needs of your state will no longer be defined by a complicated and categorical tangle of federal regulations. They will be for you and your citizens to determine in an open and locally responsive process.

I will soon submit to the Congress an education block grant program which would propose to recognize national concerns that call for very special emphasis. It will give each state maximum flexibility in using federal dollars to meet your educational needs.

I know that all of you have been in the forefront on such issues as school finance reform and education of the handicapped. In the last decade, you have demonstrated the ability and the willingness to tackle education problems, and there is no reason whatsoever for the federal government to treat you as if we doubted your commitment to goals shared by all Americans.

My proposals will reduce the administrative burdens on state and local governments while assuring a federal commitment to elementary and secondary education. No state will receive less federal money under my proposal than it did in Fiscal Year

1976 under all the programs to be consolidated.

In offering these proposals, I do not suggest a retreat from national concerns nor the wholesale elimination of federal funding. I intend to make federal dollars available to you for your states. But I will also minimize or eliminate the requirement that state financial resources be used to qualify for federal matching funds.

My Administration will not dismantle programs that really work, that reach the people and meet their needs. I will not retreat from my commitment to wise federal spending to meet local needs. But we need to improve these programs and, wherever appropriate, to return decision making power to the state and local level.

I think my actions have shown my willingness to work individually with you, or collectively, with your group. Indeed, I have made it a point to confer personally with every one of the 50 governors since I assumed the Presidency. As a Congressman, I listened to the warnings of President Eisenhower. He said that unless we preserve the traditional power and basic responsibilities of state government we would not retain the kind of America previously known. We would, instead, have quite another kind of America. The pendulum has swung very far in the direction that President Eisenhower feared. But I am confident that the will of the people, voiced all across America, is beginning to bring the

pendulum of power back to a balanced center.

The preservation of the 50 states as vigorous units of government is vital. We must make sure that each level of government performs its proper function, no more and no less. We must do this to preserve our system and to draw new energy from the source of all government power the people throughout this great country.

I believe very strongly in the vitality of America. I reaffirm my faith in the unique value of a governmental system of shared responsibility. I believe in our capacity to foster diversity within unity; to encourage innovation and creativity both privately as well as publicly, and to achieve a proper balance between government and the governed.

The vision of 200 years ago remains valid today. It is a vision of states united into a nation where the government serves and the people rule. It is a challenge, a very great challenge, to those of us entrusted with the high honors of governing. I am an optimist, I believe it is a challenge that will be met by all of us. Thank you very much.

(Applause)

GOVERNOR RAY: Mr. President, I want to offer to you our sincere thanks for making this appearance and I speak for every one of us regardless of party affiliation. It is truly an honor to have the President join us for this kind of meeting. I think



you could tell that your words fell on friendly ears when you talked about giving the states some control over their affairs, and allowing them to have some flexibility with the funds that come from the federal government, but first come from the people that live within our states and thank you so very, very, much.

(Applause)

(Whereupon, the President left the conference room.)

GOVERNOR RAY: Will you take your seats again, please.

May I have your attention please. You will notice by your program that we have some very important people to discuss with us a very important matter. Our topic is general revenue sharing, which is something that is very dear to every governor. We have long felt that the advantages of revenue sharing should be obvious to everyone.

It is obvious that those advantages are not something that meets with the approval of everyone, and in inviting our distinguished members of Congress, and Senator Long, I received a letter in response to that invitation from Senator Long, and I would just like to share a couple of lines of that letter.

One, he says, "Frankly revenue sharing is in trouble and, two, he says that is not something that can be taken for granted." He can speak for himself about the rest of the contents, and can do it very eloquently. But the people who will have a great voice in whether or not revenue sharing continues are the three

people that are on this program. So I want to ask that you pay attention. Those of you who are our guests we would appreciate it greatly if you would listen, and if you wish to talk please talk outside of this room in the hall.

To moderate this part of the program, I want to call upon our colleague, Pat Lucey who is Chairman of the Committee on Executive Management and Fiscal Affairs, a person who is very knowledgeable about revenue sharing, and who has a great interest as all of us do. Governor Pat Lucey.

(Applause)

GOVERNOR LUCEY: Thank you, Governor Ray. About a half an hour ago before the President came on, Reubin Askew and I were sitting in the back there and you were speaking to all of us with the Presidential seal on the front of the podium, and we thought it was very becoming.

I think that it is especially appropriate that this should be the subject matter of our first plenary session of the winter meeting of the National Governors' Conference, and certainly we could not get off to a more auspicious start than by having the President's message precede this plenary session with his strong endorsement of a continuation of federal revenue sharing.

I know of no incumbent governor who would not support a continuation of revenue sharing. In fact, I can only think of one former governor who does not support the continuation of

federal revenue sharing.

I don't want to be facetious about it, but I think that while there may have been some issues, some legitimate argument, with the philosophy of federal revenue sharing in 1972. I think that now that federal revenue sharing is in place asking to suddenly cut it off is like asking a drug addict to take the cold turkey treatment, because the money has been incorporated in our various programs.

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, and it would mean that 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 that the governors would argue that this program has been a good one; that the money has been used intelligently. I suppose that is true of any federal program, or any other governmental program, that if one looks hard enough you can find examples of abuse. But I would submit that if you compare general revenue sharing with any other federal expenditure in relation to state and federal funds you will not find a more efficient use of tax dollars than you'd find in the case of revenue sharing, and I am just delighted that we have here with us this morning three

members of the 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.

I'd like to, at this time, to call upon our colleague Dolph Briscoe of the state of Texas who will introduce the first speaker.

GOVERNOR RAY: I am not Dolph Briscoe, but I have just been advised by one of my colleagues that it is virtually impossible for some of the governors to hear with all the chatter that is going on. We don't want to be mean about it, but the fact of the matter is we don't want to be discourteous to the people who have been invited here to speak to us. So those of you who are in the room, if you really want to visit, will you please go outside and do your visiting so that the ones that are here to listen will have an opportunity to hear.

We will just take a couple of seconds so that you can exit if you like, and if you make the decision to stay will you please pay the courtesy to the others around you, to the governors, and particularly our guests so that we can hear. Thank you.

GOVERNOR BRISCOE: Governor Lucey, Governor Ray, my fellow governors and guests, it is a great personal pleasure for me today to present a man who has been my good friend since we were at the University of Texas before World War II, and the

Texas legislature immediately after World War II, and who has been a hunting partner. I had the privilege of being the best man at his wedding, and our friendship has continued through the years.

There were two great democrats who had a saying about members of Congress, and they were Vice President John Nance Garner and Speaker Sam Rayburn, and they gave this advice. Pick them young, pick them bright, send them there, and keep them there. That is what the people of the 9th Congressional District in Texas have been doing since 1952 when they elected Jack Brooks to Congress. They have kept him there since then, and they will for many, many, years in the future.

Jack, I'd say to you and in presenting you that I share your concern about so-called revenue sharing when there is no revenue to share, but rather a 74 or 76 billion dollar deficit. I appreciate your concern, and your attitude, and I think it is supported by the people of Texas.

It is my privilege to present my long time close friend, the Chairman of the House Government Operations Committee, Congressman Jack Brooks.

(Applause)

CONGRESSMAN BROOKS: Thank you, Governor, for the gracious introduction, and I will say that I have treasured the friendship of you and your wife for more than 30 years but even more than that I treasure your willingness to face the facts of

this world as a politician and elsewhere.

I am pleased to have this opportunity to speak to such a distinguished audience about a subject in which all of you have shown such a strong interest. I am sure most of you are basically familiar with my views about revenue sharing. Judging from the mail, various associations, and the trade press there have been things brought up showing there are grave reservations about revenue sharing.

Well 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 some 200 years ago, no taxation without representation, and I'd like to go one step beyond this and add no expenditures without accountability, and separating the right to expend public funds from the pain of extracting those 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 after getting the money for a few years, and at a time when it amounted to only two to four percent of the total budget, 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 when he talked to the county commissioners, and the county judge told them essentially the same thing. This county judge said when they first brought revenue sharing in and he was talking to the commissioners--and nobody is closer to the people as you all know than the county commissioners--and he was talking to them and he said, "This is a great program," he said, "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.

They took a poll among that same group, and would you believe it about 85% of those asked about the money said they'd like to keep on getting it, and they had a senator that used that as a good example. It wasn't my distinguished and able friend Russell Long, he knew better than that to use that as an example.

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 an occasion, when the power resides in the 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 modernisation 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 budget, 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 requiring them to reform as needed.

Now my philosophical reservations about revenue sharing are compounded substantially since we started this thing five years ago 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% of the federal budget being financed with borrowed dollars. I am not afraid of borrowed dollars, but I just point this out. 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 the expenditures will run instead of in the neighborhood of 395 billion in the neighborhood of \$410 billion, and is there anybody here that would like to bet our next year's salary that President 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% 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, and they must be equally concerned with the federal government borrowing as much as \$20 billion in the next five years to 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 some of the dangers, 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 Inter-Governmental Relations Subcommittee that they have requested 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 time and, indeed this review was essential before action could be taken upon an almost \$40 billion program.

This Subcommittee will be moving into a mark-up in a very few days, and I would predict that 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 those appropriations. Secondly, the suggested five and three-quarter years 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 the 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 a more equitable and realistic extension be adopted. A secret ballot in the Congress would probably kill the whole program two to one.

Thirdly, some changes in the formula for allocation and distribution appears to be needed to ~~remove~~ inequities in the present program to funnel these funds into areas where they are most needed and most deserved.

I recognize that many local governments are presently experiencing severe fiscal problems. It is not my intention to cut off precipitously the Committee effort to report out a bill that meets the above mentioned criteria, and I believe that we will have met our responsibilities to the American people at that time. Thank you.

(Applause)

GOVERNOR DECEY: Thank you very much, Jack. I will ask the governors to refrain from questions until we have heard from

all three speakers, and they have all generously agreed to stay on and respond to questions after their presentations. I would now like to call on Governor Dan Evans of Washington who will present the next speaker.

GOVERNOR EVANS: Thank you very much. The temptation to respond to the previous speaker is almost overwhelming, but I will contain myself because it is my responsibility to introduce the next speaker. I will do this by introducing him to the 50 governors who virtually are all gathered here, and they represent 50 jurisdictions who have consistently--and I believe for many years--engaged in revenue sharing with their own local communities.

It is such a traditional and long term part of our inter-governmental relationship between the states and the various localities that it is somewhat puzzling to us, I think, that only one deliberative body of this country, the Congress, finds it a strange, new, and rather distressing procedure.

In our own state, many state collected funds are re-distributed to the cities and counties without reporting, without strings, without matching and that is in the true essence revenue sharing, and that has been the case for many, many, years.

Now I do have the opportunity to present to you a long time colleague of mine. We first engaged, I guess, in governmental affairs as then members of the board of directors of the Seattle

Junior Chamber of Commerce. They are part of the JC organization. We, at that time, joined together in attempting to change some things in the state by our own initiative and not successfully at the time. But subsequent to that we have both taken an active role in political life.

In 1964 Brock Adams was elected to Congress from Washington State's 7th District. He has served ever since as a member of Congress, and was chosen this year as the first Chairman of the House Budget Committee which is a most prestigious responsibility and one which I believe reflects the skills, and the respect with which Brock is held by his colleagues in the House of Representatives. It is my pleasure to present to you the Chairman of the House Budget Committee the Honorable Brock Adams from the State of Washington.

(Applause)

CONGRESSMAN ADAMS: Governor Ray, Governor Lucey, Governor Evans, distinguished guests, it is a pleasure to be here. Governor Ray, I got your invitation and it said in it that I had some reservations about revenue sharing. Now, ladies and gentlemen, your invitation to me sort of indicated that you knew I was going to say something that you perhaps would not like, and I find that in my capacity as Chairman of the Budget Committee I am required to deliver more and more messages of blood, sweat, and tears in the United States.

Now my message to the nation's governors is that America can not, 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, and I will refer to the relationship between the Government Operations Committee and the Budget Committee more fully in a moment, the program destroys the basic principle of taxpayer control by having one level of government raise taxes and another spending 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 that it is well pointed out in the brown booklet that during 1972, '73 and '74 the states ran a unified budget surplus of over \$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 over \$270 billion were mandated to be spent by past actions of the Congress, and could not be touched through the appropriations or the authorization process.

Now the relationship between the Budget Committee and the Government Operations Committee, 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.

Now I came to give this message today here rather than accepting an invitation to address the mayors and the county commissioners, because I think there is a great difference between the two units of government. The mayors and country executives basically are creatures of the state government, either by constitution or by statute. Whereas the state governments have the same basic power that the federal government does to tax, namely, a plenary power to tax in whatever fashion your constituents will support.

Now the federal government is there to aid the nation's urban areas in carrying out their duties, and I believe it should, I believe it will have to. Then I think we should bite the bullet and send federal revenues directly to those supplying

vital services in the form of grants to maintain local services such as police, fire, and public health services.

Last week because the President made a proposal for the budget, and because we are in the process of getting from each committee such as the Government Operations Committee recommendations on revenue sharing, and each and every other committee that sends grants to the states and local governments is sending to us their proposals as to what we should enact, and we will have these by March 15th. But we are trying to avoid the problem we have had in the past of each separate category coming forward and not knowing what the other was doing, and at the end of the year ending up with no new programs but with a massive federal deficit.

