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ANNUAL MEETING
1977

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Robert F. Bennett, Governor of Kansas
Arthur A. Link, Governor of North Dakota
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*As of September 7, 1977, the opening day of the conference.

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George R. Ariyoshi, Governor of Hawaii
Blair Lee III, Acting Governor of Maryland
James B. Edwards, Governor of South Carolina
Cyril E. King, Governor of the Virgin Islands
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*As of September 7, 1977, the opening day of the conference.

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Carlos Romero-Barceló, Governor of Puerto Rico
Ray Blanton, Governor of Tennessee
Richard A. Snelling, Governor of Vermont
Dixy Lee Ray, Governor of Washington

ATTENDANCE

H. Rex Lee, Governor of American Samoa
Raul H. Castro, Governor of Arizona
David H. Pryor, Governor of Arkansas
Richard D. Lamm, Governor of Colorado
Ella T. Grasso, Governor of Connecticut
Pierre S. du Pont IV, Governor of Delaware
Reubin O'D. Askew, Governor of Florida
George D. Busbee, Governor of Georgia
George R. Ariyoshi, Governor of Hawaii
John V. Evans, Governor of Idaho
James R. Thompson, Jr., Governor of Illinois
Otis R. Bowen, Governor of Indiana
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William G. Milliken, Governor of Michigan
Joseph P. Teasdale, Governor of Missouri
Thomas L. Judge, Governor of Montana
J. James Exon, Governor of Nebraska
Mike O'Callaghan, Governor of Nevada
Meldrim Thomson, Jr., Governor of New Hampshire
Brendan T. Byrne, Governor of New Jersey
Jerry Apodaca, Governor of New Mexico
Hugh L. Carey, Governor of New York
James B. Hunt, Jr., Governor of North Carolina
Arthur A. Link, Governor of North Dakota
James A. Rhodes, Governor of Ohio
Robert W. Straub, Governor of Oregon
Milton J. Shapp, Governor of Pennsylvania
Carlos Romero-Barceló, Governor of Puerto Rico
J. Joseph Garrahy, Governor of Rhode Island
James B. Edwards, Governor of South Carolina
Richard F. Kneip, Governor of South Dakota
Ray Blanton, Governor of Tennessee
Dolph Briscoe, Jr., Governor of Texas
Scott M. Matheson, Governor of Utah
Richard A. Snelling, Governor of Vermont

Mills E. Godwin, Jr., Governor of Virginia
Dixy Lee Ray, Governor of Washington
John D. Rockefeller IV, Governor of West Virginia
Martin J. Schreiber, Governor of Wisconsin

GUEST SPEAKERS

David J. Bardin, Deputy Administrator, Federal Energy Administration, and
Chairman, Interagency Committee on Emergency Preparedness
Joseph A. Califano, Jr., Secretary of Health, Education and Welfare
Patricia Roberts Harris, Secretary of Housing and Urban Development
Juanita M. Kreps, Secretary of Commerce
Bernhard Vogel, President, Bundesrat of the Federal Republic of Germany
Jack H. Watson, Jr., Secretary to the Cabinet and Assistant to the President
for Intergovernmental Relations
Coleman Young, Mayor of Detroit

PROGRAM

Theme:
State and Community Revitalization
in 1977

Wednesday, September 7

- 2:00 p.m. **Press briefing**
Press Conference Room, Ontario West
Governor Reubin O'D. Askew
Governor William G. Milliken
- 3:30 p.m. **Meetings of staff advisory committees of NGC standing committees**
- 4:30 p.m. **Meeting of the NGC Executive Committee and standing committee chairmen**
Renaissance Ballroom (Cabot)
- 6:00 p.m. **Reception for all registered conferees**
Mackinac Level
- 8:00 p.m. **Host Committee dinner for governors and spouses hosted by Henry Ford II, chairman of the Host Committee**

Thursday, September 8

- 7:30 a.m. **Staff breakfast work session**
Mackinac Ballroom West
Subject: Effective policy management in the governor's office
- 9:30 a.m. **OPENING PLENARY SESSION**
Renaissance Ballroom (Columbus)

Call to order: Chairman Reubin O'D. Askew

Invocation: John Cardinal Dearden, Archbishop of Detroit

Welcoming remarks:

Governor William G. Milliken
Mayor Coleman Young

Adoption of rules of procedure

9:45 a.m. **National welfare reform: President Carter's proposals**

Moderator: Governor Richard F. Kneip, Chairman, Committee on Human Resources

Remarks: Joseph A. Califano, Jr., Secretary of Health, Education and Welfare

Response: Governor Hugh L. Carey, Chairman, Subcommittee on Welfare Reform

Discussion by the governors

10:30 a.m. **The state role in economic growth and development**

Moderator: Governor William G. Milliken, Chairman, Committee on Community and Economic Development

Remarks: Juanita M. Kreps, Secretary of Commerce

Response: Perspectives from the governors

Problems of rural areas and small communities—
Governor John D. Rockefeller IV

Problems of older industrial areas—
Governor Brendan T. Byrne

Problems of rapid industrial growth—
Governor James B. Edwards

Problems of energy-impacted communities—
Governor Richard D. Lamm

Problems of agricultural development and food policies—
Governor Robert F. Bennett

Discussion by the governors

Action by the governors on proposed policy statement on economic development—

Governor George Busbee, Chairman, Committee on Transportation, Commerce and Technology

**Action by the governors on the report of the Committee on New
Directions for the National Governors' Conference**

- 12:15 p.m. **Standing Committee working lunches**
- 4:30 p.m. **Tour of auto plant followed by a picnic supper at Greenfield Village
for all registered conferees**

Friday, September 9

- 7:30 a.m. **Concurrent staff breakfast work sessions**

- 8:45 a.m. **PLENARY SESSION**
Renaissance Ballroom (Columbus)

Greetings: Dr. Bernhard Vogel, President, Bundesrat of the Federal
Republic of Germany

Potential fuel shortages in the coming winter: proposals for action

Moderator: Governor Robert D. Ray, Chairman, Subcommittee on
Emergency Preparedness

Remarks: David J. Bardin, Deputy Administrator, Federal Energy
Administration, and Chairman, Interagency Committee on
Emergency Preparedness

Discussion by the governors

- 9:30 a.m. **State and federal disaster assistance: proposals for an improved
system**

Moderator: Governor Mike O'Callaghan, Chairman, Subcommittee
on Disaster Assistance

**Action by the governors on proposed policy statement on disaster
assistance**

Resource guests:

**Bardyl R. Tirana, Director, Defense Civil Preparedness Agency,
Department of Defense**

Thomas P. Dunne, Administrator, Federal Disaster Assistance
Administration, Department of Housing and Urban Development
Dalimil Kybal, Acting Director, Federal Preparedness Agency,
General Services Administration

10:00 a.m. **State-federal initiatives for community revitalization**

Moderator: Governor William G. Milliken, Chairman, Committee
on Community and Economic Development

Remarks: Patricia Roberts Harris, Secretary of Housing and Urban
Development

Discussion by the governors

10:45 a.m. **Standing Committee work sessions in Detroit with leading state, local,
and private sector officials**

Committee on Community and Economic Development
and
Committee on Executive Management and Fiscal Affairs
Chrysler Corporation Mack Avenue Plant

Discussion of operations of a state tax law to preserve and expand
employment opportunities and tax base in major cities

Committee on Crime Reduction and Public Safety
Fifth Precinct Police Station

Discussion of operations of law enforcement programs in a major
city with emphasis on an innovative rehabilitation program

Committee on Human Resources
Medical Center

Discussion of cost control efforts in diagnosis, treatment, and
training for health care

Committee on Natural Resources and Environmental Management
and
Committee on Transportation, Commerce and Technology
General Motors Headquarters

Discussion of probable changes in the American transportation system as they affect state transportation and environmental policies

12:30 p.m. Lunch at Dossin Great Lakes Museum on Belle Isle

Remarks by Mayor Coleman Young on comprehensive city redevelopment and better use of the riverfront

Discussion by the governors

1:45 p.m. CLOSING PLENARY SESSION

Renaissance Ballroom (Columbus)

Overcoming roadblocks to federal aid administration: President Carter's proposals

Remarks: Jack H. Watson, Jr., Secretary to the Cabinet and Assistant to the President for Intergovernmental Relations

Discussion by the governors

2:15 p.m. Summary reports by Standing Committee chairmen and voting on proposed policy positions

3:45 p.m. Election of chairman and Executive Committee

Remarks by the new chairman

4:15 p.m. Meeting of the new Executive Committee
Marquette Room

7:00 p.m. Reception for all registered conferees
Renaissance Foyer

7:30 p.m. Reception for governors and spouses

8:00 p.m. State Dinner for all registered conferees
Renaissance Ballroom

Saturday, September 10

10:00 a.m. Taping of "Meet the Press"

Panelists: Governor Jerry Apodaca
Governor George Busbee
Governor Pierre S. du Pont IV
Governor William G. Milliken
Governor John D. Rockefeller IV

OPENING PLENARY SESSION

Thursday, September 8, 1977

CHAIRMAN REUBIN O'D. ASKEW: As chairman of the National Governors' Conference, I call the Sixty-ninth Annual Meeting to order. I have the pleasure to present our host, one of the truly outstanding governors of this nation, the distinguished governor of the state of Michigan, William G. Milliken.

WELCOMING REMARKS

GOVERNOR WILLIAM G. MILLIKEN: Thank you very much, Governor Askew. It is with a very special feeling of pride that I welcome each of you to the Sixty-ninth Annual National Governors' Conference. It is a pride that stems from having you as guests here and in drawing national attention to Michigan and to Detroit. It is a pride that stems from having the chance to acquaint you with Michigan, a state that has a thriving industry, fertile farms, and some of the most beautiful lakes, streams, and forests in the country. And it is a pride that stems from the chance to show you Detroit, the city that put this country on wheels and is now proving that cities can come back, that the decline and decay we have seen in so many of our major urban areas are reversible.

The major thrust of this conference is urban. We have put together the schedule with the idea of doing some things that have never been done before. Each of you will go out to look for yourselves, to see both the good and the bad parts of the city, to talk about some of the problems and some of the approaches to those problems that have been taken. We have set up a series of urban laboratories in order for you to examine what has been done in this city.

Detroit is a city that has endured all that a city can endure. It has seen population and jobs flee to the suburbs. In 1945 Detroit had 37 percent of the total assessed value of property in the state; by 1975 that figure had dropped to 10 percent of the total assessed value of the state. In 1940 Detroit was the home of 31 percent of the state's population; by 1975 that figure was 15 percent.

Detroit has experienced unemployment rates similar to those during the Great Depression, sharp increases in crime and drug abuse, and deteriorating neighborhoods. Ten years ago Detroit experienced the worst riot in the nation's history.

Some people have suggested that Detroit was and is beyond saving. Some have even said that nothing can be done and that Detroit should be allowed to die as a city. But we have refused to accept that verdict and all the human suffering it would mean.

A partnership has been established between the state of Michigan and the city of Detroit. That partnership has recognized that if Detroit and other cities are to be saved, the main impetus must come from within the cities themselves. But it also has recognized that the states have a vital, necessary role to play in saving our cities.

I want to add at this point that the governor, the Republican governor, of this state and the mayor of the city of Detroit, who happens to be a Democrat, have developed a close working relationship. Mayor Young and I have met time and again; we have not always agreed; we have bargained hard around the table; but in the end we have been able to forge a partnership and a relationship that is good for the city of Detroit and, equally important, good for the state of Michigan. And I think it is fair to say that the mayor of this city and the governor of this state have developed a mutual respect for each other and a sound and appropriate working relationship.

It seems to me that the problems of the 1970s are as tough as any this nation has ever faced, but their complexity is new. They require attention to intricate details, attention that can best be given at the state and the local levels. Today more than ever before, the states can be the primary instrument for dealing with many of the problems of the twentieth century. The assumption that you can best solve the problems facing this country at the federal level is being questioned. We at the state level are accepting the responsibilities that we shunned in the earlier days.

The site of this conference is proof that Detroit is on its way back. Renaissance Center is perhaps the most spectacular commitment by private enterprise to the future of our cities that exists in this country today. It was built solely with private capital put up by investors who saw an obligation to participate in saving our central city and who saw the feasibility and the good business logic of that effort.

Crime in Detroit has dropped sharply in the past year, due in part to state police patrols of Detroit freeways. Employment is up, due in part to the state programs that have encouraged businesses to remain here. New housing construction, due in large part to the Michigan State Housing Development Authority, is providing housing for Detroit's low- and moderate-income residents. In fact, 97 percent of the multiple-unit housing started here last year was financed by the State Housing Development Authority.

Time and again during this summer I have heard expressed a new spirit in Detroit. Conventioners and suburbanites are coming into the downtown area. They are impressed by what they see, and they are telling others about it. Time and again, visitors from other states have said that the optimistic, growing Detroit they have found is not at all what they had expected to find.

State government has been involved in these developments that bode well, I think, for the future of Detroit, and we are totally committed to stay involved. This involvement stems from a realization that the future of America is tied to the future of our cities. If we can't solve our urban problems, we can't possibly solve the problems of America. Whether we live in an urban, suburban, or rural area, we

have a stake in our cities. Cities have always been the center of civilization as we have known it. We are now at the point where we will determine whether our cities become monuments or death mounds of our civilization.

During the next two days we are going to show you some of the things that are being done in Detroit to bring this city back. Working with Governor Askew, we have set up a schedule that relates the work done here to the problems you will face when you go home, no matter where you serve as chief executive. We have invited members of President Carter's cabinet to discuss economic growth and development, community revitalization, and welfare reform.

I welcome you to Michigan and to Detroit for this Sixty-ninth Annual Meeting of the National Governors' Conference. My hope is that it will prove to be one of the most valuable, most informative, and most thought-provoking in the experience of each of you.

CHAIRMAN ASKEW: Thank you, Bill, not only for your remarks but for your hospitality.

We are also pleased to have with us this morning the very able and respected mayor of this great city, the Honorable Coleman Young.

MAYOR COLEMAN YOUNG: It is indeed my pleasure to welcome you to the city of Detroit. You have come to a city that, as Governor Milliken said, not too long ago was considered dying, if not dead. But as you look around you, I'm sure you are impressed with the liveliness and the vitality of the corpse.

As Mark Twain has said, our obituary was somewhat premature. The city of Detroit, like most of the cities in this nation, is a tough city. A city is as tough as its people. And I think that our cities are meeting grounds of all the people of America. Certainly no city reflects such a cross-section better than Detroit. We are known as the ethnic city. We are proud of the various ethnic, national, and racial groups who come together in our city, each as entities proud of their own heritage and respected for their own heritage, but able to come together as one to work in the common interest of our city. I believe that the ability of those of us in Detroit and in Michigan to effect a meaningful coalition that transcends party lines, class lines, ethnic lines, racial lines is perhaps the key to our ability to survive—and is really the key to the ability of all cities to survive.

As the governor said, he is the Republican governor of the state of Michigan and I am the nonpartisan Democratic national vice-chairman of the city of Detroit, and, of course, we have had differences. Bill Milliken and I go back to when we were both members of the Michigan senate. There were differences then. I think it was there that we learned that when the senate consists of thirty-eight votes, you have to be able to count up to twenty. Sometimes you might need a few Republicans or sometimes you might need a few Democrats. We learned that lesson the hard way, and I don't think we've forgotten it. One of the reasons I believe that we move forward in this city is that we are able to call together coalitions.

For instance, we went to see the president, two presidents. Even there we were nonpartisan. We visited Presidents Ford and Carter in what we call a "Move Detroit Forward" program. It involved the Republican governor, the Democratic

mayor of the city, the Democratic and Republican senators from our state, the delegations from Congress, the chief industrialists of our city, the chief labor leaders of our city, priests and preachers, community people, and business people. We have come together because we have a commonality of interest. If Detroit goes down, the Republicans go down, the Democrats go down, the industrialists go down, and so do the labor people, et cetera, et cetera. And, I believe, as the governor said, that if our city goes down, our nation goes down.

I believe that the governor should be congratulated for having played a key role in bringing to the attention of the whole state the necessity for cooperation with the city of Detroit. The city of Detroit, like many great cities, is seen, or was seen when it comprised some 37 percent of the industry and a major part of the tax base, as the golden goose on which the whole state feeds. I am sure that story is true around the nation. But now, when Detroit needs help, it is looked upon as a liability quite too often. It is still a golden goose for the state. It is the center of the state's culture, finance, and education. It is located on a strategic waterway; it is indeed the crossroads and the heart of this state.

We have a unique equity arrangement in Michigan in which, for the first time that I know of, the state has recognized that the central city plays a certain key role in providing services for the rest of the state for which it should be compensated. We're proud of the fact that we have one of the finest art institutes in the nation in Detroit. Some 80 percent of its clientele comes from outside Michigan. Our fine libraries, by far the largest and most complete in the state, act as a source for all other state libraries and are a base for achieving accreditation for Wayne State University, one of our major universities. The city provides many services to the state. I think that it is to the tribute of Governor Milliken and to the state legislature that they have recognized this role. Over the past three years, when this city has been affected as perhaps no other city in America by the energy crisis, the equity grant that we received from the state has been crucial to the ability of our city to remain fiscally solvent.

We have an agreement with the state whereby the Art Institute, the library, the zoo, and our historical museums, for example, are subsidized by the state. This is offered, and I think this is most important, not as relief and not as a gift, but as a recognition of equity. It is an equity package. It is an exchange between two cooperating agencies, both of whom need each other.

Since we have been able to come together on a state level, we then are able to bring our coalition together and present a solid front as we approach a Republican president or a Democratic president. Our positions in respect to the needs of Michigan and the needs of Detroit are the same. Detroit is a city that for the last two years suffered a depression while the rest of the nation suffered a recession. When national unemployment was at a deplorable high of 12 and 13 percent, we found ourselves suffering unemployment at the rate of 23 and 24 percent, which, by any economist's definition, is a depression level of unemployment, equalled only in the mid-thirties in the depth of the Great Depression. This city, being a tough city, being a city where the people, the private sector, the public sector can come to-

gether in a coalition, has survived. We look ahead; we are going forward. I think that perhaps we offer an indication of what can and must be done for every city in America in order to assure the stability of every state in America, and of America itself.

Therefore, I take great pleasure in welcoming you to our fine city, a city that is looking up. As the governor said, on the tour tomorrow you will see the good, the bad, the worst, without the cosmetics, but you will also see signs of real growth and real confidence. Welcome to Detroit, the Renaissance City. I hope that you will help us take a hard look at ourselves, and having looked at us reflect back on your own states and offer the same type of support to your cities that is being offered by the governor of this state. I think it is the key to the future progress of the nation.

CHAIRMAN ASKEW: Mr. Mayor, we want to thank you.

The next order of business is the adoption of the rules of procedure. You have them before you. I now entertain a motion that we adopt them for purposes of this meeting.

GOVERNOR MELDRIM THOMSON, JR.: So move.

CHAIRMAN ASKEW: Is there a second?

GOVERNOR HUGH L. CAREY: Second.

CHAIRMAN ASKEW: The rules are adopted.

The first item on our agenda is an examination of the president's welfare reform proposals. To moderate this session, I call on the chairman of the NGC Committee on Human Resources, Richard F. Kneip, governor of South Dakota.