We are trying to get them into one package in order that each would know what the other was doing, and I made a proposal on Wednesday of last week as to where I thought the budget might come forth, and this was done after consultation incidentally with people who have been close advisors to you. We had in, for example, people who have advised on the budgets in Ohio and Illinois. We also had come in to help us budget directors for the cities, one of whom has just been made budget director of New York City. There has been great pressure to listen to Governor Dukakis.

We have had mayors from various cities, all of them came



in and made some proposals, and out of that it appears to me that we could probably reduce the federal budget this year about a third from about \$75 billion to about \$50 billion, or maybe a little below, and I might state that if we did drop the revenue sharing program our deficit would probably be lower than the President's proposed deficit, but we have not built into a budget as yet as to whether or not we will take revenue sharing. It will depend upon what the committees of the House and Senate do with it.

Now I wanted to point out the mandatory nature before I turn to the philosophical problem of why I once supported revenue sharing in the early 1970s and have a different position at this time. But I am willing to try to work out a compromise with you. In 1970 when this was originally proposed we were looking for the economy--according to the economists and those in public office--to have in the United States 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 the 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 '73 we would have had 54 million higher in corporate taxes and 15 million higher 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 this in order that the states and local governments could flow into this and 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, the brown booklet again, and I think this is analyzed extremely well because what happens in periods of good times is the receipts for states and local governments rise more rapidly than spending, because you have much the same problem that we do of revenues and spending tending to be frozen for periods of time.

After this when we went into a recession then, of course, the opposite effect occurs. You have pressures on your budgets at that time, and you run into a deficit figure. But when we did this, what we did was we started in '72 going into a deeper and deeper deficit position for the federal government in order to give it to the states and local governments across the board.

Now I brought this message this morning, as I say, not because I am happy with it. Not in any sense of saying we are 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, and that is what this panel is about.

What I am saying to you is that the federal government has some pretty desperate problems with regard to what you governors are saying that there is no free lunch, and 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, to get the budget under control when I tell them it has to be done over three years they look at me and say, well, you have got to do a lot better than that. So I have had to give a message to the housing people when they came to town, and one to you, and there will be other groups 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 what I am saying to you is 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 on to the floor, you will understand that our problem is difficult. Now I think we should move toward establishing a federal budget surplus and in my remarks last week, and when we get to the questions and answers, I will indicate to you how I believe we can do it in three years and have a budget surplus, 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 this point where revenues are there to share may very well be a program that should be passed.

But I want to warn you if you are in the appropriations 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 saying there should be another tax cut, with advocates that say we should do more in our central cities.

My message, then, this morning is we are trhing 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 I might say that 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, but we are saying to you that during this period of time we will try to ease the pain as it goes along, but our problems are the same as yours.

Governor Ray, I appreciate your invitation to speak this morning. I see a number of old friends of mine who were governors, in the audience, looking at me with rather strained expressions on their faces. You are very patient to have listened to this, and I am looking forward to hearing the other panelist and then Jack and I are ready to receive your comments. Thank you very much.

(Applause)

GOVERNOR LUCEY: Thank you Congressman Adams. I am also

tempted to comment right now, but I will restrain myself and keep in mind that we are going to have a question and answer period. I hope that the press doesn't get the impression that this is somehow a partisan issue between President Ford and the Democratic congressmen having such severe reservations. But, as Brock pointed out, Walter Heller was really the father of revenue sharing however in order to give the thing a little more balance I think now we will hear from a democrat who has been a long advocate of a point of view shared by most if not all governors in support of federal revenue sharing.

As Chairman of your Committee on Executive Management and Fiscal Affairs, I went over and met with Russell Long some months ago. He gave me about two hours of his time, and I was just thrilled with finding how deeply he feels about this issue, and how supportive he is of our objectives here.

But he made one very telling point on that occasion. He said so far I am not receiving any pressure from the parishes of Louisiana, and I suspect Gaylord Nelson is not getting high heat from the towns and villages of Wisconsin, and this is absolutely true, and I think that we as governors have really not been doing the kind of work we ought to be doing on this issue. I would hope to hear today that we are finally beginning at long last to turn that around and this afternoon, as I am sure you are aware, a group of the governors will get together with county executives

and legislative leaders, as well as the mayors, and will be going over to meet with the leadership of both Houses to let them know how strongly we feel, and how united we are in support of a continuation of general revenue sharing.

Without further ado, now, I'd like to call on the Honorable Russell Long, Chairman of the Finance Committee over on the Senate side and let him express his point of view on the matter of federal revenue sharing.

(Applause)

SENATOR LONG: When your Chairman opened this program making reference to me, he referred to the letter I wrote to him which said you shouldn't have Russell Long before your Committee, you ought to get yourself some fellow from the House. What you fellows need for revenue sharing is a good strong author in the House to carry the fight for you. You have got one in the Senate, you are looking at him. You are not in trouble in the Senate.

(Applause)

You have heard from two great congressmen, and I like both of them, and I hope that nothing I say in the course of all this will separate our friendship. But Jack Brooks is a tough guy, and I know he thinks he is right. He is twice as tough as anybody I know, and I don't expect to change that vote. So as far as revenue sharing, come what may, if you want anything like that kind

of program you have to out vote Jack Brooks or you have to 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 to all this is gets down to a matter of whether it is your program or the other guy's program. I have never yet seen any of those fellows who have worked for a period of years take the view that you can't find the money in the budget for his program.

Now, furthermore, there was a time when the idea occurred of having printing press money and nobody seemed to worry too much over the fiscal responsibility of building all these 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.

(Applause)

Now so when Russell Long gets involved in all these things, 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 have come up with all these ideas and are

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, and they can find plenty of dough if it happens to be something for one of these fellows who has worked on it and thinks it would be a good idea.

Somebody thought the railroads were in bad shape, that went along with Brock Adams leading the charge from the House side to just pour billions of dollars in federal money into the northeast to try and save the railroads, and what they should have done is get rid of the featherbedding and they probably wouldn't need all that money. But they went along with them on this and found the money for it because they thought the program was of sufficient priority.

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 have 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, and 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. There were 70 congressmen leading the charge and one of the things they did was take revenue sharing away from the Ways and Means Committee in the House which recommended that bill, in my opinion, and put it over in the Government Operations Committee which has the idea that if possible we are going to make it 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.

(Applause)

I feel the 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, and I am prepared to accommodate myself and I would ask these two statesmen to take the same

attitude.

If a majority 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% 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. Thank you very much.

(Applause)

GOVERNOR LUCEY: Questions?

GOVERNOR NOEL: I really appreciated the frankness and candor from the panelists. I must admit that since the opening remarks of Congressman Brooks and Congressman Adams that I have been champing at the bit and it was hard to wait for the panel to finish so that I could have a chance to respond, and I'd like to say to my colleagues in the federal government so that they will understand that I have had some experience at all levels of

government.

I served six years as a councilman which is, in our section of the country, the equivalent of a county commissioner's position. I served for six years as a mayor and now as governor of my state, and I have been in government for 16 continuous years and I would like to say as part of this debate that ever since revenue sharing was first proposed--and I can understand the philosophical problems of Congressman Brooks with regard to accountability, about the fears that you might have of a system where one level of government raises the money and another spends it, and certainly if we were debating revenue sharing as an isolated issue I may be on that side of that philosophical debate--however I want to talk a little bit about the theory of relativity.

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, and when I look at revenue sharing in 1976 I am for it because it is a hell of a lot better than anything 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, and 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 LUCEY: Did you have a question?

GOVERNOR NOEL: I have no questions.

GOVERNOR LUCEY: Who has a question directed to this?

Governor Bond.

GOVERNOR BOND: Mr. Chairman, I'd like to express our appreciation for the presentation of Congressmen Brooks and Adams. I have often wondered where it was that people in Washington got these funny ideas, and I think they must talk to each other. I have never had a clearer expression of the Congress' Potomac myopia than I have heard today, and I would address this question to Congressman Brooks who spoke so eloquently about public

accountability, and opposition to the imposition of taxes at one level and expenditures at another.

Granted that he is against revenue sharing, may we count on Congressman Brooks to balance the budget in other areas; to oppose congressional programs which force upon the states unwanted and unneeded expenditures? I would cite Title 4D as one area in which we, in Missouri, are going to have to spend \$800,000 because Congress in its wisdom has determined that we should spend it. Will you, Congressman, oppose the federal categorical grant programs which tell us how we have to not only spend the dollars that you provide us but how we have to increase our taxes, or use our existing revenues, for federal programs that you mandate; will you be consistent in not only opposing revenue sharing but opposing the imposition of new spending programs on the states where they may not be our priorities but they are yours?

CONGRESSMAN BROOKS: I would be pleased to cut back the amount of money we give you and that you spend, and would hope that it would help the national budget. Just recently, about ten days to two weeks ago, we had the Public Employment Bill coming up and in that was a proposal to spend one billion two hundred million dollars in the sharing of federal funds with the states, and I opposed that on the floor of the Congress, and was not successful. It was put in conference committee, and in the conference committee they put that billion and a quarter in, and I fought it unsuccessfully.

But you can count on me to fight that kind of a proposal. I think we are spending too much. I think we are going to have to have a little harder priority look or we are not going to get reelected and maybe you won't.

GOVERNOR LUCEY: Governor Kneip.

GOVERNOR KNEIP: Mr. Chairman, the Governor of Rhode Island expressed my views quite adequately and I'd like to ask the question if these same gentlemen that oppose general revenue sharing are going to, at the same time, go across the board and fight for block type grants? I'd like to tell you something that happened in South Dakota that should serve as a good example for you.

In our 6th Planning District, we tried very diligently to combine health programs, manpower programs, and social service programs and to share offices, personnel, and budgets and of course doing this we worked directly with the Regional Council and in the final analysis flatly were told no, and unquestionably we could save many, many, dollars in trying to get away from all these categorical approaches.

Will you gentlemen oppose block grants on the same basis which allows us to be the decision makers back where we know what the problems are?

CONGRESSMAN ADAMS: I have some longer prepared remarks that go through this category by category as to what should be

done in each of the block grants, and each of the functional categories, in order to even arrive at a \$410 billion figure rather than a \$422 billion current services figure, and one of the proposals that I hope will be adopted during this next three to four year period is that we do such things as federalizing the welfare program at a flat level without matching which frees up funds for you, and you can decide whether or not you want to supplement.

The same thing is true in some of the block grant programs. We are agreed that a number of these should be in a position where the money goes over and it is used for particular categories and in 1975 we said, for example, it is much better to send it out in flat grants to the people who are handling education which is done at the local level rather than going into specific categorical programs.

The answer to your question is yes. The problem that we are trying to address at this point with you is that we should have wider momentum built into these programs, and we are trying to hold them all back and stop them to a point where this next year we don't go with a lot of new matching programs requiring you to spend money, but to control what we have got which are already built into the budget, and then let the country decide where they want the federal government to go, and where they want the state government to go in terms of responsibility. But the responsibility

in each case would be direct lines. You'd raise your money for a function, and you'd spend it, and the federal government will raise its money for a function and spend it.

What we are saying to you is, yes, we do expect to do that and we agree with what the Governor of Rhode Island said that there are too many maze type operations that have to go out. But when we start to cut back beware of it in the budget, because the figures that we have run through for the four block grant programs--and I am sure Jim Lynn will be here to analyze them from his side--and I hope that your staffs analyze them, because our indication is that if we were to adopt these programs in the Congress this year you'd get a billion eight less than you did last year, and more important 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 either 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--each one of them, and we are consistent with them because they are all running too high for us to keep borrowing money to afford.

GOVERNOR LUCEY: Next question? Governor Noel.

GOVERNOR NOEL: I like that last statement, and I might



say that in the future years if we ever get to the point for a true redistribution of responsibility, straighten out what the federal government is doing, and the state governments are doing, then at that point in time I'd be on the side of those who oppose revenue sharing.

But in the context of what we have now in the way of a federal-state relationship I am in favor of revenue sharing. I think it is a must. Hopefully, as we go down the road, there will come a time in this country where we won't need a revenue sharing program, because we will have put our respective houses in order at all levels of government. So I appreciate those remarks, Congressman, and I look forward to that day. I hope I am around to participate in that debate.

CONGRESSMAN ADAMS: I hope I am, too.

GOVERNOR LUCY: Governor Longley.

GOVERNOR LONGLEY: I think this has been a very interesting morning and, unlike Governor Noel, this is my first year in public life but I have over a quarter of a century in business, so I'd like to ask a question. Assuming your billion eight cutback, Congressman Brooks, is accurate do you have any idea of what the bottom line approach is? Out of that billion eight we might be getting just a fraction of that billion eight in categorical grants.

Now, needless to say, as a businessman I am shocked to

see the erosion of dollars that we are sending to Washington, and then coming back with mandated programs along with bureaucracy and red tape, and harrassment, that is imposed upon us and in effect this is taking liberties in the legislation of the revenues sharing that come back as to how our municipalities and our towns--who pretty much determine their priorities--can go about it and how they can put the dollars in use.

I am wondering, sir, is there any attempt to equate the bottom line benefit, because I will submit that there is a staggering of benefits in revenue sharing through the categorical and block grant approach.