NATIONAL WELFARE REFORM: PRESIDENT CARTER'S PROPOSALS

GOVERNOR RICHARD F. KNEIP: Thank you, Mr. Chairman. At the closing session tomorrow, the National Governors' Conference will vote on a policy statement that is basically supportive of President Carter's welfare reform proposal. Secretary of Health, Education and Welfare Joseph Califano will speak to us today on the details of the Better Jobs and Income Program. After the secretary's remarks, Governor Carey, chairman of the NGC Welfare Reform Task Force, will present a brief response, and then Secretary Califano will be available to answer any questions the governors might have.

First, I would like to briefly review the history of the National Governors' Conference's involvement in the welfare reform issue. The NGC Welfare Reform Task Force was first chaired by former Governor Dan Evans of Washington. The initial phase of the work of the task force resulted in the development of a set of principles for reform. These principles were formally adopted by the conference at the 1976 annual meeting in Hershey, Pennsylvania.

After the principles were adopted, the Welfare Reform Task Force was reconstituted under the chairmanship of Governor Hugh Carey of New York. The task

force was asked to expand upon the policy statement and provide a more detailed set of recommendations. The task force submitted a written, comprehensive report to the conference at the winter meeting in Washington, D.C. The excellence of that report enabled the governors to provide substantive input into the discussions that resulted in the final proposal by the administration.

Since February, NGC has been extensively involved in the deliberations of the administration. The conference was represented on the Welfare Reform Consulting Group established by Secretary Califano, they have met with the secretary numerous times during this process, and the secretary has solicited our input at critical stages.

Although the administration has not accepted all our recommendations, it has actively sought our input and made modifications to accommodate the concerns and problems that the governors have expressed. There is still much to be done, and I am hopeful that in the coming months the administration and Congress will continue to work closely with the task force.

Secretary Califano.

SECRETARY JOSEPH A. CALIFANO, JR.: Thank you, Governor Kneip. I appreciate the opportunity to talk with you today about the president's welfare proposal, the Program for Better Jobs and Income. And let me be direct: I am here to ask for your help. My message is simple.

After years of debate and disagreement, I believe this nation has an opportunity to achieve fundamental and far-reaching reform of the welfare system. You, the nation's governors, as well as officials at county and local levels can be the decisive force in the timely passage of welfare reform legislation. I realize many of you are already at work. Governor Straub, for example, led the resolution in support of the president's program passed by the Western Governors' Conference a few days ago.

But I come to solicit your active and aggressive help in translating the promising rhetoric of the president's message into meaningful legislative reality. With your energetic support, we can scrap the unduly burdensome, anti-work, anti-family system that drains our taxpayers, plagues our poor, and bankrupts our cities and some of our states.

Here is the message I bring directly from President Carter. With your support, the future is now for welfare reform.

Personally, I have never dealt with a problem so devilishly complex and difficult, a system so desperately in need of reform that has defied so many well-intentioned and intelligent reformers, and a subject that draws so many emotional responses from so many quarters.

When we scrap a system like the one we have, we must recognize that there is no perfect system to replace it. We must ask whether the new welfare reform proposal is significantly better than the present system, and whether it strikes a fair balance between the many competing, sometimes irreconcilable values that welfare reform seeks to satisfy.

I believe strongly that with respect to the Program for Better Jobs and In-

come the answer to both those questions is an emphatic yes. The president's plan is substantially more just, more uniform, more sensible than the anti-work, anti-family hodge-podge that we euphemistically call a welfare system.

You, the members of the National Governors' Conference, deserve a great deal of credit for the new, realistic view of both the possibilities and limitations of welfare reform. You live with the complexities daily, and you have been forceful advocates of thoughtful and detailed positions. Indeed, you and your staffs have played a critical role in developing the president's welfare reform proposal, and you've had a great impact on it.

Given the complexity of the subject and the great wealth of knowledge that exists in the states and localities, we decided early this year that the process of developing the welfare reform proposal should be as open as possible. In fact, as befits so difficult and emotional a problem, it has been an extraordinarily open decision-making process.

We established a welfare reform consulting group in January on which the governors were represented. After extensive consultation with you and with other interested parties, the president announced in May his principles for welfare reform. A week or so later I broadly outlined our tentative proposal.

Throughout the rest of May and June and July, we went through exhaustive state-by-state analysis of the costs, the impact, and the problems of our tentative proposal. I wish to express the president's gratitude and my own for your commitment of resources to that effort, for those meetings were long and difficult, but they were very fruitful. They were invaluable to me. They enriched our understanding of the nation's welfare systems and allowed us to develop a much more complete data base than has ever existed before on this subject, a data base that will be critical as we work our way through Congress.

But it was also of great benefit to you to engage in those consultations, because we listened and we adopted a number of your suggestions and altered our proposals as a result of your criticisms. For example, we changed the standards governing those who may apply for welfare benefits as a unit from all people related or living together to the traditional family; we added a major deduction for child-care expenses; we proposed federal sharing in state supplementary payments that exceeded the federal benefit; we rejected the concept of a totally federal program and determined that states should have at least an option of participating in the administration of the reform system; and, most importantly, it is my opinion that as a result of your efforts and the data you provided us, the president decided to relax the "no higher initial cost" standard in order to make those changes and in order to provide the states, counties, and localities with significant fiscal relief—\$2.1 billion in the first year of the program.

This to me is government at its best—wide open. I believe it meets the president's commitment to strong federal-state relations and participation by the states in the decision-making process.

I believe this proposal deserves your support because if it becomes law, it will improve services through the employment and training system. The states will

operate employment programs so that low-income citizens can find both public- and private-sector jobs. We will create as many as 1.4 million special public jobs and training positions for principal earners in families with children. We will expand the Earned Income Tax Credit to provide low-income workers, many of whom struggle to stay off the welfare rolls, with an income supplement to their earnings of up to about \$9,000, about \$5,000 more than is provided under existing law.

We create work requirements for single individuals, childless couples, and family heads with children seven years of age or older. We consolidate the Aid for Families with Dependent Children (AFDC), food stamp, and the Supplementary Security Income (SSI) programs into a single cash-assistance structure.

We provide a work benefit income supplement for those who are working but unable to earn adequate income. The plan provides income support cash benefits for single-parent families with younger children and for the aged, blind, or disabled individuals covered by SSI.

We establish a single, uniform benefit reduction rate of 50 percent on the dollar for most of those in the Federal Cash Benefit Program. We establish new eligibility requirements for cash assistance to direct benefits to those most in need.

And the plan ensures that each state will save at least 10 percent of its current welfare cost in the first year of the program, with total fiscal relief of over \$2 billion that year.

The plan establishes a simplified system of matching that matches state supplements with costs shared by the federal government up to the poverty line. It provides a \$600 million block grant to the states for a variety of emergency needs. It gives the states the option of administering the vital intake function to ease coordination with our social service programs. We will establish a simplified, computerized record-keeping system to reduce fraud, abuse, and error. To the extent that we can reduce current error rates, which are now at about 9 percent or \$1 billion per year in the AFDC program, we can have a measure of fiscal relief and root out fraud and abuse in the existing programs.

Under the new system, the fiscal burden of welfare on the states, counties, and localities will be sharply reduced in the first year of operation. We have made our estimates of those numbers public and given them to all the states. To date, only the state and the city of New York have actually worked through the figures with us, and, as Governor Carey can tell you, their reaction was that those figures are perhaps conservative: there may be even greater fiscal relief, particularly as far as the city is concerned. We invite all of you to send your experts to review those numbers with us. We are ready to go over them with you.

Under the new system, there will be strong incentives for families to stay together, because principal earners in families with children will have the opportunity to perform useful work and rules prohibiting assistance when the father remains in the family will be abolished.

Under the new system, it will always be more profitable to work than to re-

main on cash assistance. Every family with a full-time worker will have an income substantially above the poverty line.

Under the new system, a private or nonsubsidized public job will always be more profitable than a specially created, federally funded job.

Under the new system, reliance on welfare payments will be sharply reduced because the number of single-parent family heads who support their families primarily through earnings will double. Our estimate is that 43 percent of the special public service jobs will be taken by current AFDC recipients.

Under the new system, there would be a uniform federal benefit but, through the system of state supplementation, enough flexibility in the benefit structure to allow for regional or state variations.

The Program for Better Jobs and Income is, I believe, a sensible and sound structure for major welfare reform. It is simpler; it is more uniform; it is job-oriented; it is pro-family. It will, as the president stated in a message to Congress, "make a far more efficient and effective use of our hard-earned tax dollars." We believe it is consistent with the basic principles that were developed and adopted by the National Governors' Conference.

Obviously, in a system this complex there will be differences of detail, and we stand ready to continue in-depth consultation with the governors, Congress, and other interested parties so we can continue to refine the program and improve it as it works its way to legislation. But the basic structure proposed by the president should be enacted into law, and with your help it will be.

Without underestimating the political difficulties of welfare reform—I call it the Middle East of domestic politics—in talking to mayors and governors, in looking at editorials, I sense a tremendous spirit of hope about this subject. There have been 150 editorials written in this country about the program since it was announced. One hundred forty of those editorials support the president's program. There is no other program that the Carter administration has proposed that has had that kind of editorial support, and I might say from recalling my own years in the Johnson administration, I cannot remember *any* program that had that kind of support.

It is clear that the people, people who may not be familiar with every twist and turn or nuance of welfare politics, want to scrap the present system and start a new one that provides jobs for the low-income population that can work and cash assistance to those who can't.

If we can harness this swelling of editorial support and support from the people, we can pass the program in Congress. We'll be greatly aided in this effort by the special subcommittee that Speaker O'Neill announced yesterday. The subcommittee is a combined subcommittee of the Agriculture, Education and Labor, and Ways and Means committees. He called me yesterday and told me that the subcommittee will begin work immediately and that the hearings, chaired by Congressman Corman of California, will start on September 19, at which time I will testify and begin presenting the president's program. The subcommittee members have agreed to work in November and December during the recess in order to hold

additional hearings so that they can report to the full committees of Agriculture, Education and Labor, and Ways and Means by the end of this year or early next year.

The momentum is developing, and we must not let this opportunity pass to carry out what the majority of the American people want—basic change in this system. Momentum and time is important, for each year that we cling to the present pernicious system, at least \$1.5 billion is ripped off the American taxpayers as a result of abuse, error, and fraud.

We have a president who has proposed a work-oriented welfare reform plan to provide jobs for low-income Americans and who strongly believes in the approach he shaped personally. President Carter is committed to enactment of his plan, and as a former governor he has been sensitive to your needs in developing that interest.

To be sure, welfare reform is only the beginning and not the end of dealing with the pervasive problem of poverty in America. In our deliberations on national health insurance, we will address the question of reforming the Medicaid system. I realize that the rising costs of Medicaid are of as great concern to you as the problems caused by the current welfare system, and without major Medicaid reform many of the fruits of welfare reform could be jeopardized.

Under the new plan, it is our policy to separate medical eligibility from eligibility for cash assistance to ensure that Medicaid costs do not increase as a result of welfare reform. We will deal with Medicaid as part of the national health insurance program, which we are just beginning to work on now and which I've already written to each of you about, asking for your views.

Similarly, the administration is committed to aiding the nation's cities, increasing immunization levels among our cities' children, improving access to health care generally for underserved urban areas, increasing funds for education through Title I of the Elementary and Secondary Education Act, and stimulating jobs, particularly in areas of high urban unemployment.

But if welfare reform is only the beginning, it is nonetheless a monumental beginning, involving more than \$30 billion and more than 30 million people.

If we fail to pass welfare reform legislation in this Congress, then the present inequitable, inhumane, inadequate, and confusing system, with its hanging noose of perverse duplication, bureaucratic complexities, fraud, anti-family and anti-work incentives that leave the American taxpayer and millions of poor children twisting in the wind, will continue to be our method of providing basic assistance in this country for at least another decade.

We have the chance. If we move forward in the spirit of openness and cooperation that has characterized this effort so far, and in the spirit of nonpartisanship that has particularly characterized the efforts of the conference, if we can keep our eye on the apple of basic structural reform, jobs, pro-family, fiscal relief, on the big picture, and not let disagreement about program details lead to any impasse, we can achieve what has eluded presidents, governors, congressmen, citizens, and economists for years, for decades. We can achieve a total and complete reform of

this system. We can do it with your energetic, active, and aggressive support. I seek that today. In all candor, that is why I am here, because I believe your support is critical and can be decisive in achieving the kind of reform this system so urgently needs.

GOVERNOR KNEIP: Thank you very much, Mr. Secretary. We have asked Governor Carey of New York to respond to the secretary's comments. After Governor Carey's comments, the floor will be open for discussion with the secretary.

GOVERNOR CAREY: Thank you very much, Chairman Kneip. I want to identify myself as a Califano rooter. I have had the good fortune to be born in the same county as Joe, and he had the good judgment to have his parents bring him into the world in my old congressional district. So we are very close, and when I depart from his policy and program, it is with a concern for our state of origin and for all of our states. Joe, you did say that we've gotten together on the figures and they look rather attractive, but I want to make it clear that this is not a bonanza for New York, not a bonanza for any one of our states or our cities. It's a step in the right direction that must be taken soon. I implore the governors assembled here today to not come out of this conference like lambs moving slowly and in a sheep-like manner toward Capitol Hill. We should come out of Detroit like tigers, lions, and cougars; we should come out clawing for this kind of a program because I feel, as a former member of Congress, and as Secretary Califano has said, that the time for this program is now. Any loss of momentum, any loss of sense of urgency can be indeed costly.

I say that because the members of the Human Resources Committee and the Welfare Reform Task Force represent a broad spectrum. We have probed deeply into what we need for the states we represent. I say that because Governor Kneip, Governor Bowen, Governor Dukakis, Governor Apodaca, Governor Garrahy, all of us, have worked hard on this program to bring to you and to bring to Congress a reflection of the ideas that should prevail in the country.

The issue before us is how and when we can get welfare reform. I served on the House Ways and Means Committee when it tried to move that program through Congress; we failed because of the time schedule. Again I say I am on the same track with Secretary Califano, but I don't want that track to be a local. I want an express track, because if the idea is as good as I believe it is in basic form, I suggest we not wait until 1981 for implementation of this program but get it written into law and implemented in fiscal year 1979. Why wait for a program that is needed by the states and cities right now? We are losing \$1.5 billion a year through rip-offs, fraud, and abuse. I think this sense of urgency must be communicated.

We are dealing with a very complex program. There are key pieces of legislation that must go to different committees, but they must not languish in those committees. Therefore, it is critical to keep the pressure on and to get quick action on welfare legislation in the subcommittees.

I hail, as does the secretary, the leadership and, indeed, the foresight of Speaker O'Neill, who has put together a fine subcommittee to get this moving. It is

basically what he did on the energy question, which I count as a great step forward for the president and his program. Insofar as that program is now moving, it was because Congress showed its ability to move in the direction where heretofore there had been inaction. I call for the same kind of effort in this legislation, and I plead with the members of that committee and Congress to stay on the job until we get this job done. As we pursue this goal of basic welfare reform on an accelerated schedule, we need to pursue some measures of fiscal relief for the cities like Detroit and New York City—major cities, the older cities of our country—because they cannot wait.

Indeed, there is legislation sponsored by Senator Moynihan, which has been endorsed in basic principle by the subcommittee and task force, that would give us interim fiscal relief while this program is being phased into action. The National Governors' Conference resolution, which we will vote on tomorrow, explicitly recognizes the need for such legislation.

The president's proposal is a sound basis for welfare reform. It is a proposal upon which we can build meaningful legislation in the weeks ahead. The basic structure is there and we support it, and I give credit to Governors Evans, Askew, and Andrus, who got us all together to pass a basic NGC resolution that moved us forward a great deal faster in the area of welfare reform. We, the governors, can say therefore that we have had a major role in shaping this legislation. I commend the secretary because he has given us access, as has the president, to the building of this structure that is now before this conference.

We are well aware of the elements of the program, but I think it helps to repeat them. It is a unified program; it is not scattered all over the bureaucracies. It is unified for the eligible minimum-income level. If our recommendations are adopted, it will have a national minimum-payment level with some variations to reflect regional differences. It has a strong work requirement, with emphasis on job creation in the private sector where there can be careers, not just a casual attempt to get work in the public sector. There is no disincentive to work. The tier system gives people an incentive to get a job, to bring a paycheck home and keep their families intact. There is full federal financing at a federal minimum-benefit level with federal aid available for additional state supplementation. That is the resolution we will be presenting to you.

Certainly, the president's proposal will need some further refinement and clarification. We recognize this; it is part of the congressional process. But, overall, this is the kind of bill that we can live with. Looking at the status of our cities and states, I say we cannot live without this bill very long. There will be pleas from mayors and county executives to save them from the brink of bankruptcy. We do not want to have that on our agenda again.

We are concerned that there not be a limited state role in the new jobs program. I share with Governor Finch the very strong position that we have some input into the jobs programs that are placed within our states and that we sign off on them, because if they don't work the governors get the heat. We want them to work. We therefore seek state administration of many of these programs.

The role of the government in jobs programs thus far has been to advise and to develop programs by prime sponsors. We seek to improve that. All development of job placement would be at the local level. We are concerned about this because if the authority is at the local level, and the states have no authority, we cannot cooperate with the federal government as we should. So we believe there is room for compromise and clarification on these issues as well as others. This is the task before us in the weeks ahead.

At long last, we have a proposal in Congress that is sound in general concept, but the details of which we must refine. I certainly intend to do my share with my former colleagues in the House and those learned members of the Senate to see that this program does not lag. The goal before us now is to achieve welfare reform as quickly as possible. To do this, our first step must be to adopt the NGC policy resolution on welfare reform at tomorrow's plenary session. Then the move is to Congress. Hearings will be held in both houses by several committees. It is our job to work closely with those committees to ensure that welfare reform is a reality very, very soon.

Governor Milliken said that this is the time when we decide whether the cities will be death mounds or monuments, places where we can begin to rebuild. Once before, in my experience in Congress, there was an attempt to grapple with the problem of poverty in our land. It did not succeed in all measures, but some progress was made. Unfortunately, as we look at our great country today, there are not pockets of poverty but canyons of desperation in the major cities and in too many of the rural areas. The people are poor in spirit, and that is the basis for the social unrest, crime, delinquency, and the break-up of families. This is not just welfare reform for the benefit of a structure. The condition of the central cities has worsened. The statistics from the Labor Department show that despite the progress we make on the economic scale—and the indicator is moving toward recovery—there is grave unemployment among minorities, young people, and women. The unemployment rate is as high as 30 percent in areas where people have never had a job and have no hope for a job. These people may turn to crime and other measures in a desperate attempt to get income. And I need not tell you that healthy, able, talented hands are idle in the trades of construction. Therefore, there is a need for job creation. The president opened the doors of the White House and brought in the people whose concern is the poor in the urban and rural areas to speak to this subject. The president will revise his timetable and establish a White House task force to speak to the ills of America in the urban areas. Therefore, because the president has given us this new commitment, there is all the more reason why we must move on welfare reform as complementary to his efforts. This is why I say: welfare reform now, implementation not in 1981 but in fiscal year 1979.