CONGRESSMAN ADAMS: Governor, the problem we have with doing anything in terms of 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 it that you put it into police salaries, you can because the money is in one pot, and you can select and say we have got this amount and we, therefore, spent it in these particular categories which are acceptable categories as far as the federal government is concerned.

Now I think of greater concern to this Conference, and also your financial panel, is the fact that a very detailed analysis shows that we sent approximately \$60 billion to the states in

Fiscal Year 1976 which won't come close considering inflation, and considering the additional number of people in the states that you represent. Therefore, what is happening in the budget and what we are trying to wrestle with now is you may get your revenue sharing. It is going through the appropriations process, and you heard what Chairman Brooks said, and there may well be the votes to do it but even if you get it, and even if the President is successful in his budget, 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, and that is going to cost us somewhere between ten and fifteen billion dollars just to hold those programs where they are; no increase; no really building up of program growth. There are only two places in the federal budget presented by the President where there is any real growth.

GOVERNOR LONGLEY: You are saying, in effect, that the voices you hear are in support of your approach and that it could be that--as Senator Long has said--that we as governors and our municipalities and town officials haven't successfully conveyed to the Congress the priorities that we feel and the benefits that we, in fact, see and if that is the case then perhaps are you suggesting you need more evidence from us of the accountability of performance?

CONGRESSMAN ADAMS: Not at all, because there is no way that you can account for general revenue sharing or build a base among your people because it goes into your general budget, and from your general budget and your general efficiency, or lack of it in your budgetary practices, is what the voters elect you on or defeat you on, and there is no way that that can be reflected to us. So I think revenue sharing, if it is needed now, and it may well be particularly in this time of recession that we have to accept the fact that it comes to you as general revenue sharing, and you spend it for whatever you feel is correct, and if you go out to your constituents and say to them, well, police and fire salaries are going to be cut if revenue sharing isn't enacted then the reaction of the Congress probably will be all right we will send you the money for police, fire, and health services if that is what you are lacking.

That goes back to Chairman Brooks' remarks, that once you break the spending and tax link and the money goes to you under general revenue sharing, it is gone as far as we are concerned.

GOVERNOR LUCEY: Any other questions? Governor Exon.

GOVERNOR EXON: I will address this question to Congressman Brooks or Congressman Adams because I am not sure who made the point. But, in the first place let me try and put into context what many governors have said around the table. You take away the 15 million from the State of Nebraska, that is all we get out of

revenue sharing. Now it isn't going to break us up in the State of Nebraska. All that I would like you to do, Congressman, is to accept a list that I will be happy to supply to you with and that you at the federal level will change some of the laws passed by you and your colleagues to get out of some of the bureaucracy in Washington, D. C. 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, and I think my good friend Senator Long responded to this very ably, and 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 do I think the President, and there are others who have led the way toward fiscal responsibility.

Let me ask you a question, will you work with us; will you work with me specifically if I would outline to you what we can do to save more than \$15 million in Nebraska, then I will agree that you should take away revenue sharing and we might be able to do better than that. Congressman, would you work with me in support of such programs?

CONGRESSMAN BROOKS: I will guarantee you I won't support them until I see what they are, there will be no checkoff from me. I'd be delighted to look at your recommendations as to how

you might save \$15 million in Nebraska, and certainly you are right if they take revenue sharing out of Nebraska and you lose that \$15 million your State could continue to operate and function effectively, I agree with you to that extent. If you have got any suggestions on how we can practically reform some of the bureaucratic excesses that come about in Washington, I'd like to know.

I have not been running the government for the last five or six years, most of us democrats just work here now, and I know there are serious problems with government bureaucracies, and agencies, and I'd be pleased to work with you in trying to cure some of those. Maybe you can help me cure some of mine.

GOVERNOR EXON: I get the implication of your statement about being a democrat and I am like you, I guess, but I have led the way to fiscal conservatism in the State of Nebraska and I repeat again that we, as democrats, while we should properly criticize the opposition I do not believe that we can entirely blame the Executive Branch for the runaway spending and inflation that we have in this country. We all share that to a considerable degree.

I will be glad to give you some ideas and suggestions on how this can be cut down, and I think what we say in Nebraska and what we recommend in Nebraska would apply equally to all the other states. Now I have a correction on what you said, I thought you

kind of put words in my mouth. \$15 million would hurt us in Nebraska, because we have been very careful with our expenditures and our appropriations and taxes. Most of the money that came down from the federal government to Nebraska was invested in aid to education not expensive new programs. We have used it well, and I think the program has been used generally well by the state and the subdivisions of the state government.

GOVERNOR LUCEY: Thank you.

GOVERNOR KNEIP: I wonder if the Congressmen, themselves, know that what was really intended along with the revenue sharing was that there would be a dismantlement of a great part of the federal bureaucracy. Now, you know, each of us are concerned about these categorical grants and all the rules and regulations that come about in a federal bureaucracy, and I happen to believe firmly that the opposition to block grants, and general revenue sharing, comes not so much from the congressmen themselves as the bureaucracy that is built into it.

I will give you an example, this was something that began generating 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 three and a half million dollars, and found ourselves in court trying to just subtract that penalty alone, and I could give you example after example where those rules and regulations have tied our

hands and we were not able to use the money wisely or efficiently and I think you should be told that.

Now even with block grants that have come in which cover a broad range of programs, there has not been any dismantling of the federal bureaucracy as was intended, and I think that is one of the reasons that make many of the congressmen object because the intent of the system is not being carried out, and 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: I want to echo what Governor Kneip has said. The bureaucracy is the most influential lobbying group right now that you have got, both in the Congress and the state houses, and we have got to get accountability back and give the people an opportunity to speak up such as happened in Senator Long's district, and the people of the country are fed up with run away bureaucracy and the lobbying influences that are imposed on the spending of our dollars.

I am talking about the revenue sharing people who are working in the factories and the mills of this country, they can't move into the state houses and into the congress, and so maybe we as governors and also the municipal and town officials have got to be more effective and that is a message that I think is important and maybe we have failed in conveying to you people how important



it is to take a good look at the accountability and the dollar cost of a lot of these categorical grants.

As Governor Noel said, we have all this red tape and it is costing us much more money than we are getting.

GOVERNOR KNEIP: I'd like to comment on that statement, Governor. You could save a lot of money if you cut out all the forms, and paperwork, and all the expeditors and investigators. Every time you fill out a form it costs you money, and costs the government money because 48¢ of the dollar is deductible from federal taxes, and 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.

GOVERNOR LUCEY: Governor Busbee.

GOVERNOR BUSBEE: I know we have gone past our time, here, but I would like to summarize and also ask a question of Congressmen Brooks and Adams. Now I completely share the views of Governors Noel and Bond, and Exon. Revenue sharing has not been effective. Now I have been in the government for 20 years. I came to the White House when revenue sharing was proposed. I was one of two representatives from the state governments that was totally opposed to revenue sharing.

Since that time, I have seen difficult financial conditions in my state. We now have a balanced budget, and we have balanced it during hard times. I commend you two gentlemen for wanting to

balance the budget but I caution you on something and it is this. Since revenue sharing has been implemented, you have increased our categorical grants and we all listened to the President here, and we should work together to develop priorities and there is no reason why revenue sharing can't work so that it does have some meaning to the states and local governments.

Now matching funds have been increased, and you have increased categorical grants, and you mentioned Medicaid. It started off with 1% that we have to put up at the local level, and from the state government level, and now we have to put up a higher percentage. What you are doing in creating all these federal programs is you are requiring that we match these at the local level to get our own tax dollars back.

There is a highway bill that is bogged down up here, and we have plenty of money to paint center lines which is one category but we don't have any bridge money, so what I am saying is this that the time has come for the governors of the states to be able to represent their sovereign states and sitting down and working with the Congress, and having an open line of communications, and I think that time is now.

Now I appreciate the matter of fiscal responsibility, and many of the governors here have a balanced budget. But you cannot keep dumping these categorical grants on us and increasing the amount of money that we must match at the state level where you

write the program, we administer the program, and we jointly finance the program. It will not work. So I would like to see the governors, through the Governors' Conference, have an opportunity to work in a bipartisan manner and non-partisan manner to address 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 to the extent that you two gentlemen have indicated.

CONGRESSMAN ADAMS: I agree with you. I would commend to your staff, and to those that are here, the comments that were made with regard to isolation. In the floor statement that I made on Wednesday of last week, I outlined every category and how much money would be spent in each one which would reduce the deficit by only one-third, and I support the idea of going into this like we did with the community grant program. We supported this, and we did away with urban renewal and a number of others.

All I am saying to you is that we are prepared to move forward, for example, to remove matching in areas like Medicaide, or in areas like national health insurance, or welfare, by removing--and food stamps--by putting them into a federalized system and I hope you will look at it and that you will tell us whether or not you like what was said, and whether you think it should be changed in some way. But we are just having to fight

for every program now, not just this one, and we are not addressing it in isolation. Believe me we are not.

SENATOR LONG: One point, I fought that federalized welfare thing because I felt it would end up costing ten times as much, and the people who wanted to federalize every last one of these programs had one thing in common. They thought if they federalized the lid would be off and they would get any amount of money they wanted for that program.

Now I personally very much like the idea of doing what we can to give the states and local people a great deal more freedom about how they run the welfare program. But when I hear somebody talking about federalizing and that it will mean taking the lid off, and that there will be no minimum on what the thing will cost, I think that is inconsistent with the objectives of balancing some budgets.

GOVERNOR MANDEL: The thing that really makes me laugh is when I hear people talking about the governors running these programs. We don't run any programs. I mean who is kidding who. We don't run a program. 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 we don't run, they are run out of Washington, the bureaucracy is running the program and we are just getting the money and they and they are telling us what to do with it, and how to spend it, and 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 and we can perhaps help you reduce your expenditures by helping you reduce some of your bureaucracy.

But this business of saying that we are running the program, I am laughing because we don't run any programs. We just take the rules, the regulations, and we try to read them and understand them. No one understands them. You have got a mess in welfare and Medicaide. 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 sit down and read those rules and regulations and make a form out that doesn't have some mistake in it.

You have to go to college to understand those rules and regulations, and then after you graduate you don't understand them. This is where the problem is. We are not running the thing, we are being run.

GOVERNOR THOMSON: I simply want to go on record as being one who certainly commends the two Congressmen. I think that the time has come when the states, if we want to be sovereign, have got to begin backing away from the federal trough and so I would like to ask Congressman Brooks if there is any thought in the Congress with regard to revenue sharing to gradually decrease the

amount over a period of several years. I think this is what is going to have to be done. All of the states would suffer if you did it immediately, but if you began to do it and also in connection with that I can see what you are trying to do is tackle the other high costs of federal government, and let the states begin to share the responsibility and the sovereignty that goes with it, and if that is the case I commend you on that too. I'd like to know if that is one of your thoughts.

CONGRESSMAN BROOKS: Thank you, Governor. Certainly the gradual remission of revenue sharing is one possibility, but it is a little bit difficult to say that you would 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, and some of the local communities no doubt feel like 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 both the appropriation and authorization process in the next couple of years that they will be able to then reevaluate their needs, and maybe you can cut back that thing gradually, and taper it off.

GOVERNOR LONGLEY: With due respect to the Governor of Georgia, there is more than bipartisan support here, there is tripartisan support. Republicans, democrats, and one independent and I'd like to go on record to show this.

GOVERNOR LUCEY: I would like to thank Senator Long and

Congressmen Adams and Brooks for being here with us, and I would like to remind you that the standing committees are open meetings for those who are interested and that Congressman Adams will be our lead-off witness with regard to the federal budget, so if anyone wants to sit in on that meeting--which will begin very shortly--you are welcome. I will now turn the meeting back to the conference chairman, Governor Ray.

GOVERNOR RAY: Thank you very much, and I think we get the message from you and I hope we left you with a message. Now will you please hurry to your next meeting. We purposely let this run over slightly because of the importance of the subject matter.

GOVERNOR BYRNE: I wanted to thank my fellow governors for the opportunity they have given me to wage an aggressive program that attracted quite a bit of attention in New Jersey.

GOVERNOR RAY: Thank you.

(Whereupon, the first plenary session was adjourned at 11:20 o'clock, a.m., Monday, February 23, 1976.)

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(Whereupon, the second plenary session was convened at 2:10 o'clock, p.m., Tuesday, February 24, 1976, Governor Robert D. Ray, Presiding.)

GOVERNOR RAY: You governors have been so good to start the meeting on time, I wonder since this is the last plenary meeting if we could again start on time.

Our colleague, Chris Bond from Missouri, has an announcement that I think will concern all of you governors relative to your respective states with regard to the Harry S. Truman Scholarship Foundation.

GOVERNOR BOND: Thank you, Mr. Chairman. I asked for just a moment to explain to the governors the Harry S. Truman Scholarship Foundation Program which Congress has established as a memorial to our former President, and my fellow Missourian, Harry Truman. The program essentially is a perpetual endowment trust fund which will provide a four year scholarship of up to \$5,000 annually for the outstanding young man and woman from each of the states, the District of Columbia, Puerto Rico, and one scholar from the territories.

The program has been based under the administration of a board of trustees appointed by the President, and confirmed by the Senate. But the initial recommendation of that Foundation is that we ask each governor to develop within their respective state of that governor a selection process for the outstanding student to



receive this scholarship.