This program is worthy of our support. It is an idea that must not lag. We must show that when we must do things, we can do them in a short time. For the sake of our poor, for the sake of our taxpayers, for the sake of this country, I seek your support for the resolution. Then let us go forward to the steps of Congress

and work with Chairman Corman, Speaker O'Neill, Senator Byrd, Senator Moynihan, and Senator Javits. Let us work with these people, who I know share this sense of urgency. I plead with the conference to come out of Detroit with news to the country that we the governors will not settle for less than welfare reform in this session of Congress and implementation by 1979.

GOVERNOR KNEIP: Thank you, Hugh. Discussion?

GOVERNOR JAMES B. LONGLEY: I sense that Governor Carey supports the welfare program. I commend you, Mr. Secretary, and President Carter for this long overdue reform. Basically it has my support, because it corrects the anti-family, anti-work ethic that has crept into this country. But I would like to assure Governor Carey that this governor of Maine does not intend to be like a lamb being led to the slaughter.

Why would the program apply a roughly 50 percent fiscal relief to New York and California when those states have only 20 percent of the population? It concerns me because, with the exception of four, the states substantially increase their per capita tax burden by providing relief to, as we interpret it, New York, California, Massachusetts, and, on a more modest basis, Illinois. Is there any room in the program to adjust the equities and still accomplish the great objectives of this program?

SECRETARY CALIFANO: Governor, the fiscal relief goes to those who are paying now, and, while you talk about the proportion of population, the relevant proportion of population as we saw it was the proportion of poor people who were currently under these programs. That is why, for example, so much of the fiscal relief goes to California and New York. They have much larger numbers of people under these programs. In New York City I think one out of seven people is on AFDC alone.

The second reason is that the states you mentioned and several others have general assistance programs that currently pay benefits to single people and childless couples in extreme circumstances. These people would be included in the president's program.

Third, the level of benefits is high in those states. In Oregon, for example, the level is higher than it is in other states because the cost of living there is so much higher and the poverty line is so much higher. That is why the fiscal relief falls the way it does.

Setting the 10 percent floor was, in part, to respond to what you are saying. There were states that would not have received 10 percent fiscal relief. For example, Arkansas and Arizona would have received smaller amounts. We arbitrarily said every state will be relieved of at least 10 percent of its burden.

GOVERNOR CAREY: This is very close to the way we struck our balance in the revenue sharing program. It was recognized that if revenues were shared on the basis of tax effort, New York and California would receive the larger shares. But, as the secretary has indicated, the 10 percent rule makes certain that no state is neglected because of the inordinate size of the welfare burden in the major states.

Governor Longley, if you want us New Yorkers to continue to consume our fair share of Maine potatoes, let alone your great supply of lobsters, we can't have people who are on the dole and with no purchasing power. If you put our people back to work, we'll eat your spuds and we may even have enough money for one lobster per year per family in the state of New York.

GOVERNOR LONGLEY: We welcome your support of potatoes and lobster, but we do not want to support an unnecessary, large bureaucracy, a waste that, if it exists, can be brought under control perhaps to a greater extent.

SECRETARY CALIFANO: Our estimate is that the number of people now in the bureaucracy would be reduced from approximately 150,000 to 120,000 if this program went into effect.

GOVERNOR MIKE O'CALLAGHAN: I think the larger states should get more help than the other states because they have more poor people. We're talking about human beings, fellow Americans, not just people of one state or another. So be it. If that's where the help goes, I support it.

GOVERNOR MILTON J. SHAPP: Governor Longley, with this program, there are some savings and some advantages for Maine, certainly for my state, for New York, and I think for every state. If we save on fraud, which we will under this program, it's going to mean savings all over the country. There are going to be some tremendous savings at the state level in the administration of the welfare program because of the simplicity that is designed into it. Many of the complications and much of the duplication and triplication of efforts that now go on will be eliminated. I think if you analyze the impact that this legislation would have on the department that administers welfare in Maine, you will find that there is going to be some good savings in your administration. I think that can be reflected by using Maine tax money for other purposes and by cutting taxes in Maine. It would certainly benefit your people.

GOVERNOR MARTIN J. SCHREIBER: Mr. Secretary, assuming that 1981 is the approximate date when this program will take effect, what suggestions do you have for governors who are eager to move on this matter?

SECRETARY CALIFANO: In terms of moving this program, I would heartily endorse everything Governor Carey said about the importance of doing this, of getting the Congress to move promptly. Speaker O'Neill has done a magnificent thing. The members of the committee are broadly representative of Congress, they are respected on the floor of the House, they understand this program and have given a lot of time and energy to it, and they have agreed to work in November and December, which, as you know, is a tremendous commitment to get from members of the House. I think that commitment has to be there and in the Senate.

We're looking at ways to administer the program better between now and 1981. My view is that we can do better on the error rates and the fraud, but so much of that is built into the present system that it would be very difficult to make large improvements without changing the system. I think that is why Governor Carey wants to move even faster and try to implement the program before 1981.

GOVERNOR PIERRE S. DU PONT IV: Mr. Secretary, I am still a little

skeptical. I guess I was too long in the Congress and involved in too many welfare reform efforts there. I hope that my state will realize some savings, but I have two questions.

First, you say that you guarantee a 10 percent saving. Does that mean you're going to send us a check for the difference between what we save and that 10 percent? Second, you say that Medicaid is not included because it's going to be in the national health insurance program. If a national health insurance program is not enacted, Medicaid is going to be left dangling. Has there been any thought given to addressing those costs in any part of this program?

SECRETARY CALIFANO: In answer to the first question, you would save 10 percent of your base-line welfare expenditures. The figures are in 1978 dollars. If that saving required the government to send you a check for a portion of it, which you wouldn't have saved otherwise, that's the way it would be done. There would be 10 percent fiscal relief.

GOVERNOR DU PONT: We'll look forward to the check.

SECRETARY CALIFANO: Second, we looked closely at Medicaid. We concluded that we should leave Medicaid exactly as it is now, with the same eligibility standards, even if it means running a couple of systems for a couple of years, rather than simply making everyone who is eligible for the cash assistance program eligible for Medicaid in order to hold it in tow. I assume that national health insurance will be a long and difficult fight. It will take years, I'm sure. If we can't pass the national health insurance program before the effective date of the welfare program, we will have to do something about the Medicaid problem. What we don't know yet.

GOVERNOR RICHARD A. SNELLING: Mr. Secretary, I think most Vermonters would want to be a part of a program that attacks national problems such as this, and I think most Vermonters wouldn't want to engage in any accounting system to see which states derived the primary benefit.

We recognize that anything that favorably affects the economies of our neighboring states of Massachusetts and New York will benefit us indirectly. There are, however, problems in the smaller states that are very different from the kind of national welfare problems that are attacked by this proposal. In the quest for this national improvement, there is some risk that in some of the smaller, more manageable states, the effectiveness of management could be impaired if too much authority and responsibility is turned over to the federal government. So I hope that the president and Congress will work toward some compromise on the issue of federal-state relations, and I hope that the states will be given some significant responsibilities for the administration, particularly in such areas as eligibility determination in the benefit payment process.

Because there are such national differences between the states in the scope and magnitude of the problems, I hope that you and the president will support the establishment of some kind of national welfare advisory board, which would be truly representative of the states and would give the states some continuing input into the policy making. With no insult intended to the distinguished members of the

United States Congress, I think that the good intentions of programs such as this sometimes emerge from that particular body with such specificity that they fail to accomplish their goals in the practical arena of the states.

SECRETARY CALIFANO: We did make changes in the tentative proposal that reflected a desire to give the states many options to assume as much of the administrative burden as they wanted. The centralized computer system is critical in order to deal with the problems of error, fraud, and abuse and the payments out of the system. There is also ample room for state supplementation at various levels to accommodate the interests of each particular state.

There is not too much detailed legislation from the Congress on the issue of the continuing involvement of the states. That is a problem that is really going to have to be fleshed out over the next few years in Congress, but it's quite clear to me that it's important to give the states wide flexibility. The nation is burdened with laws that are much too detailed to administer. The way the statutes are written today are often the way regulations are written and don't provide enough flexibility.

GOVERNOR THOMSON: Mr. Secretary, what would be the price tag of the reform program? In other words, how much is allocated in our current federal budget for welfare and how much do you anticipate the new program would cost on a yearly basis?

SECRETARY CALIFANO: Our estimate is that there is \$27.9 billion of current federal expenditures and offsets involved in this system and that the program that we're proposing would cost \$30.7 billion. There are explanations needed with that. There are detailed break-downs of all those numbers—how much of that is AFDC, SSI, food stamps, et cetera—which we have sent to you and your people and which we'll be happy to go into in whatever depth you want.

Thank you very much, gentlemen.

CHAIRMAN ASKEW: Thank you very much, Secretary Califano.

I'd like to commend again our task force and Hugh Carey for what I believe was an outstanding job in this area. I would only add one word in regard to this program. The National Governors' Conference has long advocated reform. I think it's important to understand that when we talk about reform we begin with a set of realities. One reality is that the welfare problem is simply more acute in the larger urban areas of this country. If we try to judge the program in terms of how each state is affected, I think that we will never attack the problem as comprehensively as the administration seeks to. It is a national problem, regardless of where the people are. The only caution that I might add is in the area of supplementation. Obviously, some of the states are not going to derive immediately the amount that some of the large urban states are. I think a real test will come on how generous the large states will seek to be in supplementation. It might eventually cause all the country again to have to recoup that. I hope you will bear these two things in mind.

THE STATE ROLE IN ECONOMIC GROWTH AND DEVELOPMENT

GOVERNOR MILLIKEN: You will recall that during the winter meeting in Washington we endorsed the calling of a White House conference on balanced national growth and economic development. We also took a very strong position in favor of a substantial state role in that conference. The session this morning is one more step toward assuring that particular role. We are going to focus on the problems caused by growth and the role of the state in the economic development process.

Our first speaker has been designated by the president to convene the White House conference on balanced growth. She has actively encouraged the participation of the governors, both individually and collectively through the National Governors' Conference.

I first met Juanita Kreps a few years ago. We had an opportunity to talk at that time, and I was impressed with the knowledge, understanding, and sensitivity that she displayed in this very complex field. She brings to her position in the president's cabinet an outstanding record, one which earned her wide praise when she was actually selected by the president for the cabinet. She is with us this morning to discuss the upcoming conference on balanced growth, to share with us some of her thoughts, and to enlist our help in refining the issues to be dealt with at the conference. I am very honored and very pleased to present to you now Secretary of Commerce Juanita Kreps.

SECRETARY JUANITA KREPS: Thank you, Governor Milliken. I thank all of you for inviting me to join you this morning. I'm sure that both Joe and I are grateful to the governors of the nation for holding a cabinet meeting in Detroit in conjunction with your meeting.

I agree with Governor Milliken's statements reported in the morning paper that this city is the most appropriate site for your meeting. In reading the editorial in which he talked about having the governors view a city's rebirth, I thought that was very appropriate. At the end of that editorial there was a small squib that you may not have seen, and I would like to read it to you. It says, apropos nothing at all, "While virtue may be its own reward, there is much to be said for the incentive value of a cash bonus." [Laughter.] It occurred to me that that might be a good text for a secretary of commerce.

Detroit's experience, it seems to me, illustrates the roles that federal, state, and local governments and the private sector can play in economic recovery. It illustrates also how common purpose and cooperative endeavor can rescue human and capital resources from their own ashes. Indeed, Detroit's spirit of economic renaissance, now characteristic of many of our American cities, signals an optimistic turn for this nation.

I would take you back in time just for a moment and note that today's national economic policy owes its origin to the post-World War II period in which we made a commitment to the pursuit of maximum employment opportunities

and growth in real income. And although the strategies have varied, these remain the nation's basic economic policy objectives. The environment of the 1970s and the 1980s differs from that of the postwar period. We now face new economic and social realities. It is in these different circumstances where I believe we can see the elements of the debate on balanced growth and economic development begin to emerge.

Note first that we have increased our agenda of national goals and objectives beyond the purely economic concerns. Environmental issues, for example, have legitimately become common to the agenda. We are all well aware of the conflict that arises between environmental objectives and the requirement of economic growth as it has sometimes been pursued in the past.

This broadening of national agenda items reflects the wisdom of a nation maturely assessing its priorities and reassessing the components of good life, quite possibly reassessing the stark requirements of ecological survival. Yet it has made the job of economic development much more difficult, and we are challenged to find ways of dealing with the fundamental trade-offs that are involved.

Second, national economic policy traditionally has been pursued through the broad, national use of monetary and fiscal policy designed to expand or contract the overall level of demand. The unprecedented growth and development of this nation was achieved amid seemingly inexhaustible supplies of clean air and water, ample land, and cheap energy. This has changed fundamentally. We are now shifting from nearly exclusive concern with demand management to an explicit recognition of supply realities. That issues of supply are very often specifically linked to geography means, of necessity, that economic policy will be more consciously concerned with geography in the years ahead.

Third, in determining the magnitude of the challenge before us, we traditionally have focused attention on national statistics—the national rate of unemployment or the rate of growth in real GNP for the nation overall. These statistics, however, mask great diversity among you, diversity in the conditions of employment and growth among places, regions, and peoples in America.

This, then, is the challenge of balanced growth: To continue to achieve our employment and development objectives in the light of multiple and often conflicting national objectives, in the light of the new reality of supply constraints, and in the light of the diversity in the growth prospects and challenges of the localities and regions of this nation.

In order to focus attention on these complex problems we are now, as Governor Milliken has indicated, preparing for the White House Conference on Balanced National Growth and Economic Development. This will provide a forum in which representatives of business, labor, and government at all levels, consumers, environmentalists, and citizens at large may offer guidance to the president in formulating recommendations that he will then present to Congress.

Today's meeting of the governors represents an important milestone for me as we approach the White House conference, for today I enlist your help in refining the issues that we have tentatively identified and in shaping the recommendations.

I am extremely pleased today to make an important announcement, which reflects the prominent role that the states will play in the White House conference. Governor Jay Rockefeller has agreed to serve as chairman of the Statutory Advisory Committee. The committee will help to shape the content of the conference as well as oversee implementation of its recommendations. Governor Rockefeller is the singularly well qualified governor for this post because he leads a state that has both declining and booming areas, a state that has both rural and urban problems. As you know, he has been in the forefront in shaping national energy policy as well. I welcome the partnership with Governor Rockefeller, and I know you join me in expressing the enthusiasm that his appointment brings to the whole endeavor.

The conference will focus on six main questions: (1) What should be the public policy toward places with declining or lagging economic bases or those experiencing rapid growth? (2) What should be the federal role in providing assistance to local governments with depleted revenue bases and inadequate public services? (3) What should public policy provide with respect to employment opportunities for persons unemployed or underemployed because of mismatched skills, inaccessible jobs, or other structural problems? (4) What should be public policy toward the uneven impacts of federal programs and activities—grants, loans, procurement of goods and services, location of facilities, tax incentives, and regulations—and the effect on the distribution of economic activity and population settlement? (5) How can government institutions and processes be adapted to address problems that cut across jurisdictional boundaries, departmental lines, and levels of government? (6) How should public policy attempt to anticipate change, to influence its direction, to mitigate its adverse consequences? These are among the questions on which we are seeking your guidance. This morning I would like to share with you my thoughts on just one of them.

Consider the problems that arise in those areas that have historically been disadvantaged. The picture of the older American city, for example, is a mixed one today. Some indicators show conditions worsening, others reveal encouraging bright spots. Let's take the bad news first.

Increasingly, the central city is the home of the American poor. There are actually fewer black-poor in the suburbs today than there were twenty-five years ago. The median-income gap between central cities and suburbs continues to widen. The combined effects of years of inflation and recession have forced reductions in the number of city employees. This in turn has resulted in widespread deterioration of public services, which in turn has made more difficult the task of rebuilding the economic base of the cities. And yet, despite the fact that we have been reading city obituaries for a decade, there are some promising trends.

Although overall central-city population is down, the number of individual households is up, suggesting that to some extent more residential decisions are being made in favor of city life. More visionary use of old waterfronts and other public places and a boom in urban culture have helped lure middle-class house-

holds to reviving neighborhoods and near better-paying jobs. The prospects of recovering some of the lost tax base over a five- to ten-year period are favorable.

Several departments have recently made important contributions to the financial needs of the cities. Indeed, in the first eight months in office, the Carter administration has provided more new funds for cities than any prior administration in a similar period. The Commerce Department is allocating \$4 billion in new local public works funds. This is the largest amount of countercyclical public works aid ever spent in so short a time or ever targeted so specifically toward the jobs and capital needs of the cities.

In round two of the local public works program, allocations to state governments totaled more than \$435 million. All states participated in round two, whereas, as I recall, only fifteen states did so in round one.

Labor Secretary Marshall is administering a \$6.6 billion public employment program that is also allocated to areas of concentrated unemployment. HUD Secretary Harris is preparing to spend \$4 billion for the Community Development Block Grant Program, which is being modified to be of greater aid to the older cities in greatest need.

One further note on the local public works program: Of the \$4 billion made available in May, projects for over \$3.9 billion have been received by the Economic Development Administration, and \$2.3 billion of this has been approved. The remaining \$1.7 billion will be approved by the end of this month. In addition, I should note that under the second round of the local public works program, state and local governments are, to a very large extent, setting their own priorities and project selection. I am well aware that you were very unhappy with the system of selection in round two, in which the computer set priorities and frustrated so many of you and so many of us. Our department is also reordering the priorities of the Economic Development Administration in general and mobilizing its other agencies so as to provide substantial new assistance for older cities, declining suburbs, and depressed rural areas.

As we move ahead, the Carter administration is acutely aware of the importance of the states in local affairs. It is not only that federal fiscal resources are limited. More significant is the fact that federal powers cannot reach certain problems that states can address directly. Accordingly, our department is eager to work with you on your proposals for economic development as they grow out of this conference. Indeed, one reason that states have not moved more rapidly on urban problems has been the fact that the federal policies have reinforced the tendency to associate urban problems with federal solutions, and in bypassing the states, the federal government has not helped expand state-level knowledge, experience, and commitment. The cities have, therefore, been the losers.

If I were to leave but one message with you, it would be this: We must now begin to administer federal urban programs so that they serve as a stimulus for complementary state action, rather than an excuse for state inaction.

The laboratory of federalism is still working. What is needed is a system in which each of the federal partners helps to develop workable strategies. In acting

independently, we have wasted precious resources, not the least of which is the political capital and the public confidence. We propose now to address our efforts to your own and to add our efforts to your own and to those of the cities, the suburbs, and the rural areas where the assistance is truly needed.

I think such a partnership offers great promise to the cities. During the past summer, for example, Californians have been debating a proposed urban development strategy designed to reverse "immediately those state programs that promote decay and abandonment of existing urban areas." The California urban strategy is an example of the kind of state initiative that federal policies should actively support.

There are a hundred such opportunities to be considered on a state-by-state basis, many of which were described in the report on this subject by the Council of State Planning Agencies. Wherever such changes make sense, federal policies should encourage state tax-sharing initiatives such as the one in Minnesota; they should encourage city-county consolidations such as the one in Indiana; they should encourage urban-aid legislation like that passed by Michigan and New Jersey; they should encourage community development mechanisms such as those in Massachusetts.

Much of what I have suggested will not require substantial increases in state or federal programs. It will, however, require more careful targeting and concentration of what we have available. It will require improvements in traditional structures and methods of governance. It will involve raising some very large questions. It will require some give and take, reaching compromises that will carry us out of the narrow program thinking that has long stifled intergovernmental negotiations. It will require us to plan together in ways we have not yet managed to do. We will need to listen with more care to the people, to local elected officials, and, most of all, to each other.