It is our hope that young people who are pointing toward careers in public service may be the recipients of these scholarships. We have placed at each place a very brief description of the scholarship program. The trustees decided that there was not ample time to begin the program in the coming academic year '76 and '77, but it will begin in '77 and we will be developing--as a board of trustees--the criteria for selection. We will be asking for your assistance in the recommendation process, and I appreciate the opportunity to bring it to your attention, and ask that you keep in mind that you will be--that we will be contacting you and asking you to set up mechanisms within your states to recommend an outstanding student for this public service scholarship.

I would suggest also that you may want to combine the screening process with your existing state programs for summer interns, or state scholarship programs, and we think this can be a significant assistance not only to deserving young students, but also it can encourage those people toward seeking public service careers. Thank you.

GOVERNOR RAY: Thank you. I would like Cal Rampton to come up to the podium, please. While Cal is on his way up to the podium, I would just like to take one moment--and by the time he gets up up here hopefully everyone will be in his or her seat--to thank you governors for your participation in this meeting; for

your desire to make it a working meeting; to make the National Governors' Conference a very meaningful conference, so that we can bind together more tightly and closely to express our views to those in Washington, and so that we can be a much more effective group and as a consequence more effective as governors in our respective states.

You people are what make the conference. You have expressed yourselves after the last one, and I am just very grateful for your willingness to make this one a very good working conference.

Now I want to make a presentation to an outstanding governor, truly an outstanding governor in this nation, a person who has been governor longer than most of us, and he is about as solid as the Mormon Church.

Governor Rampton served as the Chairman of the National Governors' Conference with distinction. I think we have all come to have high respect for him. He has worked with republicans and democrats, and an independent, and his accomplishments and achievements are many.

But I just want you all to recognize this person as I present to him this plaque which says, "Calvin Rampton, Governor of Utah, in recognition of his many contributions to and his superior leadership of the National Governors' Conference as its Chairman 1974-1975. Cal.

(Applause)

GOVERNOR RAY: We now are going to move as rapidly as we can to accept the reports of the various standing committees. The procedure we will follow is to ask the chairman of each committee to come forward and to give us a very brief explanation of the workings of the committee, and what if any changes are being recommended by that committee.

I will ask Mr. Rovner, who is the parliamentarian, to explain to you exactly what votes are required to adopt and accept these reports and changes in the policies of the National Governors' Conference, and any resolutions. Ed, will you explain that to us.

MR. ROVNER: The general rule contained in the Articles of Organization is that only those amendments for new policy which have gone through a standing committee, or the Executive Committee, or a special committee appointed by the chairman with the approval of the Executive Committee, only those resolutions which have gone through and gotten an affirmative vote of one of these bodies and have been mailed to all the governors 15 days in advance of the meeting may be considered under the Articles, and they require two-thirds for adoption.

An amendment to such a resolution requires two-thirds for adoption. Any other resolutions which may be offered by any individual governor, or by a committee, which has not sent out that resolution 15 days in advance requires suspension of the Articles

of Organization which requires a three-fourths vote to suspend the Articles.

In calculating whether the two-thirds or three-fourths requirement has been satisfied, the Rules say that you can count only those voting aye or nay and any governor that is absent or is not present is not counted in the calculation. That is in the General Articles and any amendment, as I said, requires the same percentage majority as does the main motion to which it is addressed.

GOVERNOR RAY: Any questions? If not, Governor Byrne from the Committee on Crime Reduction and Public Safety.

GOVERNOR BYRNE: I have replaced Governor Bowen as Chairman of this Committee just for the purpose of this meeting because Governor Bowen is heavily committed in Indiana.

The Committee discussed a number of areas including resolutions on compensation for vicious types of crime, and we expect formal action on that discussion at the summer meeting. Meanwhile there is pending in the Congress bills to support state programs in that regard.

We had the honor of hearing from the Attorney General of the United States, the Deputy Attorney General, and Mr. Velde the Deputy in charge of LEAA. We were informed by the Attorney General that the governors' collective persuasion was effective, and that we had won on the issue of dedicated computers.

The Committee, itself, has come out with three resolutions. Resolution A-1, which is on your desk, supports the implementation of the Omnibus Crime Control and Safe Streets Act, and amends that resolution in part. Amends the resolution as was presented to you 15 days ago by deleting the words increasing the proportion of action grants awarded for the judiciary and court related purposes.

The feeling of the Committee was that that can be done, that may well be done, but stating it in the resolution would impair the flexibility that a state might have in judging its use of LEAA grants.

There were two other resolutions, one which was a disaster relief resolution. There is a Public Law 81-920 which restricts civil defense money to nuclear disasters. We ask that it be amended to include natural as well as nuclear disasters. That is a new resolution, and will require the suspension procedure.

The final resolution out of this Committee is a National Guard resolution which, in effect, asks that the National Guard be continued at its present strength and we believe that certain enumerated changes set forth in that resolution would dilute the present strength, and we ask that resolution be considered on an emergency basis. Both the second and the third resolutions are relating to matters which are pending the decision of the Congress in the next few months, and for that reason the Committee felt

that it was proper to add it to the agenda.

With that, Mr. Chairman, I would move that resolution 1-A which merely requires a two-thirds vote and not a suspension be adopted.

GOVERNOR RAY: Is there a second?

GOVERNOR CASTRO: Second.

GOVERNOR RAY: The motion has been made and seconded. Is there discussion? This is for adoption of resolution A-1, the policy statement.

GOVERNOR HOLSHOUSER: I intend to vote for the motion, but it is my understanding that if there is a substantive amendment it still requires a three-fourths vote.

GOVERNOR RAY: Only if the original amendment requires a three-fourths vote.

GOVERNOR HOLSHOUSER: My understanding was that the intent of the Rules was to require a three-fourths vote on those things that came in less than 30 days--or whatever it was--and that would include any substantive amendments that came in within that period of time, and that the idea behind that was not to have something called in on short notice.

MR. ROVNER: There is a difference between an amendment to a motion and an amendment to a policy. If the proposal is an amendment to policy, and it has received the approval of the standing committee, and has been mailed out 15 days in advance, it

only required two-thirds, and an amendment to a motion needs the same majority as the motion.

GOVERNOR HOLSHOUSER: Mr. Chairman, I might continue for just a moment. Isn't this the point that the amendment was not mailed out 15 days ahead of time? In that case, in making my point of order then I think it should require a three-fourths vote and in that case I will reiterate I can't support the vote.

GOVERNOR RAY: We will accept that point of order, Jim, and this will require a three-fourths vote because it was not sent out prior to the stipulated time.

Now there has been a motion and a second, no discussion, so we will take one vote then and all in favor signify by saying aye.

(There was a chorus of ayes.)

GOVERNOR RAY: Opposed? None, motion is carried and that policy is adopted. The second one, this is titled disaster relief legislation. It does not have a number on it, the second page. Does everybody have it? The motion is to approve that amendment to the policy. Is there a second?

GOVERNOR CASTRO: Second.

GOVERNOR RAY: It, too, requires a three-fourths vote. Any discussion? All signify by saying aye.

(There was a chorus of ayes.)

GOVERNOR RAY: Opposed? Motion carried. The National

Guard is the third. Is there a motion to approve that?

GOVERNOR BOND: I so move.

GOVERNOR RAY: Is there a second?

GOVERNOR CAREY: Second.

GOVERNOR RAY: Any discussion? All in favor signify by saying aye.

(There was a chorus of ayes.)

GOVERNOR RAY: Opposed? Motion carried. That covers the recommendations of that particular Committee. Governor Lucey is Chairman of our Committee on Executive Management and Fiscal Affairs. Governor Lucey.

GOVERNOR LUCEY: Thank you, Governor Ray. The Committee on Executive Management and Fiscal Affairs met yesterday afternoon with the other committees. We had as witnesses before the Committee Congressman Brock Adams, OMB Director James Lynn, and Secretary of the Treasury Bill Simon.

Brock Adams discussed the federal budget, and I would say that his observations about the federal budget were viewed with greater enthusiasm by the governors than his comments on revenue sharing earlier in the day. In general he felt that the budget would have to be increased from the \$394.2 billion proposed by the Administration to something around \$410 billion with the emphasis on the domestic programs to go to state areas where we'd otherwise be adversely affected, and the analysis that I have had



done in Wisconsin would indicate that if the budget were enacted as proposed that it would mean that we would have to come up with \$100 million in additional tax revenue at the state level to make up for the shortfall in various departments and in providing essential services.

Brock Adams described the new budget process in the Congress, and I think it is one that most of us support. Certainly the trial run that they had last year indicates that the Congress is progressing toward a new capacity to be responsible in dealing with the federal budget.

Director Lynn, out of the Office of Management and Budget, came to talk about the budget. Most of the questions, however, were directed more at the M--management function--of that Office rather than the budget itself.

Some of the governors expressed a feeling, and concern, about the seeming insensitiveness of the federal bureaucracy and Mr. Lynn was most sympathetic, and indicated that he believes in management by objective. That he would prefer to have the governors and the National Governors' Conference staff sort of prioritize the areas of concern which we have in the various agencies of the federal government, and that if we could to submit such a list to him and that he would be held accountable; that he would periodically report on the progress, and that a year from now when we reconvene in Washington we could sort of take stock and see how much progress

had been made.

I think it was a useful meeting, and all the governors present seemed to appreciate his willingness to work with us and to incorporate our views not only in terms of the management of the federal bureaucracy, but also in the budget making process as well.

Secretary Simon discussed various concerns that we have in the area of debt management. He discussed the impact on the states of the so-called bankruptcy bill that is now, I guess, still in conference but will soon reach the President's desk for signature. It tends to soften the rights of creditors in a way that would cause, I think, concern by some of the states with better than average credit ratings. We had hoped the Congress would restore the million population provision that was in the original bill, thus its provision would not apply to any municipality with a population of less than a million people.

This has not been done, however, the language has been modified in such a way that Mr. Simon assured us that the rights of our creditors ~~would not be~~ impaired and, therefore, our credit rating ~~would not be~~ impaired.

The two more urgent items about which we talked one was full disclosure, the effort that is now going on in the Congress, requiring some uniformity in terms of what is required by the states and municipalities to justify a good credit rating,

and it was indicated that there is a very good likelihood that the Congress will act.

I think this is an area about which the governors should be concerned, and it was a matter that was discussed at great length this morning when we had the workshop on this same general subject matter.

The other item covered by Mr. Simon had to do with the tax exempt bonds, and was there any way to deny the tax exempt status for those who prefer that device but would also offer a way for those who might find a need for a broader market in relation to taxable bonds in terms of a federal subsidy, and Mr. Simon was talking about a federal subsidy of 30%.

I think that the bill proposed by Congressman Reuss and Senator Kennedy is more in the area of a 40% federal subsidy, but be that as it may in both instances the proposal would be to provide an alternative to and not the elimination of what has come to be to most governors the very sacred privilege of tax exempt bond issues.

We do not have any policy in the policy book on the matter of disclosure. We do have a policy in the policy book that relates to a taxable alternative and, as a matter of fact, it has been determined that the bill presently before the Congress would be consistent with the language of the policy book and this morning, just informally, there was a show of hands indicating that the

governors who were present at the meeting were clearly in favor of a continuation of the language in the policy book.

This was informal, and it was not in any way binding but simply was some indication of the sentiment among the governors for the benefit of the NGC staff. I think it would be very difficult today to reach a two-thirds, or particularly a three-quarters majority, for any change or even a reaffirmation of our position on this matter. I think it would be premature for us to attempt to adopt a definitive position on the question of full disclosure.

We did, however, as a Committee create a task force consisting of a staff person from each of the nine governors on the Committee to work with the NGC staff in attempting to develop for the future definitive positions on these two matters, and the task force will be getting back to the Executive Committee on this and undoubtedly the task force will produce language for consideration at the summer meeting of the National Governors' Conference.

There were two areas on which the Committee did take action, and these were matters that were submitted well ahead of the 15 day deadline. One had to do with the restatement of our position on revenue sharing. You all have a book distributed to you with a blue cover, and on page 5 you will find that language. Now the language is that that has been agreed to by the coalition, and so while we could make some minor modifications I would hope that we

could agree to keep the substance of this language so that we would not break ranks with the municipalities, the mayors, and state legislators who are supporting us in the united front for better revenue sharing, and I think when you saw the nature of the opposition that existed in the House of Representatives during the plenary session yesterday morning you will appreciate how imperative it is that all of the recipient units of government stand united in support of an extension of revenue sharing. Because anything less than that would probably result in a very costly defeat.

You have, then, a six point proposal there that in general simply ~~repeats~~ the present revenue sharing. It does ensure that the civil rights provisions of the Act will be guaranteed. It also spells out the proposal that responsibility for any enforcement of the civil rights provision be confined to a single agency of the federal government.

Finally, item number 6, guaranteed public hearings providing for citizen participation in revenue sharing expenditures should be conducted by recipient governments as part of their normal budget process. Marv Mandel has a couple of amendments to that, and I will recognize you in just a moment, Marv, and I think the proposals that Marv has are consistent with our objective to maintain substantially the language that has been agreed upon by the coalition. Marv, do you want to offer your amendments at this time?