In summary, we face more complex problems than those of the past. Growth, the old yardstick of progress, is but one of our concerns. Difficult trade-offs are before us. We face shifting demographics and pockets of distress, notably in our cities. The Carter administration is determined to come to grips with these problems. But you and I know that the federal government cannot solve the problems alone; neither, we readily concede, can the state or local governments. The task is one that will require the best efforts of all levels of government and the private sector as well. What we seek is a coalition. It will be a large undertaking and it has begun. Our next major discussion will occur at the White House conference this winter. I urge your enthusiastic participation, and I pledge my own and that of the president of the United States.

GOVERNOR MILLIKEN: Thank you very much, Secretary Kreps.

Five governors have been asked to discuss very briefly a particular set of growth-related problems affecting their states. First, Governor Jay Rockefeller of West Virginia will discuss the problems of rural areas and small communities.

GOVERNOR JOHN D. ROCKEFELLER IV: The shift in the national policy, which was outlined by the secretary, strikes me as precisely correct in that it

identifies a heavier concentration on urban problems. Whether we are from rural or urban areas, I think that we all understand that the entire nation is going to suffer if we allow our major cities or any part of them to decay any further.

But, as Secretary Kreps has said, we need a geographically targeted program. The needed increase in assistance for urban areas, which I support, must come in a balanced growth concept for both urban and rural areas. As rural areas continue to grow, they are going to demand more attention from all of us. It is my view that federal and state development programs have only begun to show limited progress in terms of America's smaller communities and rural areas.

It would be a mistake for us to allow the needs of these smaller communities to be seen as being in competition with the needs of our large metropolitan areas. The cities need to be developed, but they will be overwhelmed again with a new cycle of problems if we fail to accelerate our development spending in rural, non-urban areas and in small towns.

Yes, it is tough to be the mayor of a great city, but it is also tough to be the mayor of a small town somewhere in rural America where resources are so utterly scarce and problems so utterly personalized. Matewan, a southern West Virginia coal community which was recently literally wiped out by a flood, comes to mind as I discuss this. This small community had a total yearly budget of \$40,000, which may not seem like a great deal to the governor of New York, but which was a great deal to the people of Matewan. Most of that income came from parking meters, and they were wiped out in the flood.

Now, the mayor's problem is how he comes back, how he plans for the future together with the federal and state governments. It just so happens that the small community of Matewan, with only several hundred people, is crucial in the energy future of the United States, as well as West Virginia. It's a large producer and will become more so, but it is small, and the mayor has nowhere to turn.

There are many mayors who work part-time, make \$25 a month, have no planners, and have large federal guideline volumes which they bring to their governors in utter and sheer desperation. They say, "What do we do with these things?" The mayors are trying to solve some fairly basic problems, and they have neither the time, if they hold down full-time jobs, nor the experts to go after solutions. In my judgment, states do not adequately help these people. We are trying to solve this problem in West Virginia.

I think that states, particularly rural states, nonurban states, have not been aggressive enough in community and rural development. For example, a number of years ago Adlai Stevenson used his powers as treasurer of Illinois to make banks comply with equal opportunity principles in their hiring policies. Similarly, I am discussing with the treasurer of West Virginia a program where the state would put its money in those state banks that are taking initiatives in the areas of rural development, community development, and housing—areas that are not necessarily sensationally profitable but are very important to the community.

Sometimes I think that rural states make the assumption that their destinies are not in their own hands; they are not aggressive enough; they have a defeatist

attitude; they feel in competition with large cities; they are not optimistic enough about their own futures as I think they should be.

It would be very foolhardy for us to ignore the so-called back-to-the-country-side movement which is taking place across the country. People are seeking a life style and a value structure that bodes well for the future of rural areas. The problems of our cities and our small towns are interrelated. For example, in the early 1960s the country rediscovered the problems of Appalachia. One of the most meaningful symptoms of that rediscovery was that Appalachia's problems were quickly translated into urban problems. In fact, it happened just as quickly as an old pickup truck from somewhere in Appalachia could get to Akron, Cleveland, Detroit, or Chicago.

We can't let this kind of costly waste of resources happen again. Secretary Kreps, I find your comments very encouraging, but I caution the federal government and all of us that rural America contributes much more to our nation than the demographics of any national census show. When we are looking for America's energy resources in the coming years, we're going to be looking at small towns all over the country like the one I've described in West Virginia. If the many federal programs now in existence were more flexible and more adaptable to the local needs of America, I think we could make very remarkable progress in our rural sections. In many small towns in my state, I have observed a single water development project, a single sewage system, or a break-through in red tape open up countless possibilities for development of the communities.

We cannot get bogged down in regional conflicts or competition between urban and rural areas. If we only fight for ourselves, we will not be able to develop a balanced growth policy at the national level. We are all committed to a balanced growth policy, and I applaud Secretary Kreps and President Carter for their commitment to such a policy.

GOVERNOR MILLIKEN: Thank you very much, Governor Rockefeller.

Governor Brendan Byrne of New Jersey will now discuss the problems of older industrial areas.

GOVERNOR BRENDAN T. BYRNE: Let me briefly point out the benchmarks of the urban crisis as it exists in the country today. One is high unemployment, especially among the minorities. High unemployment is related to the problem of untrained employees or potential employees. Another is the crime rate in the urban areas, either the real crime rate or the perceived crime rate, which is just as acute a problem. Another is the neglected mass transit systems in the urban areas. We must recognize that today mass transit must be run at a loss and that federal funds must be committed to mass transit systems. We also have dilapidated and inadequate housing and people who cannot afford proper housing without some help from the government. We have antiquated industrial plants. Industry is having to make judgments whether to abandon antiquated industrial plants in urban areas or more recently constructed plants in other areas.

We are identifying the problems. But we have a federal policy, which at one time was valid, that sees the Northeast as a privileged area and encourages a drain

from the Northeast to other areas of the country. It is no longer a valid national policy. I am encouraged by the secretary's commitment to balance national growth. I think it's essential that we put an end to the regional drain on the Northeast. Thus, I urge the federal government to reevaluate any present plans to move military installations out of the region. I urge the government to recognize the economic problems of the Northeast, and help us ease the problems of high unemployment by awarding government contracts. I urge it to support actively, and a little more vigorously than before, concepts such as a regional energy development corporation that would allow us to finance projects to increase employment and to develop more imaginative approaches to energy use and energy conservation in an area that must expand to create new jobs. This is a concept that is urgent for the Northeast but is also valid for the rest of the country.

I urge the federal government to eliminate the jockeying among states that try to tailor environmental standards to attract industry. In the long run, this is not good for any state. I ask that you recognize law enforcement assistance, either in its present form or in a revised form. I recognize that crime is not a popular national issue right now, but crime is a critical issue in urban areas in this country that are trying to rehabilitate themselves. I ask that you give us the housing assistance that is needed in urban areas. Most of us support the impaction concept, which recognizes a percentage of dilapidated housing in an urban area. We ask that you develop the flexibility to work with us in our states. That flexibility would include the concept of one-stop permitting at the federal level and the reduction of red tape in obtaining federal approvals.

We recognize that there is no easy formula that will rehabilitate all our urban areas. We recognize our responsibility as states and as municipalities to identify our own problems and our own solutions and to make use of the assets of a community in developing a program that rehabilitates that community.

We've done that in New Jersey. With cooperation from the federal government, we've made Hoboken into a first-class residential area again. Hoboken is now an attractive part of the New York metropolitan area. By the introduction of the incentive of legalized casino gambling, Atlantic City has been rehabilitated. The federal government must recognize that Atlantic City cannot be judged by old statistics: the government must look at projected statistics for Atlantic City in making housing allocations. The statistics are very encouraging. Mike O'Callaghan told me that they are not worried about Atlantic City in Las Vegas, but Caesar's Palace is putting in an ocean. [Laughter.]

We think that if the federal government will help us, if it will be flexible, and if it will be responsive to the changing problems and to our imaginative approaches, we can make this turnabout possible.

The agenda I've suggested is not costly. It's an agenda in which cooperation is more important than cost. I believe, as do most of my fellow governors from the Northeast, that if we can't save the urban centers of our nation, we can't save the suburbs either, and that as the spread becomes more acute the cost of reversing it becomes higher. It's a reasonable agenda, and we urge your support.

GOVERNOR MILLIKEN: Thank you very much, Governor.

There are some states with problems associated with rapid industrial growth. I suspect there are a number of states that would like to have precisely those problems. To discuss the problem of rapid industrial growth, I now call on Governor Pryor of Arkansas.

GOVERNOR DAVID H. PRYOR: One of the noted economists of this country stated on one occasion that dynamic capitalistic growth is a form of creative destruction.

To put my state of Arkansas into proper perspective, I would like to give you a short profile of the state and its people, where we have been and where we are today. Historically, Arkansas is rural and the people are dependent upon the land. Our people are known as being fiercely independent. In fact, in the 1968 election, our people supported Bill Fulbright for senator, George Wallace for president, and Winthrop Rockefeller for governor. In addition, we have a tradition of going barefooted, which seems to be coming back into style.

Seriously, twenty years ago Arkansas found itself facing a seriously declining population, decaying rural towns, and total stagnation of industrial growth and development. At that time, 82 percent of all the engineering graduates of the University of Arkansas College of Engineering moved to other states that offered greater opportunities. Sixty-seven percent of high school and college graduates moved to other areas of our nation. They left the farms to see the lights of the city. In fact, last evening I asked one of the hotel employees where he was born. He said Augusta, Arkansas. He had come here twenty-three years ago with his father, who had left the farm to find a better job.

The loss during this particular time in our history was not necessarily the gain of any other industrialized state, because our loss was too severe and its growth was too sudden. It created, as we know, a great imbalance.

But, the apparent gains in Arkansas and in some of the so-called sunbelt states today have by no means created a heavenly panacea. We in Arkansas are proud that we have at least seemingly made the turn. We are a state of 2 million people, and since 1970 we have grown at a rate of 10 percent. Today Arkansas is experiencing an in-migration of people over sixty years of age. I would say that today Arkansas is second only to Florida in the percentage of population over sixty years of age. We are also finding a great number of the young people who left the state twenty years ago, in the 1950s and 1960s, coming back, returning to the farms, finding either industrial jobs or living from the land. In 1969 the average age of the American farmer was fifty-six. In Arkansas today the average age of the farmer is forty-five. August 1977 was the largest industrial month in Arkansas history in terms of new industry announced and old industry expanded.

This may be an extremely sensitive issue, but I'd like to say that we who compose the so-called sunbelt states are not proudly flexing our muscles. We're not pounding our chests. I think the phrase "economic war between the states" has very little meaning to the typical citizen of the sunbelt states.

I would characterize the effect of the growth on the people of our state as

sobering, because with that growth, that new industry, and those new people come additional problems—problems in transportation, health, education, and the environment. For example, 70 percent of the physicians in Arkansas practice medicine in the eight most populated counties. I had to call a special session of the Arkansas legislature last month to appropriate an additional \$1.5 million for our kindergarten program because of the new influx of people to our state. These people need services, and this puts a strain on local governments and the water and sewer systems, to name just a few areas.

We say today in our state that, yes, we want growth, but we privately ask ourselves: do we really? Do we really want to make those sacrifices for that growth? In this country we have always measured our success by something we call growth, but I think what we probably really want and what we are really after are new opportunities for our people, and, let's face it, without the accompanying sacrifices or the attendant problems. Yes, we want to grow, but we don't want to grow to become overweight.

First, I think that we must find a new plateau of understanding and sensitivity to the problems that each of us has in our respective areas. In 1975, Governor Carey was trying to rescue New York from a financial crisis. I heard some very misguided people say, "Well, let them stew in their own juice." We all heard that. It wasn't nice to hear. I hope they were not sincere in those beliefs, because had New York gone under, twenty-three banks in Arkansas would have had to close because the banks owned New York City bonds. The effects would have been felt all over the United States.

Second, I think that we need a new appreciation for each other's problems in the area of agriculture. Arkansas leads the nation in rice and poultry production. When we don't make a crop in our state it won't take long for the effects to be felt in other areas of the country.

I don't think that new programs or new money will necessarily solve the problems that we face in the growing states or in the states that are losing industrial jobs. We must not allow sectional paranoia to divide this nation. We must work together now more than ever before. Basically, our problems are your problems and your problems are our problems. I hope that we leave this conference with that in mind. I find what is happening in Arkansas and in other growing states, where new people are moving in and new problems are developing, like inviting your mother-in-law to dinner. You want her to come, you've extended an invitation, she has accepted, but you're still just a little bit nervous.

GOVERNOR MILLIKEN: Thank you, Governor.

Governor Lamm of Colorado will now discuss the question of energy-impacted areas.

GOVERNOR RICHARD D. LAMM: Thank you, Governor.

Speaking in behalf of myself and a number of other governors, I would like to express our appreciation to you, Madam Secretary, for being the one person in the administration, or the major person in the administration, who has taken an

interest in impact aid. You've seen firsthand the problems, which was above and beyond the call of duty and very much appreciated and for which we thank you.

There is a certain degree of "feast or famine" in balanced development with which public policy can perhaps deal. We have too much growth in some areas—urban sprawl—and not enough in other areas—rural decay and urban decay.

We have a peculiar set of problems in areas where energy is being developed. We often find a small community of a thousand people on top of a 300-foot coal seam. When development begins, the population of the community doubles in two years and then doubles again in the next two years. It is a classic economic development problem, and it is also a problem of energy. It's a classic economic development problem because you have an increased need for schools, sewers, roads, et cetera. These are problems that a small community is unable to deal with because of its level of sophistication and the lack of funding. It is also an energy problem because the ability of the administration to alleviate and mitigate the problems related to the impact of energy development is directly correlated to the nation's ability to increase energy. Local communities will not increase their energy development unless we can solve their other, very real, and pressing problems.

It isn't only a matter of money. It is largely a matter of finding ways to mitigate the impact on communities caused by a federal energy policy.

GOVERNOR MILLIKEN: Governor Bennett of Kansas will now discuss the problem of agricultural development and food policies.

GOVERNOR ROBERT F. BENNETT: I suppose I could simplify my statements by saying we need both agricultural development and food policies and we have neither, because, in my opinion, that's the position that we're in today. In the farmbelt and in a number of other states, the farmers are in a major crisis. Unless some dramatic action is taken quickly, that crisis can change to disaster.

It's a very simple problem: We have high production costs and low market prices, all stirred up in a stew of governmental red tape. The end result is that the farmer is not the beneficiary but the one carrying the major part of the burden.

The following figures are for the state of Kansas, but they are similar to the figures of other agricultural states of the nation. Forty-five percent of Kansas farmers are in financial trouble. Eighty-six percent of our farmers will lose money this year. Nine percent of our farmers will be unable to pay or refinance the loans they now have outstanding. And thirty-six percent of our farmers will have to refinance their outstanding loans, and can only do so because the market value of their land has gone up sufficiently that they can dip into that equity in order to operate their farms.

We have a selected group of 2,500 farmers in Kansas who receive management advice from Kansas State University. It is said that they have the best organized, best advised, and best managed farms in the state. But a recent survey indicates that their incomes have dropped by 84 percent in the last three years. This gives you some idea of the magnitude of the problem in a very small state where only 200,000 people are engaged in farming activities.

This problem is compounded by the fact that our young farmers do not have

the resources to continue in the farming business. With the costs of tractors, combines, fertilizer, and the few pesticides the government allows them to use, they just don't have the money needed to stay in the farming business. They are leaving the farm. So what's going to happen to this so-called food policy that we have if there is no one to plant and harvest the food?

This has a rippling effect in the urban areas. If a farmer can no longer buy a tractor or a combine, it affects the individual who sells tractors and combines. This affects the industry and, ultimately, the labor unions. This rippling effect, which right now is only felt on the farms and in some rural communities, will be felt very soon in every urban area in this nation.

One of the main problems is that in years past we had a farm program that, in effect, was concerned with market prices and farm income. We no longer have a farm policy as such. We have a food policy, and a cheap food policy at that. It's a food policy that's affected not only by the politicians but by the Department of State, embargoes, land use, special interest groups that are concerned with the environment, and so on. As a matter of fact, everyone but the farmer has something to say about the food policy in this nation. The farmer is just expected to continue to plant because he has always been willing to plant under any circumstances.

It seems to me that with everybody in the act, the only thing you can say about our current so-called food policy is it is the politics of cheap food. In my view, unless some change is made, this policy will ultimately drive people from the farm and leave those of us who do not work on the farms without the sustenance that we've become accustomed to on our tables.

There are a number of possible solutions to the problem. We need to be much more energetic in the area of exports. We need to put additional funds into P.L. 480 and the so-called Food for Peace program. We seem to have no difficulty in sending machine guns, hand grenades, airplanes, and bombs to other nations to provide them with the instruments of their own destruction, but we seem to be very reticent and reluctant to address the problems of the starving nations of the world and provide them at least with some tools for their own salvation.

Both the federal and state governments need to be more involved in the private expansion of our exports. In the past, the only thing that has saved the country from a very unfortunate balance of payments has been the fact that we've been one of the greatest agricultural exporters in the world.

A second possible solution is less government interference. We talk a lot today about the environment, pesticides, and regulations and controls. Each means an equivalent increase in cost to the farmer. Yet no one seems to be concerned about whether the farmer can find some way to respond to that cost. We need to go on record, as our revised policy position does, that the federal government needs to expand its research in pesticides. We've used these pesticides on farm products for the last thirty years, and all of a sudden they have become inappropriate and unusable. In short, I think this nation can ill-afford to have organic gardens with Occupational Safety and Health Administration (OSHA) outhouses at every corner

and a Corps of Engineers dragline on every stream and on every pond. [Laughter.]

We need a realistic set-aside program, at least during this period of gigantic surplus. The program that has been submitted appears to be very complicated, if workable at all. The best estimates are that the most this set-aside program will do in the long run is reduce production by some 8 percent, an insignificant amount in light of the surpluses that we have in the absence of activities in another area.

We need to do something to expand and improve the credit available to farmers. There has been too much emphasis by the Farmers' Home Administration on rural housing and too little on farm ownership loans. There are no farm ownership loans available in Kansas for the balance of this year. In Kansas, a homeowner can get a 100 percent loan with 1 percent interest within thirty days, but a farmer must wait one year for a 40 to 60 percent loan at 5 percent interest. If we're really interested in providing the necessary sustenance and in attempting to keep the young farmer on the farm producing food, then I suggest that the federal government has the wrong priority. There must be a better understanding of the farmer at both the national and state levels.

Whenever the market price or produce price in the market goes up, everyone blames the farmer. But a good example to remember is that the cost of the wrapping exceeds the cost of the wheat for a loaf of bread. To sum up, there's a bumper sticker that's very popular in my state: "If you don't like farmers, don't talk with your mouth full." [Laughter.]

GOVERNOR MILLIKEN: Now I recognize Governor Hunt of North Carolina.