GOVERNOR MANDEL: Yes. As you have stated, I certainly don't want to do anything to interfere with the adoption of what you have read, but if you read the language of 6 each one of us has our own method of budget making. Each state has its own budget procedure. I would just like to recommend that we change the words revenue sharing expenditures to revenue sharing appropriations. Expenditures mean a little bit different, and I think that could mean that as written that every time we go to spend money you have to have a public hearing. Well when we make our appropriations, our department heads can't spend it any differently than the way it was appropriated, so I would like to change the words revenue sharing expenditures to revenue sharing appropriations, and add in the next line as part of their normal legislative budget process, because if there is one thing we all do is our budgets are all submitted to the legislators, and they all go through a normal legislative budget process. So we are going to have to have hearings that are conducted at the legislative level, and I would like to offer those two amendments.

Number one, change expenditures to appropriations and, number two, add legislative to the normal budget process. Their normal legislative budget process.

GOVERNOR LUCEY: If there is no objection by any member of the Committee on Executive Management and Fiscal Affairs, I will make the motion at the end of my report to include the

amendments by Governor Mandel. If there is no objection, then I would move for adoption of Resolution B-1, revenue sharing.

GOVERNOR EVANS: So move.

GOVERNOR CAREY: Second.

GOVERNOR RAY: Discussion? All those in favor then signify by saying aye.

(There was a chorus of ayes.)

GOVERNOR LUCEY: Opposed? The motion is carried. There is one more resolution, it is B-21 on the next page, page 6. It has to do with the reduction of government paperwork. I am sure we are all in favor of that. Governor Bowen has taken a very strong interest in this matter. I think it is really a non-controversial resolution and although Governor Bowen couldn't be here he did submit it at an appropriate time. It has been reviewed by the staff people of the various governors on the Committee, and it is being recommended for your adoption. Therefore, I move the adoption of Resolution B-21.

GOVERNOR BOND: Second.

GOVERNOR RAY: Discussion?

GOVERNOR RAMPTON: I am in favor of the motion, and intend to vote for it. I'd like to point out, however, that the problem of excess paperwork is not peculiar to the federal government. It exists in our state governments as well, and I'd like to commend to you--if you haven't already seen it--the order

given by Governor Carroll. It impressed me enough, Julian, so I copied it and issued it in the State of Utah. We are now engaged in the process of simplifying our own paperwork, and I feel that we should put our own house in order at the same time we are telling the feds what to do.

GOVERNOR RAY: Good point.

GOVERNOR CARROLL: I have had a number of governors request a copy of this executive order, not that I have any particular pride in its authorship, but it is working in Kentucky and to put it in a nutshell I have by executive order abolished all forms in the Kentucky State Government as of this July, and there will be no forms in our government at all except those that are reissued by each agency and approved by a screening committee.

We reduced our regulations over one-half through the same process. We are voiding them all on a certain date, and I would suggest this self-destruct method would improve the operation of the government substantially.

GOVERNOR RAY: How does that affect some of your forms pertaining to the federal government?

GOVERNOR CARROLL: We are working with the federal government. I testified before the Federal Paperwork Commission recently, and we are trying to assist the federal government in at least in the so-called A-95 process of reducing the number of forms that have to be filed through the grant and application



process, and we have had a great deal of cooperation from it and we believe that we can reduce federal paperwork substantially.

As a matter of fact, the comment was made I believe yesterday by the President in that respect--if we remember his comments--and certainly we encourage him to continue that same aspect.

GOVERNOR RAY: Julian, would you make available to each governor a copy of that executive order?

GOVERNOR CARROLL: I will send each governor two pieces of information. One a bill that we sent to our general assembly that abolished every regulation in our state, and also required every regulation that was to be reissued to be approved by a screening committee, and we reduced them over one-half and, secondly, an executive order that I have issued--and is being confirmed now by law--abolishing all forms in the Kentucky State Government.

GOVERNOR RAY: You send that to us and we will sign the receipt forms and send them back. All those in favor say aye.

(There was a chorus of ayes.)

GOVERNOR RAY: Opposed? Motion carried. Patrick, thank you very much. Now the Committee on Human Resources, Governor Andrus. You might be interested to look at the resolutions that have come from the Committee on Human Resources, so I'd like you to turn to pages 7 and 8.

GOVERNOR ANDRUS: Mr. Chairman, my colleagues at the National Governors' Conference, first of all I'd like to express my appreciation to the Human Resources Committee membership for working with us yesterday, and we spent a straight five hours and had a tremendous workload coming into this session. You stayed with me, and I appreciate it, and I think it is also appropriate that we--the Committee--express our appreciation to the members of the Administration for being involved there also.

We had Undersecretary Lynch of HEW; Assistant Secretary Bill Morrill; Jim Lynn, Paul O'Neill and others that worked with us throughout the day and we do appreciate it.

There were originally 7 policy statements that the Committee had felt were timely, but after we read the Executive Committee's edict--I suppose we could call it--with reference to policy statements that was cut to three. So, Mr. Chairman, we will have three but first I would like to briefly give a report as to the Committee's activities, recognizing that there is probably more money expended by the federal laws and by the state regulations, and certainly by the federal government via this Committee, than any other committee.

Before I get into policy statements, or anything else, I must report to you--and this is timely although it requires no action it is for your information and your information alone--but we were visited by a very lovely lady, former first lady of the

State of Arkansas, Mrs. Betty Bumpers and she gave us a report that I feel you should be aware of and take home with you, because we spend our time and money treating illnesses and diseases throughout this country; spending billions of dollars to do it when a little bit of resources will go a long, long, way in the area of prevention.

The concern expressed by Mrs. Bumpers is that of the childhood immunization program. She reports, and very accurately, that 22 million children in this nation today have not received the immunizations that they should. That under a voluntary program the only cost to us, as states, would be for the vaccine itself and they have accomplished this in Arkansas through the State Department of Health, National Guard, PTA and the National League of Nurses, and others on a voluntary basis.

They were able to accomplish the immunization of the 7 basic shots for all children. Now, why? Well there are humanitarian reasons that all of us are aware of particularly, and let me give you two examples. One from a humanitarian standpoint, and another from a financial standpoint. There is what is called the rubella syndrome, where the child is affected by three day measles coming from the mother early in pregnancy. There are all types of results that come from that disease whether it be blindness, death, heart trouble, mental retardation, and others and if we look at our pocketbook alone some of these cases end up under institutional

care for the rest of their life, and it costs between 800,000 and a million dollars for that lifetime of care, besides the agony that comes from it.

If any of you doubt these statistics, visit your institutions for the deaf and blind and see what they say. I think what impressed most of us was two things that Mrs. Bumpers pointed out the last epidemic of three day measles left 30,000 children afflicted with the rubella syndrome disease. Now that is 30,000 kids and a large portion of those are in institutions right now, so this would be money well spent, and then she capped it off by saying that last year, Calendar 1975, they did not have a single reported case of measles in the State of Arkansas, and Governor Pryor is nodding his head over here that that is true, and that was done through voluntary support, and I recommend it to you and the reason I call it to your attention today is because in June of this year there will be a meeting here in Washington, and they will pick up the tab for bringing in the heads of the state departments of health, the chairman or president of the PTA, the National League of Nurses, and they are going to include the adjutant general of the National Guard in that meeting so that they can handle this.

I recommend it to you. I won't take any more of your time, but I think for further information you can contact Mrs. Betty Bumpers. I think most of you know both she and her husband.

She wouldn't be hard to locate or you can also write to the National Association of the League of Nurses and I think there, you know, the old adage of an ounce of prevention fits this situation that we can easily take care of now.

To go directly to the Committee report, our manpower policy we discussed some 22 policy statements. We did not bring before you a policy statement, but I urge your staff to familiarize yourselves with those prior to our annual meeting this summer. I should report to you, though, that Governor Carey of New York also had--but not in a timely fashion--a report on unemployment compensation insurance that will be taken into consideration prior to the Committee deliberations at the annual meeting this summer. He and Governor Byrne of New Jersey also have another interest in the area of welfare reform that I will speak to in a moment, and then give them the opportunity.

Skiping down over some of the areas, I think we also have to recognize that under President Ford's proposal for the consolidation of block grants in lieu of the categorical grants, as we know them, there has been a lot of information given on this. I won't bore you with more figures today, but I will point out that already we have had the opportunity to work to change some of the impact of this in areas such as the State of New York, the State of Massachusetts, California, and others that would have been hit and probably the material you have seen indicates that in one year

you'd be receiving less money than you are now.

The National Governors' Conference, our Committee, has worked with them in the drafting stage of a proposal, and this proposal has been changed--it all depends on who is using the figures--but in good faith they have worked with our Committee to bring it about to where there is no loss until the year 1981. There is a growth factor, and we will have all that information available to you through your staff members, and then intermediate care facilities. The Committee resolution which was submitted to the Congress for consideration established a task force, and there are other items. We do have a position paper on that policy statement.

Mr. Chairman, with your permission, I will handle all of them quickly and then at the end make a motion. Care requirements there is also a policy statement because it is timely. The Committee felt strongly that the staffing requirement in this area created too great a burden. We are prepared to speak to that if you like, but it would cost--one figure reported in our Committee--was \$15.00 per day for the care of one child by a working mother. I don't have to tell you what that is, but from the standpoint of a staffing requirement it would be even greater than one on one in the case of an infant.

Welfare reform, the lead-off state was Washington and Governor Evans was the lead governor in this regard. We have quite

a lengthy report but, again, because of the Executive Committee's decision on policy statements it was determined by the Committee to hold this until our summer meeting. However, we did receive interest, concern, and involvement from both the Governor of New Jersey, and the Governor of New York, in this regard and, Mr. Chairman, I have been advised by Governor Carey that he would like to speak briefly to this point in our Committee report. With your permission, I will yield to the Governor of the State of New York for those brief remarks.

GOVERNOR CAREY: Thank you, Governor Andrus. I believe it is imperative on my part to speak on this matter in order to, if you will, set before this distinguished conference the ground work that I believe must be laid for action in the nearest possible time frame, namely at the next conference.

I am mindful of the observation of the distinguished Vice President of the United States today that, in his estimate, this is the kind of program which he would support. I would relate to the governors assembled that it was my opportunity while I was in the Congress to serve on the Ways and Means Committee when, under a previous administration, there was a major effort made which coalesced many different groups from the church groups to care agencies; community groups; states; localities; counties; cities, in what was a major effort to straighten out what is frankly an unworkable situation in welfare and Medicaide in our

country.

Nowhere is that more apparent than the high population, high density, states such as the State of New York but as I talked to the Fiscal Committee about attempting to contain the problem we have in our state so that it, in effect, remains a fiscal flu and does not become a viral infection that can contaminate other states, and so I ask your consideration of the statement that I am about to make and it is this that dependency is growing and it is a drag on our economy.

It is growing in such a way that it is contributing in many ways, both directly and indirectly, in the loss of vital human resources due to crime, delinquency, and motivation in society and it was an issue before the Congress. It passed the House of Representatives twice during my fourteen years there and each time, frankly, it became stagnated in the Senate.

More than ever I feel now because of the recession we have endured, and which we hope is ending, I believe that within the framework of the existing federal budget we can accommodate major welfare reforms. I say that because where that has been undertaken in the case of the SSA, ISSA, program where there were federalized categories for the blind, disabled and elderly, that there has been an improvement. There were some rough spots in terms of administration at the outset, but at least those categories now are manageable in terms of the identity of eligible persons.



The provision of adequate money for life security, and that kind of thing, has worked in a limited area. Now, however, because of the relative matters that I see before us, namely, that we are stabilizing the birth rate. We are no longer faced with a burgeoning population, of dependent children in fatherless families or parentless families. We are contained in terms of the growth of the problem.

Further, I believe that the computer gives us an added and effective instrument of identifying eligible welfare recipients, and that will contain the problem of the mobility of the welfare family which, frankly, has moved from state to state sometimes in search of benefits or employment, or both, and this is a program which we need to contain.

Now I am not attempting in any way to single out any population group in our country for attention as those who must be blamed. But it is a fact of life that by failure of adequate enforcement or personnel to implement the enforcement of the immigration laws we have a huge amount of--huge number of--illegal residents, aliens, that have settled in the principal metropolitan areas and we are not equipped to educate them, or employ them, or otherwise improve their condition.

Therefore, I feel that on the basis of this situation which has heavily impacted the return and recovery of the economy of the principal population areas that the time has come to make

another effort of a great magnitude to get welfare reform, and Medicare reform, as a means of eliminating waste because there is huge waste endemic in the present system. I am certain this is a matter of knowledge for the Administration. They have been studying it. We have a new Secretary of Health, Education and Welfare. We have seen attempts to improve the system as it now exists. It requires planning and cooperating between states, localities, and the federal government and I suggest that if there is any one criticism that is laid at the door of this distinguished conference is that in an area of major moment we can't get together.

I feel we can, and I would like to ask and request and solicit here that the distinguished committee headed by Governor Andrus, and Governor Evans who heads up the task force, that we give our utmost to take partisanship out of this consideration because each effort that was made in the Congress was a non-partisan effort, and an attempt was made to work with those voluntary agencies in our country who have extended themselves enormously to help those in need.

We recognize that this is the kind of thing that should be done, so that despite the recession and the--if you will--drag on the economy which slows up recovery that we do our best as governors to cope with the condition which, frankly, has made cities and localities of the kind that we have in New York almost unmanageable because of the major impact upon our ability to

employ, to school, to train, to give health care to a dependent population.

I think this is a matter worthy of the utmost attention and consideration of the governors and I would hope, Governor Andrus, at the next conference we can make this a matter at the optimum level of the agenda, and carry it forth in terms of a comprehensive statement and secure as well in the interim the objective consideration by the Domestic Council within the Administration, and if you can elicit from those who are in the Administration and are cognizant of health needs and welfare needs a positive action toward a program that we can support as much as we are now supporting revenue sharing because, indeed, revenue sharing will be wiped out in terms of conditions caused by excessive welfare costs, and that is a condition we have had to cope with in New York in my first year as Governor.

I urge upon you that if we are going to change the course of history and do away with waste and this unwelcome condition in our country that the time has come to do it now, and I hope the governors will give this adequate consideration at the next meeting.

GOVERNOR ANDRUS: Thank you, Governor Cary; I assure you that we have taken this seriously and along with the Governor of the State of Washington we have prepared quite a packet that has been distributed prior to this session, and we have been working on a

proposal for recommended legislation which we will have before you this summer.

Your concern is shared by the other governors here today and so very briefly, Mr. Chairman, the rest of the report is simply to report to you that we do have a policy position on food stamps. The reason it is here is because it is timely. It is under consideration both by the Administration and by the Congress, at the present time, and we would advise the Governor of the State of New York and others who are concerned not only with welfare reform, but all of the other items on the Human Resources Committee agenda that the staff will meet in the interim, and the full Committee will meet in the interim before the summer meeting.

I would respectfully suggest that all of you who have suggestions take advantage of these working groups and now, Mr. Chairman, I will express my appreciation once again to the Administration for their help in this regard. I have said publically several times that there is a lot of difference between rhetoric and results, and we recognize that--the Human Resources Committee---recognizes very clearly that we are getting a great deal more support both manpower and rhetoric from the Administration, the Department of HEW than we were from our friends and colleagues on the Hill and we will accept that and give our thanks to them for it.

Now there are three policy statements, Mr. Chairman, they

are numbered 6 and 7 on the blue sheet that you have. There is a third one that was inadvertently left out. It has met all the requirements in a timely fashion. It is a simple two sentence statement, and if you prefer we can take that one first because it is not on there, if it meets with your approval.

It is the Human Services Program Reform, and that has been distributed on everybody's desk, two sentences, on one sheet of paper and this is referring to the area of the day care regulations and I think you must be all very aware of that. I would move the adoption.

GOVERNOR NOEL: Second.

GOVERNOR RAY: You have heard the motion and the second, is there any discussion? All in favor say aye.

(There was a chorus of ayes.)

GOVERNOR DAY: Opposed? The Governor of New York abstains and that will be recorded.

GOVERNOR ANDRUS: The other item is on page 7, Intermediate Care Facilities, and basically what that says and, again, I think most of you because of Medicaide and Title 19 and 20, and all of the regulations that you are faced with, you know the problem of the escalating costs particularly in the areas of education and intermediate care facilities, and that is being discussed presently both by the Administration and on the Hill and we simply say--and I will abbreviate it for you--you have it before you that the

National Governors' Conference requests the Secretary of Health, Education and Welfare to rescind federal regulations governing standards in Intermediate Care Facilities, and to accept in lieu thereof individual state standards which conform with the minimal standards.

Then the National Governors' Conference agrees to work with the Department of Health, Education and Welfare to draft minimal standards and that no fiscal sanctions will be imposed against such states, and I move for adoption.

GOVERNOR STRAUB: Second.

GOVERNOR RAY: The motion has been seconded, is there any discussion?

GOVERNOR CAREY: I intend to abstain with the explanation that we have a commission that is currently engaged in carefully examining the present level of standards, and discussing this with the Department of Health, Education and Welfare officials. I don't want to make any interpretation one way or the other in terms of where we are in trying to reach minimal standards, or adequate standards.

GOVERNOR RAY: Let the record show that you are abstaining. Any further discussion? All those in favor say aye.

(There was a chorus of ayes.)

GOVERNOR RAY: Opposed? The motion is carried.

GOVERNOR ANDRUS: The third and last one from the Human

Resources Committee is Food Stamp Reform. Obviously it is timely right now. It is before you, and you have had an opportunity to read it. I think you are also aware that one portion that the Governor's Conference has consistently supported has been that area where the purchase requirement for food stamps should be eliminated, but that provision can't stand alone. You have got to look at the entire eligibility standards that were set forth. However, the 7 to 7 tie yesterday in the Senate kills that item in the policy statement itself, but it is still a part of the overall recommendations that this Conference has made, and I won't belabor all this and I move for adoption.

GOVERNOR HOLSHOUSER: Second.

GOVERNOR RAY: It has been moved and seconded. Is there any discussion?

GOVERNOR EDWARDS: Mr. Chairman, there are two or three things that concern me. One, we talked about the need for getting control of the abuses in the Food Stamp Program and also to continue the provisions related to the nutritional needs of the individuals and families served. Some of the more affluent people in America have deficiencies in nutrition, and this is a very subjective thing, and I wouldn't want to be the one to sit in judgment on the nutritional needs in our society.

GOVERNOR ANDRUS: This comes about basically because there are some items that are purchased in a grocery store that are

not necessary for the nutritional well being of the family members involved, whether it be beer; wine; cigarettes, or what have you. There are presently regulations concerning this, and it is my understanding of them, and I hope that explains the situation.

GOVERNOR EDWARDS: You have here "eligibility should be based solely on income and categorical eligibility should be eliminated." This means that a person who owns a thousand acres of very valuable land who happens to be caught in a squeeze is not eligible for food stamps. If you own four cars, and a tractor, does this mean that these things are not taken into consideration when it comes to the question of eligibility for food stamps?

GOVERNOR ANDRUS: The food stamp program, Governor, at the present time is so loose that many people qualify in some of the states almost in the same situation that you have described. But really what that sentence is in there for is to ensure that it is based on each individual case, and that just because a person falls in a certain category as a welfare recipient that doesn't necessarily mean they are qualified for food stamps. That is the type of approach to the situation we are considering.

It must be determined on their income, and their income alone. I don't know that I can broaden that statement any more. Let me ask staff one question.

(Confering with staff.)



GOVERNOR ANDRUS: Presently in some states they can qualify for food stamps. People on SSI automatically qualify. There is also a \$15,000 limit. This is based on a categorical eligibility instead of solely income, but this provision was put in to prevent this type of situation and have it based on a person's income entirely.

GOVERNOR EDWARDS: You don't think that we should consider their assets, material assets, to qualify them for food stamps?

GOVERNOR ANDRUS: Governor, yes, as a matter of fact I do but presently there is a tightening up of the present policy and, as a matter of fact, if you go through the rest of these you will see in the area of students and others where it does tighten up the eligibility. That is what this is designed to do.

GOVERNOR NOLSHOUSER: Mr. Chairman, pursuing that point further it seems to me that the Committee had a very valid objective when they talked about the elimination of categorical eligibility. But I think it has caused a great deal of confusion and, at the same time, I think it can be resolved very simply and if you will permit me I will offer an amendment to say that eligibility should be based solely on income and resources, and categorical eligibility should not be eliminated, and I think that would take care of the points Governor Edwards raised. The same basic thing with regard to the SSI definition.

GOVERNOR ANDRUS: Mr. Chairman, that doesn't substantially

alter the position paper that was approved by the Committee, I think you might call that massaging the statement, and under the minor revision of the rules would not require a suspension of the rules to do it. I would ask for unanimous consent that that be included.

GOVERNOR RAY: Is there any objection to that one word change? Any objection to accepting that as a Committee amendment then?

GOVERNOR LONGLEY: Is the question that we unanimously recommend that we eliminate the purchase requirement?

GOVERNOR ANDRUS: Yes.

GOVERNOR LONGLEY: I'd like to address that. We are all concerned with the original intent of the program by ensuring that a percentage of the resources were being used to maintain a decent standard of living. Originally it was thought that a family would dedicate some of its own resources in order to participate which makes it, then, become another cash grant program and considering the reported abuses in the food stamp program I am wondering if this doesn't compound the problem.

GOVERNOR ANDRUS: Governor, in the judgment of the Committee this was part of the total package and I ask you not to look at this one all by itself with regard to tightening up eligibility, and the Committee felt very strongly that there were those times when food stamp recipients did not have the opportunity

to participate because they did not have the money to buy the initial stamps and if, in fact, they were truly eligible then the extra purchasing power should be given to them.

The Committee has consistently asked that it be tightened up, and Governor Evans who is the Vice Chairman of the Committee is indicating that he desires to talk.

GOVERNOR EVANS: Mr. Chairman, I was going to say that we have looked at this in our own state where people are clearly in need, and clearly eligible for food stamps, and they would be the ones you would put the highest on the priority list in terms of their need. They have a limited income; they are faced at the beginning of the month the choice of mailing in the rent, paying their other obligations, or putting out the necessary cash resources in order to qualify for food stamps and, frankly, these are people who are very careful about their obligations and they feel that they must pay their utility bills; they must pay their rent, and must pay their other obligations and they simply go without food, and I think that is one of the problems with the cash requirement and if you do take these other tightened eligibility requirements along with the elimination of the cash requirement I think you will end up with a more expensive system.

GOVERNOR LONGELY: I am satisfied.

GOVERNOR ANDRUS: The Governor from the State of New Jersey has indicated that he wants to speak.

GOVERNOR BYRNE: I think we ought to put the vote on this resolution in the proper context, and this is the context that has been provided by Governor Carey. The best this resolution is going to do is cosmetically to help a program which should be supplanted by a federal takeover, and it is too big for us to handle. As a Governors' Conference, we do not have the agility to take advantage of the momentum supplied by the Vice President of the United States who speaks for the Administration in supporting a federal takeover, and I would hope that the governors despite the passage of this resolution would come together as four of us originally did and be joined by at least three or four others to move for the bigger program, and to get together with the President, and I would invite you through Governor Carey to express your interest to him in joining with us in a meeting with the President to solve the problem on a more realistic and more permanent basis.

GOVERNOR CAREY: Will the Governor of New Jersey yield, Mr. Chairman?

GOVERNOR ANDRUS: I believe I have a hand up down here.

GOVERNOR STRAUB: I want to say that I have looked at this problem very carefully in Oregon, and analyzed what the effect would be in Oregon in terms of issuing food stamps to those eligible who are on a payroll, and issuing cash--additional cash--to those who are on welfare, and we found that it would be

a tremendous implementation of the program, and a tremendous savings in administrative costs.

We have done a runthrough, and estimated that it will save about \$800,000 in the State of Oregon in one year in administrative costs by this simplification, and we are not interfering with getting the real benefits of food stamps to the people. In fact, we are probably making more people available to this resource than are now available to it.

GOVERNOR ANDRUS: Are there any other governors who haven't spoken for the first time? Any that desire to speak that haven't spoken for the first time? I have Governor Evans from Washington and Governor Carey from the State of New York and then, Mr. Chairman, we will close the debate.

GOVERNOR EVANS: Mr. Chairman, let me speak in response to the very worthwhile comments of Governor Carey and Governor Byrne with regard to welfare reform generally. For about a year, now, we have been working first by questionnaire to each state with their response on a number of potential elements of broad welfare reform. I think that one of the more unanimous feelings from the various states was in this specific area of cash outlay for food stamps and other similar type things to make a simplified and streamlined welfare reform program.

We are at the point, now, where I think we have the opportunity working through the National Governors' Conference, and

I hope we can all work collectively on this, and also with the representatives of the mayors and the county officials, and I had an opportunity to talk with the President and with some of the leading members of the congressional committees in this field, and I think there is a universal desire to tackle this difficult problem.

I am under no illusions that we are likely to get a broad response from the Congress during this calendar year, but that doesn't mean that we shouldn't be working in this area, and I hope that we will have some rather specific long range and I hope dramatic proposals to bring to the National Governors' Conference meeting in July and, hopefully those will be brought in concert with the cities and with the counties so that we could do this in the same fashion we got revenue sharing through originally, and that we could tackle successfully before the Congress and the Administration these questions of welfare reform which, unquestionably today, has been concluded as a number one domestic priority.

GOVERNOR ANDERSON: Thank you very much, Governor. Governor Carey from the State of New York who wants to abstain from voting, I will recognize you briefly.

GOVERNOR CAREY: I want to just concur with what has been said by Governor Evans and Governor Byrne, and also say that we should not call for a piecemeal approach to the burgeoning cost of food stamps which is symptomatic of a lot of the thinking

in what is being done, as Governor Evans said, in the broader field of welfare reform. Now my further comment is that the President is cognizant of this problem, and has indicated in a statement recently issued that he plans for executive action in this field, and will issue regulations, and by direct action of his own bring about certain reforms some of which are vague and undefined, but I am willing to be on record here as advocating the reforms which the President may interpret as a mandate to go ahead with executive action but I am not concurring with the Governors' Conference in such action.

GOVERNOR ANDRUS: Thank you, the debate is closed.

GOVERNOR RAY: All those in favor of the motion signify by saying aye.

(There was a chorus of ayes.)

GOVERNOR RAY: Opposed? Motion carried. Governor Carey, are you abstaining?

GOVERNOR CAREY: Yes.