GOVERNOR JAMES B. HUNT, JR.: Secretary Kreps said that the growth prospects of localities and regions would be discussed at the White House Conference on Balanced Growth. There was a lot of talk about cities. But the talk seemed to assume that cities are very large cities. Of course, the real truth is that between 1970 and 1976 the people of this country voted with their feet in terms of where they wanted to live. As a group, the central metropolitan cities lost over 2 million persons during this period. The smaller cities within the remaining metropolitan areas gained 7.5 million persons. The nonmetropolitan areas gained 5 million persons. I say that the new urban frontier in this country, the places where people are choosing to live, is the small cities.

Many policies have been aimed at the problems of large cities. We also have had many rural development programs. Both are needed and will continue to be needed. But the truth is emphasis has not been put on helping the small cities and trying to do things now that will prevent problems that will develop there in the years to come. We've had too much talk of the snowbelt versus the sunbelt. We ought to look at where we need help and ways to be fair to all areas of our country. At the White House Conference on Balanced Growth and in the various conferences within our states, I urge that we put a heavy emphasis on and take a real hard look at the needs of our small cities and ways we can help them to continue to be real centers of economic growth and, at the same time, places of good life.

GOVERNOR MILLIKEN: For the purposes of presenting a resolution, I now recognize Governor Busbee of Georgia.

GOVERNOR GEORGE D. BUSBEE: I appreciate the opportunity to speak to you this morning on the policy statement on national economic development program consolidation.

The policy statement contains principles that address problems that I'm certain each governor has personally experienced and about which we are all deeply concerned. All of us have attempted in one way or another to promote, improve, and better coordinate balanced growth and economic development opportunities in our states. I'm convinced that this is what the people in local leadership want from state government. They want to be able to plan their own growth and their own destiny, using laws and resources that are fair, consistent, and predictable.

Like every governor here, I have taken many steps to promote sound economic development, but I must confess that the main roadblock that I've encountered in attempts to make sense out of economic development opportunities has been our partner, the federal government.

In the past two decades, numerous federal programs have been established to solve the economic problems of the nation. From the Appalachian Regional Development Act and the Public Works and Economic Development Act of 1965, as amended, to the public works legislation of 1977, a vast series of often conflicting mandates have fallen on the states and on local governments. Most of these federal approaches to public works and economic development have been categorical in nature, and, within their limited sphere of influence, tend to ignore the existence of each other and mandate numerous duplicative delivery mechanisms. Comprehensive planning for economic development has not received the emphasis it should. Excessive categorical regulations make it difficult, if not impossible, to plan comprehensively at the state and local levels with federal funds.

At the state level, I have found that the federal economic development resources available to governors are very limited. This is true despite the fact that state governments are in the best position to formulate statewide economic development policies and assist their local governments to improve the state of their local economies. States can plan in a comprehensive manner that does not pit one jurisdiction against another, but takes into account the needs and well-being of the state as a whole.

I think one example of the confusing and myopic nature of federal policies is worth a thousand words. Like many of you here, I spent two years developing a comprehensive, statewide economic development planning process pursuant to section 302 of the Public Works and Economic Development Act. And what happened? Congress passed a local public works bill and totally ignored the planning system they encouraged us to develop in our respective states. Projects for funding under LPW were chosen by computer at the Economic Development Administration (EDA) in Washington. In Atlanta, a few projects were funded, but one of the projects chosen was the thirty-fourth item on the list of priorities submitted by the

city. Of course, Atlanta is not going to turn down this project even though it's the lowest priority on the list.

I'm for equity and fairness, but there is no way anyone can ever convince me that a computer or even a GS-13 is the government closest to the people. I cannot make a judgment on what project in Seattle, Atlanta, or Chicago will do the most good, and neither can a computer, but as governor of Georgia I probably know which project is the best investment among the projects that are submitted to me by Macon, Savannah, or Valdosta.

As the proposed policy statement says, it's clear that a congressional reevaluation of our national economic development and public works efforts should be undertaken. I'd like to see a new program passed that consolidates as many of the existing federal economic development and public works programs as possible and gives state and local governments a comprehensive and flexible economic development funding source that is predictable. By that I mean the funds could be counted on and made available through a single delivery system. It's my hope that this delivery system would build upon and reinforce traditional state and local planning and working relationships.

When you think what existing policies have driven us to, the absurdity is overwhelming. When I go to Congress and I make a pitch on behalf of the cities and counties of Georgia, my biggest rival is not Hugh Carey from New York but the League of Cities or the National Association of Counties, the very people that we governors should be working with and not against. Existing federal policies have, at least in part, caused this kind of competition, which certainly is not in the long-run interest of smaller cities and counties.

Any new efforts in economic development, whether of a remedial public works nature or an expansion of an existing economy, ought to be based on a deliberative, bottom-up planning process, from city to area to state. If we have a process whereby we have, say, a five-year and a one-year needs projection, only then will we be assured that the projects funded are really needed and worthwhile.

It's also time for us to admit that we have not done what is necessary for our larger cities. Our largest cities need special consideration. Therefore, I urge Congress to give special planning consideration to urban areas with populations over 50,000. Furthermore, we should recognize that in any new national program, economic assistance should be targeted to those cities, areas, and states with the most economic distress. In short, resources ought to go where the immediate needs exist. States should give particular emphasis to depressed and declining urban and rural areas and to the growing disparity between the central city and the suburban areas.

The principal point of the policy statement is this: For too long we have looked to the federal government to solve all of our problems and plan our future. We need to move back in the direction of a kind of federalism that puts the major burden of management of economic development programs squarely on the backs of state and local governments. Provide us with resources, and I think that working with our cities and counties, we can do an effective job of balancing the means for the end and with more efficiency and accountability than is now the case.

If the principles in this policy are passed today, we can begin by working with city and county representatives on drafting and implementing legislation. We need to go to the White House Conference on Balanced Growth and Economic Development unified in principle. I believe that this policy could be the first step toward a more practical, sensible, and modern federalism, something I know all of you want. Such an effort is going to require leadership. I hope leadership will be shown today by the adoption of this policy.

Mr. Chairman, I'd like to move for adoption.

GOVERNOR J. JOSEPH GARRAHY: Second.

CHAIRMAN ASKEW: Discussion?

GOVERNOR GARRAHY: In seconding the move for adoption of a resolution that calls for consolidation of the economic development and public works programs, I'd like to describe what has happened to my state as a result of no coordinated plan.

In 1973 we sustained almost 50 percent of the naval cuts that resulted from the defense realignment at that time. Sixteen thousand military people were transferred from our state, almost 6,000 civilian jobs were lost, and almost \$300 million was taken out of the economy of our state.

We have taken full advantage of planning funds from the defense adjustment team, EDA, and a number of other agencies. We have analyzed the social and economic impacts and brought about tremendous new initiatives, tax changes, and new, bold economic plans. But we are still trying to find some kind of productive use for the thousands of acres of land left vacant as a result of the 1973 defense realignment.

The unemployment rate in Rhode Island went as high as 16 percent, perhaps among the highest in the country at that time, as a result of federal actions over which the state had no control. We are still trying to find uses for that vacant land so we can provide some civilian jobs for people in our state. Those areas have been cited as probably some of the best industrial sites available in the state.

Just a few months ago we were able to get the environmental impact money from the Defense Department. The General Services Administration had been promising it for two years. So we've had to deal with several departments and with promises and delays. The land is still vacant due, in large part, to the lack of a good, comprehensive planning effort on the part of the federal agencies. And, as a result, we just haven't been able to get the economy going again. Rhode Island has had to borrow substantial amounts from the federal unemployment fund. This, of course, works as a detriment to rebuilding the economy of our state.

As I understand it, there are rumors of further defense base reductions or realignments. I hope that the governors will look at the history of Rhode Island to see what can happen as a result of these defense cutbacks. Our history points out the need for a comprehensive development program that consolidates all of the various plans.

GOVERNOR ASKEW: Thank you very much, Governor. That is what the policy seeks to do.

GOVERNOR MICHAEL S. DUKAKIS: I applaud the policy statement in general. I think it's an excellent one. There is some language in it, however, that might be interpreted as raising questions about the approaches of the Title V commissions and regional multistate organizations to the problem of economic development. I don't believe that's the intention of the draft.

GOVERNOR BUSBEE: No, it's not in the least. In paragraph 11, it states, "States should be encouraged to join together to work on a regional problem basis rather than through artificial regional boundaries." Some say we're doing away with Title V, doing away with Appalachia. We're not. I do submit to you that we have a lot of problems that are areawide and cross state boundaries. We should not have artificial barriers set forth by the secretary of commerce. We should join together in those instances rather than having the secretary tell us.

GOVERNOR SHAPP: How important is paragraph 13, the item about federal employee reduction? I have found that attrition is probably the worst way to eliminate people, because you don't know what programs are affected by the people who leave. It's something that's completely by chance. I have no problem with anything you're seeking here, but I wonder how important that statement is to the rest of the resolution.

GOVERNOR BUSBEE: It's not overwhelmingly important, but I think it's consistent with what's happening in Washington. Frankly, I don't look for any reduction in federal employees.

GOVERNOR THOMSON: In paragraph 5, I'm somewhat concerned about the emphasis on areas with populations in excess of 50,000. In New Hampshire we have two cities that have a population of 50,000 or more. We have eleven that are well under 50,000. I'm concerned about a provision that, as I understand it, would limit the state of New Hampshire in its planning to a very small part of the population.

GOVERNOR BUSBEE: That's not the purpose at all. This has been worked out with some people from the National League of Cities. The concept is this: Towns with populations of, say, 5,000, 12,000, or 15,000 generally don't have the planning mechanism that cities of 50,000 have. The League of Cities wanted area planning for smaller cities. Georgia has local regional planning and technical help for these cities.

GOVERNOR THOMSON: So this would apply to all our small cities?

GOVERNOR BUSBEE: Yes. The statement simply recognizes that a larger city might have more planning facilities than a smaller city and that smaller cities will have to go together.

GOVERNOR SCHREIBER: I share the concern expressed by Governor Dukakis on the matter of Title V regional commissions. I can support the resolution as drafted so long as it is very clearly understood that this body does not, under any circumstances, indicate a lack of support for the existing Title V regional commissions.

GOVERNOR BUSBEE: I don't know if we can guarantee anything like that. I would say this: There are many projects that the regional commissions would

have to continue. I do support the regional commissions but only if they are not artificially created by the secretary of commerce in areas with no mutuality. This resolution merely directs the committee to come up with a proposal, so you'll all have a chance to look at it at the winter meeting.

CHAIRMAN ASKEW: All those in favor of the adoption of the policy statement on national economic development program consolidation say aye, all opposed no. It's unanimous. The statement is adopted.

THE REPORT OF THE COMMITTEE ON NEW DIRECTIONS

CHAIRMAN ASKEW: One final piece of business, the report of the Committee on New Directions for the National Governors' Conference. As you know, I appointed a committee of nine governors to work on this subject. The report on new directions follows the report on future operations prepared by former Chairman Dan Evans and his colleagues in 1974. We have implemented the objectives of the 1974 report to the significant benefit of the governors. The objective of the report on new directions is to make the governors' organization still more effective as a national policy instrument. It essentially seeks to strengthen the organization, to give us more flexibility to be able to respond. It upgrades the standing committees, indicates a change in the name of the organization, and gives greater authority to the Executive Committee. The report was approved unanimously by the Committee on New Directions, the Executive Committee, and the standing committee chairmen.

We will now have proposed amendments to the report as recommended by the Executive Committee. The first one is the change of the name. There have been many governors over the years who have felt that the name of the organization ought to be changed because it implies a conference, a meeting, and not an ongoing organization. We now have a physical presence in Washington, we've got a substantial staff, we're working all the time. We have meetings at times in between our two meetings of the full body each year.

The committee recommended Association of American Governors. It's the feeling of the Executive Committee that we would be better served by changing it to the National Governors' Association. There would be, I think, a closer identification of the National Governors' Association with the National Governors' Conference. It's not as great a change. This amendment would require a simple majority, as well as the adoption of the revisions to the Articles of Organization.

Is there any discussion on the recommendation of the Executive Committee that we amend the proposed revision and rename the National Governors' Conference the National Governors' Association?

All in favor of the proposed change say aye, all opposed no. The ayes have it, and the amendment is adopted.

The second amendment seeks to give greater authority to the Executive Committee to respond to legislation or administrative actions. Under the present Articles of Organization, any standing committee or the Executive Committee can

adopt a policy that is not inconsistent with any policy that is adopted by the National Governors' Conference in full assembly. However, many times legislation or administrative actions will come up where, if we really hope to have any impact as a national governors' group, we have to state a position. That position may be substantially in spirit with the previously adopted policy statement of the National Governors' Conference, but in some instance it may be inconsistent. So the Committee on New Directions has recommended that we give the Executive Committee the authority to adopt a statement of position on legislation or administrative actions.

In reviewing the committee's recommendations, it was the feeling of the Executive Committee that we needed more safeguards than what was recommended. We felt that the Executive Committee should be very cautious when attempting to say anything at all that was inconsistent with any policy statements of the conference, even though the committee recognizes the necessity of being able to respond quickly. We recommended an amendment to the proposed revision of the Articles of Organization that states that upon recommendation of the appropriate standing committee the Executive Committee can take a position, by a two-thirds vote, on legislation or administrative actions that may conflict with a policy statement. Furthermore, the amendment says that nothing can come to the Executive Committee for any type of consideration unless it is upon the recommendation of the standing committee itself. It does not give the authority to initiate a recommendation directed to the Executive Committee by a subcommittee, task force, or a special committee. So the Executive Committee would be limited to a standing committee recommendation that we act. The recommendation would then go to the Executive Committee, and if approved by a two-thirds vote, the Executive Committee could take a position on pending legislation or administrative actions.

Are there any questions or discussion in regard to this?

GOVERNOR THOMSON: As I understand it, an expression for all the governors could be taken on a piece of legislation by as few as half a dozen or ten governors acting through a standing committee, then through the Executive Committee. If that is true, I certainly would be very much opposed to it. When we come to a meeting of governors we have an opportunity to hammer out our positions. If I lose on a particular position, I'm ready to go along with it as a policy of all the governors. It would be very unfortunate if the Executive Committee, without any direction at all from the governors themselves, could take a position on legislation or administrative matters. It would give the impression of support that I think would be unfair and untrue. For example, in the area of energy, a year or two ago there were probably at most a half dozen governors who were really in favor of going out and producing energy. If there had been legislation then that would have cut off the production of energy and the Executive Committee had taken a position on it, that position would not have spoken for all the governors, and certainly not for that half dozen. Fortunately, as the energy crisis has worsened, other governors have recognized the importance of production.

CHAIRMAN ASKEW: The real question is whether this organization wants

to give the standing committees, who, in most instances, work out the policy statements anyway, and the Executive Committee, by an extraordinary vote, the authority to react in a way that would make the organization more effective.

GOVERNOR THOMSON: I'd like to clarify this. Can a standing committee now go before Congress and speak as the standing committee for the National Governors' Conference?

CHAIRMAN ASKEW: In effect, it can speak for the conference, but what it says must be consistent with the policy statement. The Executive Committee, in effect, could have a representative, but whenever someone speaks in the capacity, say, a standing committee chairman, whatever position he would take would not be inconsistent with a policy statement.

Under our present Articles of Organization, no one representing the conference could ever take a position that was inconsistent with any provision of any policy statement. The amendment seeks to change the articles so it would be possible, under a strict set of circumstances, to take a position that is inconsistent in order to have more of an impact on events.

GOVERNOR THOMSON: May I just observe, then, that we meet as an organization twice a year, and outside of a very severe depression or a condition of war, it would seem to me that there would not be that emergency where several could be speaking for the entire whole.

GOVERNOR BUSBEE: I think that the conference has made a lot of progress in coming up with well-studied policy statements. The way we now operate, we publish them, send them to Congress, and that's the end of it.

When Congress is trying to work out legislation that affects us, I think it's imperative that we allow a standing committee to adopt a position, go to the Executive Committee, and, with a two-thirds vote, take a position on the legislation. We would communicate that position immediately to every governor, and any governor who disagreed would have a right to speak up. We need to have some impact in Washington if we are going to survive as states, and I think this is the most important change we have here.

GOVERNOR MILLIKEN: I support the basic thrust of Governor Busbee's comments. I think the real challenge that we face as governors is to be effective at the federal level, in Washington. That's been one of the major problems the conference has faced over the years. We have not been able to react to the rapidly moving events in Washington and to speak strongly and effectively on behalf of the entire conference.

I understand Governor Thomson's concerns and reservations, but, in my judgment, no Executive Committee or standing committee is going to exercise this right frivolously. It seems to me that the only time an Executive Committee would exercise this right is when the issue is clear, when two-thirds or more of the members of the committee are willing to take that position. If it is in disagreement with the basic policy of the conference, the position would be communicated to every one of the members. At present, if a position taken by the conference as a whole is not agreed upon by any individual member of this conference, that member

can speak out, express his personal disagreement and his dissent. The same, of course, would prevail if we make this change. On balance, it seems to me that if we want to be an effective force as governors, concerned with the real problems within our states and in the country, we ought to give the Executive Committee and the standing committees the authority, which this amendment proposes, to act when legislation is moving rapidly or when we want to stop legislation in Washington.

GOVERNOR JAMES A. RHODES: I support this resolution. We've got to get away from the milquetoast approach in the National Governors' Conference. We raise ourselves from the dead every six months. We've filled more wastepaper baskets in Washington than any other organization. This resolution makes the National Governors' Association alive, alert, and aggressive, and that's what we need. We have too much at stake. I think that the leadership we have and the leadership we vote for are competent enough to take a stand. If any governor disagrees with the stand, he's going to say so in the local paper. But in the meantime, we have to have some way to do this, because the cities do, the counties do, everybody else does. We have to update our positions on issues that affect all of us, and we can't wait to do it every six months. We have resolutions here that will mean nothing to a congressman in six months for the simple reason that times change. The only way we can be alert to the changing times is to have a spokesman at the right time. Every six months doesn't mean anything to Congress. So I think this resolution will allow us to speak out and get some results.

GOVERNOR LONGLEY: I was going to oppose the resolution because of the very concerns expressed by Governor Thomson. Perhaps our concerns would be alleviated if we could have an understanding that, in the absence of a unanimous vote, any written or oral expression of the Executive Committee or a committee speaking on behalf of the Executive Committee would make it very clear that the position is being expressed by the Executive Committee, as recorded, or by the standing committee, as recorded. Otherwise we are abdicating our individual responsibilities to our individual, autonomous states. But in fairness to the time of the Executive Committee and the importance of responsiveness, I'll support the resolution, but I hope there will be an attempt on the part of the Executive Committee and standing committees when they are speaking for us in the future to convey that idea.

CHAIRMAN ASKEW: Just by way of clarity, it was not the intention of the committee to have any authority that could usurp the power of the conference. I don't think you're going to find any standing committee or Executive Committee that is going to want to take a stand on a very sensitive issue that, say, may have had a split vote within the conference. I think the committee is going to be very reluctant to use the authority, because if it's abused it will obviously not be effective. It would encourage governors to appear in opposition.

GOVERNOR J. JAMES EXON: I move for the question.

CHAIRMAN ASKEW: Is there any other governor who wishes to be heard on it? If not, all in favor of the adoption of the amendment say aye, all opposed no. The ayes have it, and it is adopted.

The old Articles of Organization referred to the summer meeting. It is recommended that we change them to read "the annual meeting," in case we want to hold it at any other time of the year.

GOVERNOR EXON: Mr. Chairman, I move the adoption.

CHAIRMAN ASKEW: Is there a second?

GOVERNOR RHODES: Second.

CHAIRMAN ASKEW: Any discussion? If not, show it adopted unanimously.

And now the vote recurs on the recommendation of the revisions in the report of the Committee on New Directions, as amended by the amendments that we've just adopted. Do I hear a motion?

GOVERNOR MILLIKEN: So move.

GOVERNOR EXON: Second.

CHAIRMAN ASKEW: All in favor will indicate by saying aye, opposed no. The ayes have it, and it is adopted.

This concludes our formal morning plenary session.

SECOND PLENARY SESSION

Friday, September 9, 1977

CHAIRMAN ASKEW: I'd like to welcome you again this morning to this plenary session. We have a very distinguished visitor with us today to present greetings from his country. We are very pleased to have Dr. Bernhard Vogel. Dr. Vogel is the president of the Bundesrat of the Federal Republic of Germany. He has a long and impressive history of service in both the federal and local levels of government. He has held leadership positions in education and cultural affairs. He was elected president of the Bundesrat in December 1976. We'd like to give a very special welcome to a friend from a great area in Germany, the Honorable Bernhard Vogel. Welcome to our conference, Dr. Vogel.

DR. BERNHARD VOGEL: Mr. Chairman, honorable governors, ladies and gentlemen. I thank you, Mr. Chairman, for your kindly introduction, but let me first of all thank you very much for your invitation to this important conference. It is a privilege to be here, and I am looking forward to your discussions this morning and this afternoon.

I am deeply impressed by the very kind reception you have given to me. To me this is further proof of the open-mindedness and hospitality for which Americans are renowned all over the world. I am even more pleased to meet you in this great city of Detroit, which is, as I noticed today, the scene of a remarkable effort of urban revival and of a decided campaign of all sides for total equality of all cities in a democratic society.

The relations between the United States of America and the Federal Republic of Germany are sustained not only by identical interests and common aims but by longstanding friendship and decades of solidarity. This excellent relationship rests on a stable partnership in the spheres of foreign and security policies, which is committed to the cause of peace. But it rests just as much on the common foundation of our firm belief in freedom and democracy.

Over the past 200 years your constitution has set distinct standards for a democratic order based on the division of powers and the rule of law. Like many other constitutions, our German basic law, the Constitution of the Federal Republic of Germany of 1949, was strongly influenced by the great American constitution, especially its section on basic rights, which is the term our constitution used for human and civic rights. Human dignity and individual freedom, freedom of religion and of opinion, equality before the law, in short, the classical basic rights and choices enjoy the same respect in our constitution as in yours. Even though the wording may be different in some places—our constitution does not actually create

these liberties but merely asserts their validity—every human being has a fundamental right to live in freedom. And for this reason the human rights are inviolable and inalienable against this background.

President Carter's human rights policy is a logical and stirring reminder of what our constitutions have long been professing. Since the Western democracies and their leaders have not always been emphatic enough in calling attention to the human rights of those to whom they are denied, we must be thankful for this fresh impulse of the moral strength which the president of the United States is giving. We who live in Germany, in a divided country, welcome this initiative and give it our wholehearted support.

Another reason why I am pleased to be here today lies in the nature and purpose of this conference. It is an appropriate reflection of American federalism with which German federalism has much in common. From our own experience, we share the American conviction that the federal structure of a state ensures an essential limitation and distribution of government powers which rules out omnipotent government, makes the protection of minorities possible and uniformity impossible. The federal system thus becomes a basic element of political freedom. Compared with the United States, the Federal Republic of Germany is but a small country. A proper judgment of what federalism can be and what it can do politically is probably only possible when one considers the range and variety it has achieved in the United States.

If one were not already convinced of the advantages of a federal structure here in the United States, one would be bound to become a believer in it. One appreciates that the price for a country's unity, desirable as that unity may be, should never be uniformity. A country can be united and still preserve the traditional variety of its constituents.

What our two federal states seem to have in common is that in the United States, too, the individual states have to hold their own in view of the growing preponderance of the federation. I have learned that over the past few decades, your federation has extended its competence to include wide areas of legislation that used to fall within the purview of the individual states. It is much the same in the Federal Republic of Germany, where the member states, we call it the *Laender*, at times have to stand up to the superior strength of the federation, which often takes things too far, mainly by virtue of conditional financial support, which works like a golden restraint, so to speak, in that it gives the federation a say in matters that are the responsibility of the *Laender*. This instrument, not unlike the American grants-in-aid, is appreciated with muted enthusiasm by the *Laender* of the Federal Republic.

In the Federal Republic of Germany the accent lies more on the federal element. The constitution, it is true, provides that governmental functions shall be the responsibility of the member states. The legislative powers of the federation are so wide, however, that only a few important sectors are left under the sole authority of the *Laender*. The principal ones are cultural affairs, in particular schools and universities, municipal law, and police law. But as a compensation for this, there

exists apart from the German Bundestag, which is the parliament or lower house as one might call it, a quasi second chamber or upper house called the Federal Council, or, in German, the Bundesrat, which represents the *Laender* and gives them a direct hand in the legislation and administration of the federation. The Federal Council, as whose president I have the honor to speak to you today, is different from the U.S. Senate insofar as the governments of the *Laender* are represented and vote in it. They thus play an essential part in the federal legislative process. Applying this system to the United States, it would look like this: The Senate would be a chamber consisting of you, the governors of the individual states. The Federal Council is itself entitled to initiate legislation. Any law amending the constitution or affecting the administration or finance of the *Laender* must be explicitly approved by it before it can enter into force. In the event of a difference of opinion between the Bundestag and the Federal Council, the Bundesrat, the law in question becomes the subject of a mediation procedure similar to that of the conference committees in the U.S. legislative process.

Apart from the Federal Council, which is an organ of the federation, we have numerous other possibilities in the Federal Republic in the same way as you have here of practicing cooperative federalism. The heads of the *Laender* governments hold regular conferences for administrative and policy coordination, comparable perhaps to your own conferences. We also have regular meetings with the federal chancellor. Each *land* is represented in Bonn, our federal capital, by a mission whose task it is to protect the interests of the *land* in relations with the institutions of the Federal Republic and to keep the *land* government informed about federal policy.

I believe that, on the whole, our experience with federalism in the Federal Republic of Germany has been a good one. Indeed, one notes that the number of supporters of federalism in the free part of Europe is growing. Even in countries with a distinctly unitarian system, such as France and Italy, drastic reforms toward regionalization and decentralization are under way. For a united Europe, that is, a European union, a federal state would be the only appropriate form. It is my deep conviction that a united Europe can only be conceived and organized on a federalistic basis.

You will therefore not be surprised when I say that I shall be very much interested in your deliberations. They will be a direct experience for me of the working of a proven federal system with a long and rich tradition in a great and strong country. I am therefore very grateful to you for this opportunity this morning. I am here today to deliver this message of the German people to you. We the Germans are proud of our federalist heritage, and we are proud of sharing it with this great country.

I thank you for the opportunity to speak to you, and I hope for a future of friendship of the United States of America and the Federal Republic of Germany.

CHAIRMAN ASKEW: Dankeschon and auf wiedersehen.

We have with us today a former governor, Pat Lucey of Wisconsin, who has

become ambassador to the Republic of Mexico. We would like to call upon him for a few words. We welcome you back, Pat.

AMBASSADOR PATRICK LUCEY: Thank you, Reubin. Some months ago I received an invitation from Bill Milliken to be here, even though he knew at the time I wouldn't be governor. I accepted the invitation, but never dreamed that it would be possible for me to leave my post and come to Detroit at this time. But I am in the country for the signing of the Panama Canal Treaty, and it was only a hop, skip, and a jump to come to Detroit from Washington on my way back to Mexico City.

I am happy to be here for a number of reasons: to greet all my old friends who sit around this great table and to let all of you know that there can be happiness after a governorship. [Laughter.] Now, I know that many of you are worried because you've forgotten how to drive your car, you sign letters that are submitted to you for signature instead of dictating them yourself, you receive speeches ready for delivery with little effort on your part, and you probably haven't even dialed a telephone for a long time. Let me just say that the atrophy of your talents may put you at some disadvantage in most other pursuits, but I have found as ambassador that I adjust perfectly well. [Laughter.] So there is hope and there is happiness after being governor.

The U.S. embassy in Mexico has the largest staff of any embassy of any country in the world. Part of the reason is that we share a 2,000-mile border with Mexico and have a great deal of trade with Mexico, some of it legal and some of it illegal. We also have the problem of undocumented workers coming into the United States. These problems impact heavily on not only the border states but the other states as well. So if you have any matters that you want to discuss with me, I hope that you will take this opportunity to do so.

I would also like to say a few words about the Panama Canal Treaty. A few nights ago on the television, President Torrijos quoted Abraham Lincoln, saying that this is an issue that we ought to deal with as statesmen and not as politicians—politicians concern themselves with the next election, statesmen concern themselves with the next century. I know that as governors you are not required to take a stand on this issue. I certainly am not going to press you to get a three-quarters vote to suspend the rules or a two-thirds vote to approve the treaty here at the conference, but I hope that as opinion leaders you would attempt to create a climate of opinion in your states that would permit your senators to vote as statesmen rather than as politicians on this issue when the ratification comes before the Senate. If any of you feel that you are not adequately informed on the issue and want to become better informed, you will receive a packet of material from the administration. You will be well received if you come to Washington for a more thorough briefing on the issue. To the extent that I can help, I'll be happy to answer any question that you have while I'm here today.

Beyond that, I would like to say that Jerry Apodaca and Bill Milliken can testify to the hospitality of the ambassadorial residence in Mexico. They've both been

there, and I would like to extend to all of you an invitation to come, and whether you support the treaty or not, you will be very well received.

When I was a lame-duck governor of Wisconsin, someone asked me how I could possibly influence the legislature during the closing days of my administration. Well, I announced to the legislators that if they supported my budget and came to Mexico they would receive nice, frosty margaritas, and if they voted against the budget and came to Mexico they would get unpurified tap water. [Laughter.] Well, I have since learned that even the tap water isn't as bad as its reputation would suggest, but I can assure all of you if you'll come to Mexico that we will give you the frosted margaritas and all of the other hospitality for which Mexico City is famous.

CHAIRMAN ASKEW: Thank you, Pat.

We all hope that this winter will not be nearly so severe as that of last year, but it's imperative that we make effective preparations. That is the topic of our next discussion. Governor Ray of Iowa, chairman of the Subcommittee on Emergency Preparedness, will moderate the discussion. He made the presentation on our behalf when we met with the president in July, and he will be our spokesman in the coming months.

POTENTIAL FUEL SHORTAGES IN THE COMING WINTER: PROPOSALS FOR ACTION

GOVERNOR ROBERT D. RAY: I'm here to report to you on behalf of the committee, the subcommittee, and the task force that have been working on energy emergency preparedness. If we ever have to use the plans that we are trying to develop, it will not be fun, but it will be necessary. What I say to you today isn't really going to be very exciting or particularly interesting, because we don't have the kind of emergency today that we're talking about. But we might next winter. It could happen as a result of several different things: Another severe, cold winter like we experienced a year ago would mean a shortage of natural gas. There's a good possibility of a coal strike, and if it lasted for a long time, it would cause a great strain on the nation. There's a good possibility of another oil embargo. We hope not. There have been oil embargoes since 1948, but we didn't hear much about them because they didn't really adversely affect the nation. The last one did. All of them were for political reasons, and the reasons that caused them before still exist today. An oil embargo could have a dramatic effect on the economy of the nation and could be catastrophic.

There is another possibility: terrorism. In Saudi Arabia, there are pipelines that run through an area about the width of a city block. These pipelines carry about 6 million barrels of crude oil a day. In comparison, at full capacity the Alaskan pipeline will carry about 1.2 million barrels a day. Thus, terrorist activity alone in that region of the world could shut off the supply that we're dependent upon.

How dependent are we? In 1973, the year of the oil embargo, the Arab nations

that imposed the oil embargo supplied us with about 5 percent of our oil. In 1976 they supplied about 13 percent, and now it's estimated at about 17 percent. So any way you look at it, we are now much more dependent upon those nations that imposed the oil embargo. They could do it again.

Those of you who were governors when we had the last oil embargo remember what it was like in your states when people lined up at the gasoline stations and couldn't get a few gallons of gas. If you think it was bad then, consider the fact that there might be as much as four times more shortfall from an oil embargo now than there was at that time.

I want to make you aware that you governors are going to carry a great amount of the burden if we have an emergency this winter. Those of you who experienced it in the past will realize what I'm talking about. Those of you who have not had that experience might find it a bit difficult to fully comprehend the impact.

Twenty-three states report that they have no authority to deal adequately with an emergency. Therefore, we are making some proposals and urging the governors of those twenty-three states to get the authority in case we have an emergency. If the governors don't get the authority, we're suggesting that the president be able to delegate some authority to you rather than have someone from Washington, D.C., rush into your state to tell you how to handle that emergency. The administration, the Federal Energy Administration (FEA), and now the Department of Energy have cooperated fully with us in our efforts.

The suggestions of the Subcommittee on Energy Emergency Preparedness are in section S.-2 of the proposed policy statements. One suggestion is giving the governor the authority to act; another is to have a plan that will provide for some loadshedding so that we can handle some of the shortages if they occur; another is to have priorities established so if an emergency hits, everyone will know what energy will be cut off first and to what extent. We're also asking for a petroleum allocation system similar to what we have had in the past.

You'll notice that the statement says that coupon rationing for gasoline should be a last resort. That does not mean that the day might not come when we will have to impose such a plan. We hope not. We hope there won't be any emergencies, but there could be.

I'm not going to summarize each aspect of this policy statement, but I will say that it's worth your attention. You might need to know what's in it and take some action long before an emergency arises.

Our speaker is the Federal Energy Administration's deputy administrator, David Bardin, whom Secretary Schlesinger appointed chairman of the Federal Interagency Task Force on Winter Preparedness Plans. David's past experience at the state level makes him an excellent selection to head this endeavor, and perhaps is the reason he is so helpful and so cooperative in our efforts to plan for any kind of energy emergency. As commissioner of the New Jersey Department of Environmental Protection, he was responsible for air and water quality, coastal zone management, and flood control. He also served on Governor Byrne's Cabinet Energy

Committee and the Governor's Committee on Emergency Services. Earlier in his career, he was deputy general counsel of the Federal Power Commission, advising on a broad range of environmental and regulatory issues that the commission confronts.

I think it was at David's instigation that the NGC Subcommittee on Energy Preparedness was formed, and again I think it indicates his desire to work with and cooperate with the governors. On the federal side, we have the Interagency Task Force, which was developed as a pre-crisis planning unit to develop workable contingency plans to deal with the multiple threats of a cold winter, a coal shortage, and a petroleum supply interruption. David chairs the task force. I want to call upon David to give you the point of view from the federal level, and then we'll entertain any questions or comments you might have.

DAVID J. BARDIN: It's good to be back in the halls of state government to discuss an attempt to prepare for what could be any one of a number of serious situations confronting us this winter.

The Carter administration and Jim Schlesinger recognized that the governors of this country are really on the firing line when a fuel emergency takes place. You were on the firing line last winter; you were on the firing line during the oil embargo; you will be on the firing line in any fuel situation that hits your state. And whether you have the statutory authority or not, I know that the people in your states think you have it and, therefore, expect you to perform with your usual distinction in carrying out the mission of public service and public protection.

At the first White House conference on energy, you met with Secretary Schlesinger and Administrator Jack O'Leary, and discussed where we were going. This is a progress report on the outcome of assignments described and given then.

There are three kinds of jobs to be done: (1) to provide you, Secretary Schlesinger, and the other decision makers responsible in a crisis with the facts as we go into the winter and through the winter; (2) to identify the tools available to deal with a crisis of moderate to extreme severity involving any one of a number of fuels or any combination of fuels; (3) to ensure that if a crisis hits, we have an emergency energy center for central coordination that is available to you, the federal agency, the utilities, and the energy industries.

What are the facts? As of August, our oil stocks are generally in reasonable shape. Our propane stocks are down 18 percent from this time last year. This is, in part, because the stocks are at an all-time high after two very warm winters, but also because of the very large drain on propane as a result of last winter's cold. We have contacted the propane importers and made it very clear that we would look favorably on additional propane imports at this time in order to increase the stocks of propane before winter. Nationally, on the average, storage of natural gas has crossed the 70-percent-of-capacity mark. The target is to have storage full by November 1. There are some companies that are far below that average, however, so we are bird-dogging that situation.

In most cases, the coal stocks at the utilities are close to the ninety-day-supply standard that the utility industry aims for, but in some cases they are seriously

below that. We will maintain a monitoring system on those coal stocks and make it available to you.

By the end of November we will have in place a monthly monitoring and reporting system on fuel for this country, which will be accelerated to a weekly monitoring and reporting system if any one of the potential crises hits our economy. The monthly and weekly reports will be sent to you.

What about the measures that are available to us? The Interagency Task Force, the NGA Energy Emergency Preparedness Subcommittee, and the staff of the National Governors' Conference are working on a comprehensive documentation of measures that can be adopted at the state or federal level, as the case may be, to deal with each of these kinds of emergencies. We started with something like seventy-five possible measures. We are revising and polishing these, and a draft document will be in circulation to the subcommittee by the end of next week.

Some of the measures deserve early attention at the state level. In Kentucky and New York, a technique was developed for trading off natural gas between the industrial haves and have-nots, the companies that have alternate fuels and the companies that do not, no matter where they happen to stand on the Federal Power Commission's priority list. It seems to me that there is a lot of wisdom in these plans, and I suggest that you and your public utility commissions or energy departments look at them.

The coal- and oil-burning electric utilities in Pennsylvania, New Jersey, and Maryland have devised a formal fuel-sharing plan for fuel emergencies. The utilities have agreed to work together to switch to whichever is the more abundant fuel at the time. They've agreed to work together on voltage reductions if they are required and to help the utilities in nearby regions.

That kind of common planning by the utilities demands understanding and deserves encouragement by the state utility regulatory authorities. So we have asked the Association of State Regulatory Agencies to transmit this plan to the states for study, evaluation, and adaptation. I urge your personal attention to this.

We will have a series of emergency demand-restraint measures that could be adopted by executive order in states that have the statutory authority or urged by proclamation as a voluntary measure in various kinds of emergencies.

Congress has just amended the Clean Air Act, adding emergency power for the president and the governor combined. If the president finds that there is an emergency of national or regional proportions and the governor finds that temporary relaxation of clean air standards would relieve that emergency, there is now power under section 107 of the Clean Air Act to implement that action on an emergency, temporary basis for whatever industry is necessary in the state. The action by the governor is subject to review and second-guessing by the administrator of the Environmental Protection Agency. It's a brand new law, and its possible implementation deserves attention in each state.

At the federal level, we are prepared to exercise the emergency allocation powers over fuels in case there is a shortage. We are prepared to order the refineries to shift their output from motor gasoline to another fuel, to an extent that is

more than normal economics requires, to the maximum of their engineering capability if need be.