GOVERNOR ANDRUS: In closing, I'd like to also recognize that the Department of HEW is working with us to reduce some of these regulations that we found so difficult to work with. I will report to you later.

GOVERNOR RAY: Thank you, Cecil. If you look at your green sheet, the next four resolutions--8, 9, 10, and 11--come under the Committee on Natural Resources and Environmental

Management, and the Chairman of that Committee is Governor Salmon.

GOVERNOR SALMON: Thank you very much, Mr. Chairman, fellow governors, this Committee has been an extremely busy one since we last met and I'd like to highlight a few of the things that we have been up to.

We have a new energy bill in this country which does some good things in the views of the overwhelming majority of the members of this Committee, particularly in terms of minimum future efficiencies for automobiles, efficiency labels for appliances, and the \$50 million that would be factored in for conservation programs that would be operated by the 50 states that ~~would have a potential, if all goes well,~~ by 1980 of reducing demands by some 2 million barrels of oil a day.

There are five task forces working in this Committee, with a lead governor heading up each task force and it is generally felt that coal is a great slumbering giant in this country, and must play a significant role in getting us out of this energy malaise by the turn of the next century.

Perhaps the most significant thing that has happened since we last convened is the notion that we have lowered the decibel level of the traditional confrontation and debate with those agencies in the federal government that deal with energy matters. Now I couldn't help but think during the revenue sharing debate



yesterday that at times it got somewhat acerbate that we have not vastly improved our relationships with the FEA and with the Energy Resources Council. We are now actually talking with these people on a fairly regular basis, and we are now actually putting our staffs together on a state basis, and they are managing the effort on a federal basis, and we are talking about some of our problems and at a point in time before ultimate decisions are necessarily made and we can still respectfully agree to disagree on many issues, but very significant progress in my view on these issues has been made.

We looked at the matter of synthetic fuels, at the whole question of impacted aid and the conservation program have been on the agenda for discussion with our federal counterparts. We have had a seminar in scrubber technology, and it has a capacity to make a significant inroad. There have been comments with regard to management and maintenance operations from the utilities that are involved.

The most significant item that occurred during our deliberations in the Committee this week was the decision to move forward on a new task force project, which was unanimously adopted by the Committee, to take a long hard, careful, and professional objective look at nuclear power in our times with special emphasis on the relationship of the 50 states to the Nuclear Regulatory Commission. This Commission has to deal with

a number of multi-faceted propositions, obviously, with regard to health and safety concerns; the issue of spent waste and the like.

This will be a low key objective overview designed to husband and encompass every point of view on the sometimes emotional national issue that has emerged as a very significant public issue, and our Committee hopes to make or create the capacity to have an objective forum to help the education process in these United States today.

Now we only have one resolution on the energy side for your consideration. It involves natural gas, it is D-4(F) in the book. The rationale for the resolution, the background, stated in the simplest possible terms is this. Seventeen of us were asked to come to the White House, but before we went 13 or 14 of us met and discussed this issue and fundamentally agreed to agree on a consensus, the consensus of which is reflected in the resolution before you today.

The fundamental rationale for decontrol of natural gas is, as this recommendation suggests and also in the view of this observer and ostensibly the view of the six governors on this Committee who voted unanimously in favor of this resolution, is the notion that the price of interstate gas is utterly and totally, and arbitrarily, out of the main stream of the private enterprise system in this country. With the 52¢ per thousand cubic feet maximum as relates to gas prices in the intrastate market, this will

run as high as \$2.00 MCF and this creates the situation in our view of absolutely no incentives whatsoever to get about the business of tapping available natural resource capacity in this country, and finding the dollars and the capital market to do so, which is a very important part of this resolution.

Another important part is we don't mean outright decontrol. It is de facto phased decontrol. All the contracts that presently exist will remain in place, and based on experience in producing states such as the State of Oklahoma the de facto implication in terms of the rise in price over a course of many years will run somewhere around 5%.

Now on the non-energy side we have a few resolutions, very, very, briefly one involving federal water pollution which is D-30. The facts of life, gentlemen, are these that unless something is done about the bill now pending in the Congress by the end of Fiscal Year 1977 twenty-eight of the states that are represented in this room will be out of water pollution funds, and we think that is significant.

The Committee has an ideal solution to deal with this apparent impass on the Hill. We are going to send one of our best, and our brightest people the Vice Chairman of the Committee, Arch Moore, up to the Hill to get the House and Senate Public Works Committee cracking in terms of our profound and legitimate interest on this issue. We have some minor amendments that I want to dwell

on.

One is existing policies, and we also considered the whole question of the Clean Air Act. There is no consensus among the governors on the aspects of the Clean Air Act, but I can testify based on extensive presentations we had before the Committee that the interests of the states are legitimately being considered, and we want to dramatically increase the interest in this regard. There is both a House version and Senate version on this issue, and because the issue shows a deterioration and is so murky and troubled among the governors as a whole that we, in fact, have no policy and offer no policy on this limited issue before you today. With that, Mr. Chairman, I would move the adoption of the report.

GOVERNOR RAY: Second?

GOVERNOR HOLSHOUSER: Second.

GOVERNOR RAY: Discussion?

GOVERNOR ANDERSON: Mr. Chairman, I attended my first meeting of this particular Committee last December and I raised just two points, and those of you who are members of the Mid-west Governors' Conference passed a resolution quite similar to this in Cincinnati last year.

It is my position, and I think Governor Moore might disagree, that this particular resolution differs in two respects. I would be prepared to support a resolution that would deregulate

gas with respect to new supplies, but this goes a step further and would deregulate any new contract with respect to existing gas. I see no reason for supporting that.

Secondly in the resolution that we passed a year ago at the end of five years the effect of the resolution was that a new review would automatically be taken. I didn't vote against that at the time.

GOVERNOR RAY: Bob, is it your understanding that the 17 governors--the majority of those--overwhelming majority of the 17 governors--favored what you are now talking about?

GOVERNOR ANDERSON: This five year provision was not part of the resolution, it was taken out I think with respect to new contracts on the existing supply of gas. I think that is a correct interpretation.

GOVERNOR SALMON: It is important to point out that this five year position was an ad hoc idea that was incorporated in a series of items that 16 of the 17 governors, as I recall, approved and it did not run through the Committee structure at that time. You have before you what was run through the mill, so to speak, and it represents our best effort at arriving at a comprehensive energy policy with respect to natural gas.

GOVERNOR RAY: Governor Exon.

GOVERNOR EXON: I'd like to ask a question of Governor Salmon. As I understand the resolution that you are proposing

here for natural gas deregulation that if this proposal is adopted by the National Governors' Conference it would be in conflict with recent legislation passed by the House of Representatives, but probably in agreement with the prevailing attitude in the Senate. Is that a right assumption on my part?

GOVERNOR SALMON: There are demonstrable differences in the House and Senate on this issue, Governor Exon, and this policy document was not approved in relationship to either of the varied schools of thought on the subject, which includes the school of thought that opposes any form of deregulation at all.

It merely suggests that with a three trillion cubic foot shortfall as you go into an acute winter situation this will impact a significant number of states in the Union, and that we had better give grave concern to how we are going to raise the capital to exploit to the optimum extent the natural gas resources in these United States.

GOVERNOR EXON: I have a further question. I believe that when this was taken up in Cincinnati at the last Mid-west Governors' Meeting, I either abstained or voted--I don't remember which. Now I want to ask the question, again. I wasn't sure that I got your answer, and maybe you can't answer but as I read this it would seem to me to be in conflict with the recent action by the House of Representatives. Am I correct in that or not in your opinion?

GOVERNOR SALMON: I believe the House of Representatives dealt only with the emergency side of the coin with the 90-day provision in relationship to the FPC as opposed to any definitive decision on the wisdom of outright or phase decontrol. This is inconsistent with the House position.

GOVERNOR BYRNE: Mr. Chairman, first I'd like to get the record straight as to the 17 governors who voted in favor of deregulation of natural gas in the White House. I was one of the 17 governors at the White House meeting, and I have been on record for a long time as opposed to deregulation of natural gas. Milton Shapp was another of the 17 governors at the White House, and Milton Shapp expressed in hearings and has continued to speak out in opposition to the deregulation of natural gas.

I think that we have got to know a lot more about what we are doing before we pass this kind of resolution which, in my opinion, will bring the price of natural gas on a BTU basis up to the competitive price of oil, and will do very little else.

The House bill which was passed a week ago regulates the price of intrastate natural gas. I think we ought to see what happens to our supply of natural gas if that House bill passes the Senate. We have nothing really to gain. We are now at the end of February, and we are talking about natural gas for this winter. The crisis is over. I doubt that anybody can represent to this Conference that the passage of this resolution, or its enactment

into law, as a result of its passage today is going to get us one cubic foot additional in natural gas.

The Federal Power Commission, in my opinion, has the ability to deregulate natural gas to industrial users of large quantities on a direct basis and the Congress would have no authority if the Federal Power Commission doesn't. There is nothing wrong with a full discussion by the whole Conference of this important issue at another session where we could all understand what we are voting on.

We are not going to help this situation this winter, and I would urge a greater reflection by my fellow governors before a resolution such as this one is passed.

GOVERNOR HOLSHOUSER: Mr. Chairman, what Governor Byrne says may be correct as to being at the end of the winter time, but certainly he is not reflecting the influence of the Congress. Only four votes separated this issue in the House and, of course, it was also close in the Senate. But those of us who have suffered through the shortages of natural gas, and who face worse and further shortages next winter, can't afford to sit by at the very time when we have got the one chance in maybe our entire administrations to influence the Congress in the correct direction, and it would be wrong not to take the opportunity to encourage them as we see best.

Now when next winter time rolls around in North Carolina



we will be worrying about this, and so will some of the other governors I expect, and I know that until the FPC gave us some temporary relief in December we were facing a 60% shortfall. We have still got a 40% shortfall, and I'd say to the Governor of New Jersey that ~~the FPC may have the authority to allow industry~~ to go in on direct buys but when you start looking at what is required in the way of transportation you will find that is not really a very practical and feasible solution.

GOVERNOR BOREN: Mr. Chairman, I'd like to join in what Governor Holshouser had to say. It is a very important matter pending in the Congress now, and it can have an impact. The Grover amendment is still being considered in the House, and it is still alive to the extent that we have submitted other amendments which are under consideration, and there is a good likelihood that there will be a Senate and House conference on this issue. So I think that it is imperative that we express ourselves.

As was pointed out in a meeting Sunday, natural gas as far as the short range energy crisis is concerned is still the fastest way, and the most environmentally acceptable way, of solving the crisis. 40 of the deep wells drilled in western Oklahoma, and Texas, alone provide enough energy to equal the total amount of the TWA for a year. These wells cost about \$10 million each to drill, and we are talking about deep wells, and the drilling costs are going up and here we are experiencing a time

when we have an energy crisis, and right now there is unemployment among some of the drilling crews for these deep wells in western Oklahoma because of the uncertainty of the price structure.

Now I make this appeal to you to take action on this, not for the sake of the people of Oklahoma, for example, because the reserves of natural gas in the intrastate market have gone only up about 1% more than the demand in the past five years. We have not inflationary gas, with the price for new gas approaching \$2.00 at the wellhead because we are developing adequate supplies, and we have had less than a 5% per year residential cost increase.

It seems to me that for those of you who are in the non-producing states that this is a sound and moderate proposal. It controls the old price so that the average will not go up very much. But it will provide an adequate supply.

We had a study made, and we discovered that the consumer these days pays about \$2.75 per MCF for gas, and only 25¢ was going to the producer at the wellhead, 50¢ to the pipeline company and the rest to distribution. So if we think about it for a minute, if we just increased it 40¢ on the average to the producer we could lower the pipeline cost. We have got to pay off that amortization cost of some \$30 million for the pipeline, and also provide an adequate supply of natural gas to those non-producing states and a lower unit purchase cost to the consumer than we do with the present inadequate interruptible supply.

I don't think we should sit back and wait for the prices to increase, to get worse. I think here we have the pipeline system in operation. We do not have a lengthy period of time that is needed to obtain a supply of energy such as nuclear. It is clean, it is available, it is not a pricing structure that is depriving the non-producing states of this energy. So here if we are talking about the national interest then I think we should act now instead of later.

GOVERNOR RAMPTON: My concern with the proposal as stated here is that it states partially what I believe, but there are things in the rather long resolution that I can't agree with. I think we have got too much in a single resolution. I do not favor partial deregulation. I was involved in the problem of regulatory agencies, and the pricing structure, and it is very, very difficult to administer. I would either favor total controls or discontinuing them.

I am in a position really where I don't know where to go on this.

GOVERNOR DUKAKIS: Mr. Chairman, I simply want to associate myself with the remarks of Governor Anderson and Governor Byrne on this issue. I think what we really have here is a classic case of a failure of regulations with regard to the Federal Power Commission which is now bringing with it strong demands for either partial or total deregulation under the circumstances, and this

really demands aggressive, intelligent, forceful and sensible regulations by the Federal Power Commission which is something we have not had for years.

It seems to me that before we move to endorse the de-regulation, either in part or in whole, one of the important sources of energy that we have to be very sure that the industry is effectively price competitive and the resolution itself, if you will note in the third to the last paragraph, points out it seems to me very responsibly that there is, in fact, evidence of vertical and horizontal integration and interlocking relationships among natural gas producers and purchasing pipelines. There also is evidence of integrated and interlocking relationships among natural gas, ~~petroleum~~, coal and uranium mining firms, and I might add editorially that if anything that trend toward integration has increased during the recent past.