At the White House conference, the consensus of governors was to restore the state set-aside provisions for middle distillate allocation and number two fuel oil allocation in a fuel emergency. When the price controls on middle distillate were dropped in the last administration, the state set-aside provisions were also dropped. We have studied your requests and agree with your proposals. We believe the governors and their state offices should be given the flexibility to manage a state set-aside program if we have another shortage of middle distillate. So we will initiate a new rule to give that flexibility to the states. We will want your comments on how to do it as effectively as possible.

We will develop a one-stop national communications center, which will be in place by the beginning of December. In the meantime, if you have any problems, questions, or suggestions, I'd like you to transmit them to Bob Ray and the subcommittee. But if there is anything that demands immediate federal attention, I would like you to call me or write to me, and we will promptly react to it.

If we have an extreme emergency, such as a large-scale interruption of our foreign fuel supply, we will have to use measures that go beyond anything that we have done so far. A long, sustained interruption, months in duration, would require that we be prepared to take painful and extreme measures, such as gasoline rationing. The plan for gasoline rationing developed in the last administration has problems with the speed of implementation. Any gasoline-rationing plan is inherently fraught with problems of equity among users. We are working on a fair gasoline-rationing plan and a way to implement it efficiently, quickly, and with a minimum of red tape.

GOVERNOR ROBERT RAY: Any questions or comments?

GOVERNOR BYRNE: Can you give us some idea of the risk this winter, if it is as cold as last, of natural gas pipeline curtailments? And can you tell us if the administration is doing anything to adjust to unfair percentages of curtailment in particular pipelines?

MR. BARDIN: The natural gas industry will actually have to curtail less this winter than last per given level of cold. Industrial customers have apparently switched to other fuels, and residential customers have apparently lowered their thermostats. So there is more gas to go around, enough to meet the total growth nationally.

The curtailments, however, are deep, but at a slightly lower percentage. If storage is full on November 1 and the pipeline and distribution companies are very conservative in drawing down storage in the early part of the winter, we ought to be able to weather the same kind of temperatures with less pain this winter.

GOVERNOR DU PONT: Could I follow up on that question? Last winter, Delaware implemented a very effective and stringent conservation policy. As a result, we had extra supplies of gas. The government decreed that because we had the extra supplies, they'd be passed on to our friends in New Jersey and Pennsyl-

vania who hadn't conserved so well. Are there going to be any guarantees that if an effective conservation plan is implemented in a state, it won't have to give what it saves to people who have been less stringent in their programs?

MR. BARDIN: The new Department of Energy will have the responsibility of reviewing the priority system. That will be done, but I can't guarantee it will be done in time for this winter. Winter is just around the corner.

GOVERNOR DU PONT: Well, wouldn't it be easy to say that once an allocation is made, a state is entitled to retain that allocation and use the gas that it has managed to save, rather than passing it on to others?

MR. BARDIN: If we are talking about a situation that lasts for months, about curtailment of second- and third-rank priorities, the answer is yes, it's reasonable. If, however, you're talking about a situation where power to residential neighborhoods is cut off, we believe that we have to take the gas from wherever it is and move it to wherever it's needed the most.

ACTING GOVERNOR BLAIR LEE III: David, you mentioned the amendment of section 107 of the Clean Air Act for emergency relaxation of clean air standards, subject to second-guessing by the administrator of EPA. I hope I never have to use it, but if I did have to use it on a Tuesday, I wouldn't want to be cancelled out by EPA on Thursday. How do we cope with that? Can we get advance clearance? Is there going to be any rational way to deal with it?

MR. BARDIN: We hope you will be able to get advance clearance. We have talked with the EPA administrator, and I believe that the EPA is ready to make the practical arrangements on a state-by-state, region-by-region basis.

GOVERNOR EXON: What I'm about to say has nothing to do with the upcoming winter, but Governor Ray referred to the difficulties that America would face if we have another oil embargo. On the other side of the scale, from a long-range standpoint, we have to keep moving into the area of making better use of the resources that we have. One resource that would be of tremendous benefit to the United States, certainly during an embargo, would be ethanol or alcohol made from surplus agricultural products, which we have much of in the United States today. There's no longer any question that we can make ethanol from grain alcohol, which can be blended with gasoline up to 10 percent and used as a 10 percent extender in the gasoline needs of this nation. There is no question that we would need this if we start rationing gasoline, which David has indicated is a possibility.

I want to talk about production, too. Gasohol, and what it offers, is very practical. I know that there has been some discussion about the economic feasibility of gasohol as a competitor with straight gasoline. If 10 percent more gasoline were available in this country in the form of ethanol, which could be used immediately, and another oil embargo were imposed, it wouldn't make too much difference about the economic feasibility. We would waive the federal and state taxes on such a blend. Gasohol would be at or below the cost of gasoline, and in the event of an embargo we wouldn't care what it cost.

David, I know there has been some talk in your agency about gasohol. What is your thinking about this product as a new source of energy?

MR. BARDIN: Governor Exon, I know you raised the point with Jim Schlesinger at the White House conference. He has told me to discuss it with John White, deputy secretary of agriculture. Biogas includes alcohol from grain and other uses of wood. It's not an overnight business, but the administration will pursue it.

We have just started storing crude oil in a strategic reserve. Months ago, Governor Edwards of Louisiana and Secretary Schlesinger pressed the button by which we finally started putting crude oil in the ground to hold in case of an emergency. There will be some, but very little, of that crude oil available this winter. Frankly, 1976 to 1980 is a major build-up period for that reserve. If we are going to go to a product reserve such as an alcohol reserve, it will take a long time to acquire the storage capacity. So gasohol will not be an overnight kind of a solution, but a long-term project of the new Department of Energy and other agencies of the federal government.

GOVERNOR EXON: I would agree it's something that we cannot develop overnight, but if we're talking about the long-range availability of fuel like gasoline in America, it's something we should get busy with. I again want to encourage more consideration of it in your agency.

GOVERNOR ROBERT RAY: Jim, I want to commend you for what you have done in research on this particular point. I think we're rapidly approaching the time when it could be feasible. When we are faced with the kind of surpluses of wheat and corn that we have today, it becomes more feasible, particularly as the price continues to drop.

Our time is up, but I have one announcement. I was just handed a clipping from this morning's newspaper. This is the word that we have on this next winter: "The coming winter will be a better one." That prediction comes from the *Farmers' Almanac*, so count on it. [Laughter.]

CHAIRMAN ASKEW: Thank you very much, David and Bob.

Let me just say one thing on the question of the standby gasoline-rationing plan. Obviously, it's the hope of the administration that the plan would never become necessary, but it's prudent to have it as a standby resource. Shortly after our energy conference at the White House, Dr. Schlesinger asked me to get the input of the governors. Julian Carroll and I immediately sent out a telegram asking for that input. I'd like to remind you that the administration is setting up a program strictly on a standby basis. I think that we have to assume that it would be used in an emergency. If you have not responded to our request for input, particularly any concerns that are unique to your state and your state's economy, I urge you to respond very quickly, because the program is in the advanced stages of development.

One of our areas of continuing interest in preparedness is disaster preparedness and disaster relief. To lead our discussion of this vital topic, I would like to call upon the governor who handled this subject for the White House before he became governor of Nevada, Mike O'Callaghan, chairman of the Subcommittee on Disaster Assistance.

STATE AND FEDERAL DISASTER ASSISTANCE: PROPOSALS FOR AN IMPROVED SYSTEM

GOVERNOR O'CALLAGHAN: A problem of continuing concern to the governors and to the states is adequate preparation for unexpected natural disasters, the often excruciating efforts required to deal with the immediate dangers, and the long and difficult task of relief and recovery. Each state has its own organizational structure to deal with these problems. Although there are obvious similarities, there are also notable differences in these programs. Part of our discussion today will focus on state emergency preparedness organization and the lessons learned by states that have dealt with disaster situations.

There are various federal agencies whose purpose is to help states prepare for possible nuclear disasters and respond to natural disaster emergencies and to provide long-term relief and assistance. These programs are spread among more than twenty federal agencies, each with different legislative authorization and funding.

The directors of three of these major agencies involved in this vital task are with us today. They are Thomas P. Dunne, administrator of the Federal Disaster Assistance Administration, Department of Housing and Urban Development, Dalimil Kybal, acting director of the Federal Preparedness Agency, General Services Administration, and Bardyl R. Tirana, director of the Defense Civil Preparedness Agency, Department of Defense. At the conclusion of the remarks by Governor Shapp and Governor Godwin, the three federal representatives will probably wish to make a few remarks.

The governors will describe situations they have faced or are facing in their states. They will briefly describe the type of disaster faced, how their state responded, what lessons have been learned regarding state structure, and how the relevant federal agencies responded to the needs of the affected states. Governor Shapp, as he told me on the phone one day, is known as the disaster governor, and he will discuss Pennsylvania's experience with floods. Governor Godwin will discuss the current drought in Virginia.

At the conclusion of the presentations and the subsequent discussion, I will offer a resolution on behalf of the Committee on Crime Reduction and Public Safety on the subject of disaster relief. In this regard, I am pleased to note that on August 25, President Carter officially designated emergency preparedness and disaster relief as one of the administration's main executive reorganization tasks.

GOVERNOR SHAPP: In the last six years, Pennsylvania has been hit hard by Mother Nature. In 1971 we had floods in the eastern part of Pennsylvania, and a large area in southeastern Pennsylvania was designated a disaster area. In 1972 we got hit by perhaps the greatest natural disaster of all time in the United States, Hurricane Agnes. We suffered well over \$1 billion damage, and adding in farm crops and everything else, it was probably closer to \$2 billion damage. In 1974 we had tremendous ice storms in the western part of the state that knocked out communications and electricity and caused considerable damage. In 1975 Hur-

ricane Eloise hit Pennsylvania and caused considerable damage. Both Agnes and Eloise were called 200-year storms, storms that you can expect once every 200 years. We had two in three years. We've had two disasters this year. One was the cold weather, particularly in the western part of the state, and the flood in Johnstown a few weeks ago.

But from this we have learned quite a bit about what is necessary on the state level to take care of the problems. There are also a number of things that I think are necessary on the federal level, and I would like to briefly discuss those.

First, at the present time if a home or business is damaged, the owner can borrow money from the government through the Small Business Administration or other agencies, but he has to pay that back with interest. I recommend a natural disaster insurance fund. This fund would be formed by adding a small surcharge of between 2 and 5 percent to every property damage insurance policy that is sold in the United States for any purpose. This money would go into a federal natural disaster insurance fund. If a person's home is flooded or damaged by a tornado or an earthquake, or a farmer loses crops because of drought, whatever the disaster might be, he would receive money paid back to him through this fund. He wouldn't have to come hat-in-hand to the federal government and ask for money and relief. For example, a person has a home valued at, say, \$30,000 or \$35,000, and has a \$20,000 mortgage. A disaster hits and damages or destroys the home. He might as well forget about borrowing enough to get back in that house, because he will owe more than the house is worth. So the fund would be a primary situation.

Second, there should be a single federal disaster coordinator, and that person should be in the White House. HUD did a great job for us in the Johnstown flood just a few weeks ago, but it's almost impossible for one agency of the government to coordinate the activities of another. So it must come through a coordinator in the White House.

Third, the Corps of Engineers should be assigned the permanent responsibility to meet the needs of state government following any disaster. It is equipped to move quickly into an area to restore vital transportation and communication links, and it has the skills necessary to design and construct temporary housing facilities for flood victims. Most important, however, is to authorize the Corps of Engineers to immediately rebuild and completely restore all damaged bridges, highways, railroads, water and sewer systems, and public facilities. This should be a direct responsibility of the Corps of Engineers.

After every one of our floods, we have had trouble getting water and sewer systems and rail service restored in the communities. And without the rail system, you can write off some areas because they'll never get their industry back.

Fourth, the federal and state governments must do a better job in the future in identifying what disaster relief items should be stockpiled and where these items should be located. There are certain disaster relief supplies that should be stockpiled in strategic locations throughout the nation. These supplies should consist of medical and communication equipment, emergency rebuilding material, such as Bailey bridges, steel culverts, and other construction materials.

Additionally, the federal government should contract with bottling companies to provide and store several million six-packs of canned water. These can be stockpiled with food items and other necessities around the country. We have found that the beer companies and the Coca Cola and Pepsi Cola bottling companies have been invaluable in our disaster areas in furnishing water to us in cans, but we should have it stockpiled and ready to go immediately.

Within the federal government there should be a highly trained, para-military group of disaster response technicians. These people should be sent into the area immediately following a disaster to take charge of various recovery activities. When not involved in disaster response activities, they should constantly be undergoing disaster response training. Some members of Congress have proposed such a strike force, and I think, in view of the unpredictability of disasters, we should have such a strike force.

And so I am pleased to submit these recommendations to the committee, and I hope there will be some action taken on them.

GOVERNOR O'CALLAGHAN: Yes, the committee does want these specific recommendations on a natural disaster insurance fund.

GOVERNOR MILLS E. GODWIN, JR.: Last summer, we experienced the worst drought in our state since 1930, both in the extent of the drought and the amount of damage. Our agricultural crops were damaged, and water reserves and reservoirs were hurt badly, disrupting local water supplies.

We did find some roadblocks in the requests to the Federal Disaster Assistance Administration. The requests go to that agency and then the U.S. Department of Agriculture must determine the eligibility of each county. Once we got to the source of the problem, some relief was forthcoming. But there seemed to be some duplication involved.

We had problems with the local federal offices involved in helping with the relief programs, particularly as they related to loans to the agricultural interests. They didn't seem ready for the emergency that took place. Many of them did not even have the forms needed for applications for aid, and they were unclear on eligibility requirements.

I think one of the more disconcerting things was the false hope that was raised because of delayed help and excessive and unreasonable eligibility requirements for the applicants. As an example of the latter, livestock farmers had to sell most of their foundation herds in order to be eligible. After the president had declared the emergency and applications had been approved, thirty-eight days passed before many of our farmers received any tangible assistance at all. There was mass confusion at times as to what programs were applicable to the particular applicants who had filed.

A more precise definition of disasters that are eligible for federal aid is needed. A disaster, whether it's a natural disaster or whether it's man-made, is equally devastating to the interests involved and to the well-being of the state. A man-made disaster hit one of our major rivers. A closure has been in effect for more than two years as a result of the dumping of kepone, a toxic substance, into the river. The

estimates for ridding the river of the substance and for the recovery, even if a feasible plan is developed, runs into the hundreds of millions of dollars.

So while natural disasters do occur, man-made disasters occur too. It seems to us that one is just as significant as the other.

We need better coordination between the state and local levels so local governments will know what federal help is available and the necessary papers and forms will be rapidly distributed.

We've learned a few lessons in dealing with the drought this summer. One of the most frustrating tasks has been trying to avoid raising false hopes, particularly to our farmers, who count on drought aid in planning their farming operations. They read in the paper that the governor or the president has declared a disaster, so they think that some real, tangible assistance is on the way to alleviate the emergencies that have arisen in their own operations. But they sit idly by for weeks, and sometimes months, before anything happens.

State assistance to localities in compiling damage assessments on which eligibilities are obtained is something that we think would be helpful in hastening the final decisions. We found that the organization of a state drought task force was very helpful, because it brought into focus all of the varying conditions that existed and furnished us with timely information regarding them.

I'd like to say a word about the state statutes dealing with emergencies, which many of you perhaps do not have. In 1974, right after the oil embargo, we found ourselves in a very critical situation. The general assembly passed a very comprehensive emergency act that gave the governor power to act in cases of resources shortages. Since that time, it has been quite helpful.

GOVERNOR O'CALLAGHAN: Thank you, Governor.

Because our time has run out, the officials from the federal agencies have agreed to meet individually with governors instead of speaking now. They will be available any time during the rest of the day.

Mr. Chairman, at this time I formally move adoption of Resolution A.-16, "Disaster Relief."

GOVERNOR THOMAS L. JUDGE: Second the motion.

CHAIRMAN ASKEW: There is a motion and a second. Any discussion? I think we've all looked it over and think it's a good resolution. All in favor of the policy resolution as offered by Governor O'Callaghan signify by saying aye, opposed no. The ayes have it. It is adopted. We intend to work hard on this subject in the coming months, and we hope to be able to play a major role in finding a logical solution to this problem.

The last speaker this morning is Secretary of Housing and Urban Development Patricia Roberts Harris. After her remarks, she will accompany us on the trips into Detroit and will join us for lunch.

STATE-FEDERAL INITIATIVES FOR COMMUNITY REVITALIZATION

SECRETARY OF HOUSING AND URBAN DEVELOPMENT PATRICIA ROBERTS HARRIS: I welcome this opportunity to discuss with you the

Carter administration's housing and community development programs and policies. I also welcome the opportunity to discuss ways in which the role of state governments in HUD programs can be expanded. But first, I must say a few words about the city that serves as host to the annual meeting of the National Governors' Conference.

Just ten years ago, Detroit was recovering from one of the most violent domestic disturbances of this century. For all of America, 1967 was the year of urban unrest. Riots erupted in more than 114 cities. No one, however, expected Detroit to be one of those cities. It had a progressive mayor, an innovative governor, and a seemingly healthy economy. It was the home of the nation's booming automobile industry, which had helped to create, over time, a relatively large and successful black middle class.

When Harlem, Watts, and Newark exploded, most observers were certain that they could detect the causes from the effects. Detroit was different. It confounded urbanologists. It was also the bloodiest and most violent of all the riots. Forty-three people were killed, 7,000 were arrested, and losses extended into the hundreds of millions of dollars. Entire city blocks were destroyed. The damage on Grand River Avenue stretched nearly three miles.

When the shooting and looting stopped, there remained the enormous and difficult job of rebuilding this city. Equally important, there was the job of restoring the city's image and self-confidence.

Ten years later, it is clear that this is being done and that Detroit is coming back. The fact that the nation's governors chose Detroit for their annual meeting is further indication to others that a renaissance is in progress in this northern gateway city. Who is bringing about this change in Detroit? The city? The state? The federal government? Private enterprise? The answer is: All of them, together.

Two years ago Mayor Young and Governor Milliken sat down and began negotiating an agreement called a "Tax Equity Package." As I understand it, the agreement is based on the realization that Detroit provides a large number of services for people who do not live in the city—police, fire, water, sewer, cultural programs, recreational activities—in short, all of the services provided by the typical core city. The state realized that a healthy Detroit was essential to a healthy Michigan, and it decided to provide a measure of tax relief by returning to the city some of the tax revenues collected from people who live and work there. During the first year of the agreement, the state returned \$29 million; last year it was a slightly higher amount. It enabled the city to avoid drastic cutbacks in its services, and it helped balance Detroit's budget.

In addition to direct financial aid, the state provided valuable assistance through revisions in the tax law. The Industrial Rehabilitation Act, which was enacted by the Michigan legislature, enables the city to abate the increased property tax up to twelve years on industrial plants that undergo rehabilitation if they opt to stay in the city in lieu of moving to the suburbs. As a direct result of this legislation, Chrysler Motors stayed in Detroit and invested more than \$100 million in rehabilitating existing facilities, thus saving 8,000 jobs. The legislature also enacted

the downtown Residential Housing Act, which provides a similar tax abatement for people who buy and rehabilitate inner city homes. These innovative state approaches to the problems of the core city establish a standard to measure the commitment of other state governments to their older and larger urban areas.

In Detroit, the governments were not alone. Private enterprise joined their revitalization efforts. After years of planning, a \$337 million private investment was made to create Renaissance Center. Ford Motor Company has committed itself to 25 percent of the more than 2 million square feet of office space, and General Motors has agreed to locate some of its operations in the center.