Now under these circumstances I think it is clear beyond any doubt the prospect of real price competition in the energy industry is very, very, dim indeed. While I appreciate the sentiments of the last paragraph which suggests that we are going to closely monitor whether or not the letter and spirit of the national anti-trust laws are freely respected, I must say in all honesty that any student of the energy industry has to smile a little bit at that paragraph because it is clear beyond a reasonable doubt that if there is any industry in which the letter and spirit of the

national anti-trust laws are not being freely respected or even respected in part it is energy.

Accordingly I think what we need--and in this sense I think Governor Rampton is correct--is a basic judgment as to whether or not this particular commodity should or should not be the subject of regulation. In my view, given the essentially price competitive nature of the industry and evidence of increasing concentration and vertical integration in the energy industry generally, it seems to me that there is a very strong case to be made for continued regulation on the long term basis.

But I would agree with my friend from Oklahoma that the way to regulate sensibly in the public interest is to regulate intelligently, and set a price which takes into account the fact that investment, exploration, and development is part of that price structure and I would like to see us one of these days find ourselves with the Federal Power Commission really wanting to regulate sensibly in the public interest.

I think that is the way we ought to move and I, personally, think that this resolution is unwise and should be voted down.

GOVERNOR NOEL: Mr. Chairman, I think that this very debate about this resolution that deals with the proposed gas deregulation points out the great failure of this nation to come to grips with the energy issues. I have said it before, and I'd like to repeat it again in the context of this debate, because I think

it is a point that we have a tendency to lose sight of, if as President Nixon said and as President Ford has said, and many other government leaders have said, that energy is now a great national issue and if energy--independent of one level or another--is a great national goal and that it relates not only to economic stability in this nation, but also to international security, or national security in the international arena, then we need one comprehensive national energy policy and that policy must recognize the fundamental principle and that is that there must be a system that provides for parity of supply, and parity of price, in a relative sense across this nation.

Now when you start to deal with energy, and you break it down into its component parts, you are talking about natural gas today but not in the context of energy parity of price and supply but only gas, then you are going to be forever embroiled in this kind of futile debate.

It doesn't make any sense for the northeast, and New England, to be talking about gas deregulation when you have a disproportionate price of petroleum products that is driving our industries and our people into the ground. So I am not going to participate in the debate on this resolution, and I will oppose any of these deregulation measures until this Conference and this nation comes to grips with the real issue, and that is to develop a policy that will lead us to a system that will provide parity of

supply and price across America. Because if it is a great national goal, the burden has got to fall evenly on the backs of all Americans.

When I discussed this issue with President Nixon, and some of the governors were present, I said to him we had to draft men to fight the Second World War. We didn't draft 18 year old men in New Hampshire and 20 year old in Texas alone, the draft was across the nation. It was a great national goal and the burden was placed evenly on the backs of all Americans. If this is a great national goal, then we had better talk about the same sort of fairness and equity, and then we have to debate the issue in the context of an energy system, and we can't talk about one component part of that system and not relate it to the rest of the system. So I am going to join my colleagues who are preparing to vote against this resolution.

GOVERNOR RAY: Governor Exon.

GOVERNOR EXON: Governor Salmon, I don't wish to prolong this question because it seems it is headed toward a consensus that basically we would agree not to tamper with the existing wells and existing well prices, but rather we may recommend that new wells not be controlled. That was the consensus that seemed to come from, at least, some governors' conferences. Did your Committee look at this possibility, or are you trying with a marriage of the two under this resolution?

GOVERNOR SALMON: We looked at all of those options, and felt that with the obvious cumbersome relationship of any resolution that moves towards decontrol according to any theory that the long term de facto phase out averaging about 5% a year across the board was a worthy kind of objective, and this was driven partly by the belief of the members who voted that the case be made for decontrol over a period of years.

GOVERNOR EXON: Mr. Chairman, is a motion in order on this, a substitute motion?

GOVERNOR RAY: Jim, do you have a substitute motion to make?

GOVERNOR EXON: I will offer a substitute motion that we delay any further consideration on natural gas deregulation until the next meeting, the summer meeting, of the National Governors' Conference.

GOVERNOR RAY: I think probably, Jim, if that is your desire the best way to handle that is for you to move to table this particular statement in this resolution.

GOVERNOR EXON: Mr. Chairman, I move to table this resolution.

GOVERNOR RAY: Second?

GOVERNOR LUCEY: Second.

GOVERNOR RAY: This is not debatable, and a simple majority is all that is required to table it. All in favor say



aye.

(There was a chorus of ayes.)

GOVERNOR RAY: Opposed?

(There was a chorus of naves.)

GOVERNOR RAY: It will require thirteen aye votes to lay it on the table. All those in favor raise their right hand. There are 13 ayes, the ayes have it. It is tabled.

GOVERNOR SALMON: It was my intention to move all of the changes collectively in my motion. There are other resolutions in solid waste management, waste water treatment, a metric system in topographic mapping, that were included under the rubric of that general motion.

GOVERNOR RAY: Let's just go with all three unless I hear an objection. The motion has been made, is there a second?

GOVERNOR CARROLL: Second.

GOVERNOR RAY: Any discussion? All in favor signify by saying aye.

(There was a chorus of ayes.)

GOVERNOR RAY: Opposed? The motion is carried. Now, Governor Busbee if we could move to you.

GOVERNOR BUSBEE: Thank you, Mr. Chairman. The Chairman requested that we not present any resolutions unless there was some urgency before the June meeting. The Transportation, Commerce and Technology Committee met most of yesterday. We met in the

Transportation Department. We do have some crises in this area that we must address at this session.

As you know, all of the apportionments under the Highway Act have ceased except for interstate apportionment. As far as the airport and airways trust fund, we are continuing to collect taxes but there is no disbursement until we have an act.

We discussed this with the Transportation Department and with the Secretary yesterday as to our concerns. The meeting was most beneficial, that meeting with the Secretary, who shares many of the concerns that we have previously expressed in our policy positions and at this Conference of the return of highway funds, interstate apportionment, to the states. But being realistic at this time we must have a highway act. We have met with the conferees of the House and Senate. We are impressed by the progress that is being made for a two year extension of the act, and we have a resolution that we have proposed here recognizing their progress and urging completion of their task.

On the legislation extending the airport development act program, the House has passed legislation and it is pending in the Senate, and we recommend a resolution supporting the House bill except the funding distribution formula for air carrier airports. This resolution is before you, and we recommend retention of the current formula. We recommend a resolution supporting hearings on aviation regulatory reform. Such an act has been proposed by the

Administration on discontinuance of routes and many other regulatory reforms, and there is considerable controversy over its results.

Our resolution only calls for hearings to better determine the results of such legislation.

In addition to the aviation and the highway resolutions, we have one other resolution which is a result of a meeting on December 18th with the President and the Cabinet, and six chairmen of the standing committees, concerning the lack of communications between the National Governors' Conference, the governors, the Cabinet and the President.

We recommend a resolution requesting that the U. S. Government make available to the governors an access to the Federal Telecommunications System as a first step in the establishment of a better communications system for all of the governors, and you have the resolution that goes into some detail on this.

We have these four proposed resolutions which are in front of you, starting on page 18 I believe. I would like to note that none of these resolutions rewrite the National Governors' Conference basic policy position, but rather are reactions to existing and pressing issues particularly regarding the freeze that we now have on the Airport Trust Fund, and the fact that apportionments have run out in the Highway Act.

With that I will run through the resolutions by page and move joint adoption, Mr. Chairman. On the first page, page 18,

this is a recommendation on highways, and commending the conferees on the progress that they have made.

The second is on aviation, and I have must mentioned that the only difference from the House position is that we urge the Congress to restore the original funding distribution formula in order that the funds are distributed according to need rather than to claimant.

The third is aviation regulatory reform, on page 20, and this simply encourages hearings on most controversial subjects and last, on page 21, is the telecommunications technology report in which we will make available to all the governors the telecommunications system so that we might be able to meet without coming to Washington by telephone, and also encouraging a study of our task force for rapid facsimile transmission. I think that is a long resolution and I will not read it unless there is a question.

Mr. Chairman, I move for the adoption of these four resolutions.

GOVERNOR RAY: The motion has been made, is there a second?

GOVERNOR KNEIP: Second.

GOVERNOR RAY: Discussion? All in favor say aye.

(There was a chorus of ayes.)

GOVERNOR RAY: Opposed? Carried. For those of you who remain, thank you very much and that really concludes the affairs

except if we have any other business.

GOVERNOR LONGLEY: I'd like to make a comment. I think the easiest thing in the world is to be critical. We heard a lot of criticism about the lack of an energy policy on the part of Washington. This is our third meeting attempting to resolve, as governors, an energy policy with a fantastic committee putting tremendous work into it.

Now I mean this constructively. It is the easiest thing in the world to find fault with Washington. We, as governors, haven't been able to come forward and embrace in part or in full an outstanding report by an energy committee. I mean that I think that we should be very cognizant of the criticism of our friends in Washington, and maybe direct more towards ourselves.

GOVERNOR RAY: Thank you, Jim, that is a good point. As was mentioned earlier, there are many governors who have not really actively participated in the working of this particular committee, and I can tell you that committee has put in more time and has had more expertise at its disposal from members of the respective states as well as people in Washington to develop an energy policy that we can have as a policy for the National Governors' Conference.

You make a good point, and I think we ought to take it to heart because it is obviously easy to criticize. We have had some people working for a year and a half now, and as you can tell not

a whole lot of people wished to say and discuss the matter. Now is there anything else that the governors would like to bring before the Conference?

GOVERNOR NOEL: Mr. Chairman, I have two items that I'd like to introduce and have you direct for future consideration. The first is a letter from Congresswoman Bella Abzug requesting the support of the Governors' Conference for House Resolution 9652, better known as the Uniform Federal Welfare Medical Assistance Reimbursement Act of 1965. This came in under date of February 3, 1976. I respectfully suggest it go to the Committee on Human Resources to be considered along with the other legislation and resolutions that relate to welfare reform.

GOVERNOR RAY: Governor Noel, would you give that to the staff and it will be referred to the Committee.

GOVERNOR NOEL: The second item I have is one that I think deserves the attention of the governors and is, again, a request that has come to me. That the governors speak out collectively concerning the issue of the proposed reorganization of the Selective Service System. The Administration is now dealing with a recommendation from Byron Pepitone, the Director of Selective Service, which calls for a rather drastic reorganization of the Selective Service System.

I say drastic not only meaning in the scope of the reduction--and some reduction is certainly necessary--but also in

the philosophy, because it would remove the state presence from what has historically and traditionally been a system involving both the federal branch of government and the state branch of government whenever we have had to call our young people into military service.

It is a very critical kind of issue, and I'd like to suggest that this receive timely consideration by the appropriate committee so that at an early date our Conference can take a position in reference to the issue, and forward our recommendation to the President and the Congress.

GOVERNOR HOLSHOUSER: Mr. Chairman, I think we ought to examine this very carefully. From what I understand, Governor Thomson of New Hampshire also favors that position. Any time you get Governor Thomson and Governor Noel on the same side there must be something substantive.

GOVERNOR NOEL: Mr. Chairman, I'd like to withdraw rather than submit. Seriously, I think it should be studied.

GOVERNOR RAY: We are going to send this to the Crime Reduction and Public Safety Committee for its consideration. I have no trouble with it. I see no reason to maintain an office. We are not going to have selective service, but I would agree that it is wise to have someone available so in the event you have to pick this up you can do it quickly. Will you see that the staff has that also.

GOVERNOR NOEL: One parting shot in response to your remark, Mr. Chairman, that if we are going to get it all together you have to view it in one light. Pepitone's proposal is to create 100 federal position here in Washington that will provide a standby capability. You can't put an army together by that kind of bureaucracy in Washington even if you had two years to do it. But more ominous than that is the possibility of taking the states out of this system which for years, traditionally and historically, has involved the states in the calling up of young people and that has philosophical problems with it, and you might as well abolish the whole thing rather than to create 100 jobs in Washington.

GOVERNOR CARROLL: Mr. Chairman, there is a vital piece of business for the governors to consider, and as best I can tell we have just the absolute minimum for us to hold an extremely important discussion on the allocation for the ARC Council, and the meeting is to be held at the Sheraton Carlton in the Chandalier Room. This calls for the presence of the governors from West Virginia, Maryland, Georgia, South Carolina, North Carolina, Kentucky and Mississippi. I believe I have named everyone of them, so please make certain you make that meeting.

GOVERNOR RAY: Anything else? Let me, just before you depart, give a word of thanks to Steve Farber and the staff. They have really performed extremely well. I hope all of you will take time, if you can, just to acknowledge that. Now, Tom Judge, I owe



you an apology. Tom was going to make a report on the Committee on Rural and Urban Development, and it is my understand that he took us very seriously--very literally--and did not pass any resolutions so we will just dispense with that unless, Tom, you feel differently.

GOVERNOR JUDGE: No.

GOVERNOR RAY: We will see you all this evening. Thank you very much.

(Whereupon, the second plenary session was adjourned at 4:00 o'clock p.m., February 24, 1976.)

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