Investors who had left Detroit for other markets are now returning to the city. A clear pattern of reinvestment is emerging, and, I am pleased to note, HUD is part of it. For example, HUD's section 8 housing assistance program has not been implemented independently of the state and local governments. It has been combined with the Michigan State Housing Development Authority's financing powers to initiate and continue new housing construction in several Detroit renewal areas, including Virginia Park, the scene of the 1967 riots.

Last year, the area office processed 16,000 applications for mortgage insurance, and approximately 70 percent of this workload was from the city of Detroit. A substantial part of that activity involved rehabilitation work in the so-called high-risk areas. HUD does not expect private enterprise and state and local governments to make commitments of capital resources to central cities without making similar commitments itself.

There is a renaissance going on in Detroit, and the Carter administration wants to be part of it. With Secretary Kreps's public works programs, Secretary Marshall's jobs programs, Secretary Califano's health, education, and welfare programs, and with our own housing and community development assistance, the Carter administration is working to help Detroit and other distressed cities.

There is a lesson in the Detroit experience for all of us to consider. It is this: As serious as the problems of distressed cities are, they can be met effectively if a working urban partnership is established. We all must realize, and there is certainly a growing awareness to this effect, that the work of rebuilding our cities is vital to the well-being of the nation, and it is work that cannot be done alone. No one player on the urban scene possesses the right combination of knowledge, insight, talent, resources, and economic capacity to do it alone. But all of the players, working together in an effective partnership, have the combined capacity to bring about an impressive and significant renaissance in urban America.

The administration is working with state and local governments, the business community, and the neighborhood associations all over the country to bring about the resurgence of economic activity in America's cities. It is a commitment that was made by President Carter during the 1976 campaign, and it is a commitment that has not been forgotten. In fact, one of the first actions of the Carter administration was to seek an amendment changing the distribution formula for the community development block grant program. It is not the kind of action that will

push the Son of Sam or the Panama Canal Treaty off the front page, but it will double Detroit's block grant funding in 1980.

Under the old formula, the entitlement would have been \$31,062,000 in 1980. Under the Carter formula, it will be \$66,411,000. Detroit and Michigan will not be the only benefactors of this subtle change in formula in 1980. Boston was scheduled for \$13,888,000, but will receive \$27,205,000; San Francisco, scheduled for \$14,792,000, will receive \$29,419,000; Chicago, scheduled for \$74,172,000, will receive \$134,251,000; and New York City, which was scheduled to drop to \$181,444,000, will rise to \$258,000,000. Again, we won't ask you to commit your resources to central cities unless we do it ourselves.

Of course this audience does not have to be told why the Carter administration's commitment to America's cities is so strong. It is a commitment and concern that we share with you and with a majority of Americans.

Three months ago when I reviewed some telling data from a survey conducted by Louis Harris on May 16 on the question of support for aid to cities, I was pleased. To the urban policy makers of the Carter administration it was both a vindication of our early legislative initiatives and a challenge to do more in the next three years. Eighty-nine percent of those surveyed felt that "cities are the center of business, communications, and the arts and must be made better places to live in." Only 5 percent disagreed. Seventy-seven percent of those surveyed felt that "America cannot survive unless the problems of the cities are worked out." Only 14 percent disagreed. Eighty-four percent felt "slum housing in the cities should be renovated and fixed up so those buildings are livable again."

Clearly, there is support in the public-at-large for the expansion of existing programs and the development of new programs to aid America's cities. It is largely a matter of policy makers catching up with the general public's awareness on the issue. The Carter administration has begun by increasing federal efforts on behalf of cities, and it is our belief that state governments should join us in that work.

This raises the question of the role of state governments in HUD programs. I need not mention in great detail the section 701 planning assistance program. For over twenty years, progressive state administrations made full and effective use of the program. A few years ago, a certain James Earl Carter, then governor of Georgia, utilized the 701 program to finance the reorganization of the state's government. I cannot explain the exact nature of the link between his previous use of the 701 program and his current position in government, but it certainly is worth exploring.

Our major assistance, however, is in two areas: housing and community development programs. In the past, the department has taken the position, and this administration agrees, that significant amounts of the housing assistance programs should be allocated to state housing and development agencies. In the last three fiscal years, more than 100,000 units of section 8 new construction and rehabilitation have been allocated to state housing finance agencies, and more than one-third of these units are under construction. For fiscal 1978, 48,000 units will be allocated to state agencies. Whenever state agencies have demonstrated the capacity,

HUD has committed the funds. This commitment is not limited to those agencies that are authorized to build housing or to new construction programs. For example, 2,000 units of section 8 existing housing has been assigned to the Michigan State Housing Development Agency for one areawide program in Southern Michigan. Similar arrangements exist in Massachusetts, Connecticut, New Jersey, Florida, and Texas. In states where no housing agency exists, working arrangements have been developed with other agencies. In North Dakota, we are working with the state Department of Social Services to administer a section 8 leasing program in hard-to-reach rural areas.

Again, where the states provide the vehicles, HUD will provide the funding. Of course, we encourage these agencies to become involved in problems that the federal programs do not reach. In Connecticut, for example, they have developed a program where the state agency repurchases single-family mortgages in urban areas, but not outside urban areas. Also, no income limitation is set on mortgagors in urban areas. As a result, more mortgage money is directed to areas victimized by disinvestment and redlining in the past.

Maine, Vermont, and other states have developed a creative use of the Title I rehab loan program. Essentially, they sell tax-exempt bonds with which they purchase Title I loans from area banks. The combination of Title I loan and tax-exempt financing makes possible the availability of loans to people who otherwise would not be able to get them. The agency acts as servicing agent for the loan. This effectively expands the coverage of the program and substantially reduces the cost to the homeowner. There are numerous other examples. The point is simply this: The forty-one states with housing finance and development agencies can use their powers imaginatively and creatively to bring relief to the problems of urban areas, and this is a course of action that we urge you to follow.

Just as we expect state governments to become more involved in the problems of urban areas, I recognize that you expect more involvement in HUD programs. I am pleased to announce today that draft regulations have been prepared for the community development block grant program that would allow a considerable degree of state participation in the coordination of the delivery of small cities grant funds. Under certain circumstances, states will be permitted to assist the department in the selection process for small cities grants. We will require explicit evidence of states' interest through their legislation and financial or technical assistance activities designed to help cities, counties, and regional planning organizations to address cooperatively the following problem areas: (1) growth management, that is, the control of urban and suburban sprawl and the development of land use patterns designed to conserve energy; (2) revitalization of older urban areas (the Michigan example being a good case in point); (3) economic development relating to employment needs; (4) allocation of assisted housing to promote opportunities for low-income people and minorities; and (5) the protection of natural resources, including agricultural lands, floodplains, and wetlands.

As currently envisioned, a given state and the appropriate HUD area office will be able to negotiate an agreement regarding the state's participation in the

program. Either party could begin the negotiations. The final agreement would describe in detail the role the state will undertake in the small cities program.

In 1978, this discretionary process will involve millions of dollars. We have no definite idea of how many states will meet the criteria, but we are eager to work with those who are willing to work with us. This will be an area for the newly formed advisory committee to do the substantial work. This entire program is contingent upon enactment of the legislation currently pending in Congress.

In addition to this "state window," we hope to explore other areas of potential involvement of state governments and the community development block grant program. A case in point may very well be HUD's proposed "regional strategy" for metropolitan problems. As you know, the urban regional policy group is working on a final draft of a proposal that would encourage regional planning and development by requiring federal agencies to offer bonus allocations of their discretionary grant funds to communities that formulate regional strategies. We want local communities to take a more active role in promoting fair housing opportunities. The proposal advocates the use of the regional councils of government to formulate regional strategies addressing these goals.

We admit our own past failures and the failures of other federal agencies to involve the states and local governments in this kind of process. But we also recognize that something must be done now to improve this situation.

As currently envisioned, the regional strategy approach would be on a voluntary basis for the coming fiscal year and would become standard operating procedure with regard to HUD programs in 1979. In that year, all communities except distressed cities will be required to prepare an areawide strategy to promote the regional policy objectives contained in the Community Development Act. I recognize that the National Governors' Conference is concerned about this proposal. We are open to any suggestions you have about it.

Four months ago, the president asked me to chair the Urban and Regional Policy Group of cabinet members concerned with urban programs. The group is currently in the process of recommending urban initiatives to the president, and we expect to present to him in a matter of weeks not only proposed new initiatives but also new coordinating mechanisms designed to deliver existing programs more effectively.

There has been some concern about whether state and local officials will participate in this process. Let me assure you that they already have. Recently, a meeting of administration officials and representatives of the National Governors' Conference and state legislators was held at the White House to get their views on key urban questions. It was part of a series of meetings between the administration and various groups that reflect the urban constituency. There will be more meetings and expanded opportunities for participation in policy determination before a final report issued by the group to the president.

The process opened up the prospects of developing a closer, long-term working relationship between HUD and associations like the National Governors' Conference to review program and policy matters of mutual interest. HUD's new deputy

assistant secretary for intergovernmental relations has been in touch with the leadership and the staff of the National Governors' Conference. As a result, we have agreed that the conference should establish a governors' advisory committee to work with the Urban and Regional Policy Group in the short term and with the department over the long term to assure participation input in policy formulation. We will not always agree on the direction of programs and policies, but we should be able to discuss our differences, and to do so before final policy decisions are made.

We remain open to any suggestion on the role that state governments can perform in the coordination of our programs, and we encourage you to make known to us any ideas you have that would make states more involved in our programs. In short, we want to hear from you, and we want you to take part in shaping a national urban policy. We want and need your involvement because there is no more important task before this administration and no higher priority on the domestic policy agenda than the task of revitalizing America's cities.

The Carter administration is providing more funds, concern, commitment, and, more importantly, a genuine sense of care for distressed cities. We see our cities and their people, all of them, as great national resources. We see our future in our cities. We recognize that the process of reversing the decay in urban areas is a demanding and long-term effort. But we also recognize the lessons of the not-too-distant past, and we understand that the summer of 1967 may await us if we fail to act decisively, imaginatively, and tirelessly on behalf of urban America. We seek and welcome the support and participation of the governors of the nation as we work together on the unfinished business of revitalizing and stabilizing our cities.

CLOSING PLENARY SESSION

Friday, September 9, 1977

CHAIRMAN ASKEW: We are privileged to have with us this afternoon Jack Watson, the secretary to the cabinet and assistant to the president for inter-governmental relations. He will describe the administration's response to the NGC study *Federal Roadblocks to Efficient State Government*.

Those of us who have had the opportunity to become acquainted with Jack Watson appreciate the attention that he has given to the matters that we've requested and have enjoyed our own personal relationship with him in reflecting the president's commitment to work with us. I believe that the president has given us an unparalleled and unprecedented opportunity to give suggestions early in the decision-making process. It is my pleasure to introduce Jack Watson.

OVERCOMING ROADBLOCKS TO FEDERAL AID ADMINISTRATION: PRESIDENT CARTER'S PROPOSALS

JACK H. WATSON, JR.: Thank you, Governor Askew. It is a great privilege to be here, though I must confess, based on an experience that happened to me not very long ago with my twelve-year-old son Lincoln, I'm a little reluctant to stand up and talk to any group of folks. Last spring, Lincoln's teacher asked me if I would give a very brief talk on government and politics to his sixth-grade class, which I did. At the conclusion of my talk, I answered questions. Almost every child in the room came up and stood in front of the desk where I was standing, thanked me for being there, and said how much they enjoyed it. I noticed one little boy hanging back. He waited until everybody else had cleared away. He came up, stood directly in front of me, looked me straight in the eye, and said, "Mr. Watson, that was the lousiest speech I ever heard." Well, I must confess that even though he was only about eleven years old and presumably hadn't heard very many speeches, I took some umbrage at it. He turned and walked away very sharply, having said, I suppose, everything he wanted to say. Lincoln waited until he got out of earshot, and then pulled me down by the sleeve and said to me in a very comforting way, "Daddy, don't pay any attention to him. He's just a smart aleck. Everybody knows he just goes around repeating everything he hears." [Laughter.]

Two weeks ago, I was talking to the president about my trip out here. Among other things, I was informing him that I planned to come for the entire conference. He thought that was a good idea and then said, "Jack, what I would really like for you to do is get with as many governors individually as you can, listen to their

problems, listen to their criticisms, answer their questions, and let me know what they are thinking about, what they are thinking of us in what we are doing, and how we can do better." I said I'd be happy to do it. But again I must confess that with that instruction to talk to all of you about your problems and criticisms, I thought of the football player that is sitting on the bench and has not played in the game at all. It's the last game of the year, the home team is losing, and it's the fourth quarter. At long last, the coach beckons to him to come down and speak to him. He does so very eagerly, knowing now that he's going to get into the game. The coach leans over on his knee and says, "Bubba, we've run out of time-outs, and the clock is running. I want you to get in there and get hurt." [Laughter.]

I want you to know I've had a wonderful time here. [Laughter.]

The truth is that for eight months I've had the sheer privilege of working with many of you, particularly Reubin Askew, whom I publicly now thank for advice, counsel, guidance, and support. On behalf of the president, I would like to extend warm congratulations to Governor Milliken, and, perhaps even more than to Governor Milliken, to all of you for having the wisdom to choose such excellent, wise, sensible leadership for the association.

I also want to tell you one other thing before turning to the text of this brief speech. It is an honor for me, and an honor that gives me particular pleasure more and more as I come to know more of you, that the president has asked me to work with the governors of this country, to help serve you, which is a way of serving him. I mean that very sincerely.

The title of this brief set of remarks is "Making Government Work." If you go back and read the writings of the men and women who founded the country, the *Federalist Papers*, the constitutional debates, you discover one persistent, pervasive theme, one question that reoccurs and threads its way through almost all of those discussions. The question was: How do you strike a proper balance between and among all the different levels of government in this country, which is so large and diverse? How do you deal with national problems in a federal system? How do you make national decisions, at all times trying to keep the decision-making process as close as possible to the people whom it affects?

Part of the answer that has evolved is what we call the federal grant-in-aid system, which, unfortunately, frequently works better in theory than in practice. Every year, \$72 billion passes from the federal government to the state and local governments in the form of transfer payments. We've watched the system that administers that money become more and more burdensome, irrational, frequently insensitive, and, all too many times, inefficient. We've seen that federal aid administration system stumble clumsily over the local governments and the problems of local governments that it was designed to accommodate. We've even seen a kind of arrogance, a lack of sympathy, a lack of common sense emanate from some federal officials. All of this has made us wonder sometimes whether it was a partnership that only worked in one direction.

Jimmy Carter has been in office for almost eight months. I hope and I believe that you are beginning to see a change in attitude, a change in response from this

end. I'm not going to spend the valuable time with you talking about vague generalities on the importance of intergovernmental relations. I'm also not going to spend time talking to you about how much Jimmy Carter understands your problems as governors. You know those things. All of you know him, and many of you knew him when he was a governor. Instead, I want to talk about some specific activities that are under way in the White House and the federal departments that we believe will make life easier for all of us.

If there is one phrase that generally summarizes those activities, the phrase would be, as indicated by the speech title, "Making Government Work Better." Some of you may recall that it was the title of an article Jimmy Carter wrote about a year ago for the *National Journal*.

Nobody knows better than governors that at the heart of any government program are the mechanics of making it work and that tinkering, fine-tuning, and dealing with those mechanics is a detailed, laborious process that must be pursued relentlessly, with purpose and with persistence. I want to touch briefly on three general areas: How are we simplifying the paperwork requirements for federal grants? How are we opening the doors for more state and local participation in the writing of federal regulations and in making those regulations easier to understand? How are we reducing the hassles that you and others, including others in the federal government, constantly face in trying to get federal money out on time?

Many of these problems are identified in your report *Federal Roadblocks to Efficient State Government*. Quite frankly, your report has been a kind of road map for me and my staff. Your report suggested that our problems in this area are a composite of many little things rather than the result of one huge defect in the system. That is true. And it follows that the solution to the problems will also be a composite of many little things.

You say that paperwork requirements for federal grants are too complicated, frequently incomprehensible, and almost always verbose. Some of you have suggested that the mountains of paperwork that you fill out, crate up, and ship to Washington may not even get read. I suspect that in many cases you're right. In any case, all of us agree that the requirements are too unreasonable, difficult, unnecessary, and confusing.

Today the president is announcing a new set of rules. Some of those rules are: (1) Don't ask state and local officials to send information for a grant renewal that they've already sent with their original application. (2) Don't ever ask state and local officials to submit more than one original and two copies of any form, no matter what the subject. [Applause.] I must say that I was absolutely horrified to learn that there were sometimes requirements for seventy-five copies. (3) Don't expect state and local officials to supply back data for periods before forms were developed. [Laughter.] (4) Use the standard application and financial reporting forms prepared by the Office of Management and Budget. For more than two years, we've had on the books an act called the Joint Funding Simplification Act. For all practical purposes, it's been dysfunctional because we didn't have standard forms. We're going to have them.

The executive orders being issued today instruct the departments and agencies to combine reports of whatever kind wherever possible, eliminate those that are unnecessary, based on a kind of zero-based analysis of them, and require those that are determined to be necessary to be submitted less frequently.

The president has directed agency heads to share information, not only intra-agency but interagency, instead of asking grantees, governors, mayors, and others to provide that information again and again. The president's short-run objective is to reduce the number of hours required to fill out federal forms by at least 7 million. When I say short run, I mean by September 30, 1977. We will make that deadline.

For example, the Department of HEW has revised the form that university administrators must use for student loan applications. That form is now five pages long. It was thirteen pages long. The difference is not just eight pages. It's 100 thousand fewer hours that school administrators will have to spend filling out those forms. In none of these calculations do we include savings of time on the federal side, only the state and local side.

In July, the president asked all agency heads to take another look at the planning requirements that state governments must satisfy in order to receive various federal grants. By our count, there are at least eighty state plans that are required in order to receive various kinds of federal program allotments. The president has made it clear that he expects a substantial cut in that number. I have no doubt that we will have it.

Some significant changes are taking place in the development of federal regulations. This is a sore point with many of you, and rightly so. It's a sore point with many people all over the country, because federal regulations are often written in a language that even a Philadelphia lawyer couldn't understand. An Atlanta lawyer perhaps. [Laughter.] You all have your favorite horror stories about this, I know, because I've heard a lot of them. I have a particular favorite, which was told in your report: Notices of regulation changes in the federal air pollution programs were being published, on the average, more than once every working day.

Reform of the process of writing regulations is overdue. Not surprisingly, many of the worst regulations are ones that were originally developed without consultation with state and local officials, not just governors but the program people whose responsibility is to conform to and implement these regulations.

We want to increase the collaboration and consultation process. As all of you know, in February the president directed that all state and local program people whose programs are substantially or significantly affected by policy, budget, or administrative reorganization positions are to be consulted and that the results of the consultation process are to be disclosed in the report that comes to the White House or to the secretary of the department.

The president knows that the passing of executive orders doesn't solve all problems, particularly this one. The formulation of a workable process by which the federal government and its departments in the executive branch continually consult with state and local governments is something that requires a two-way operation.

If the problem is ever to be fully solved, it will require pressure from you and a willingness to respond on the federal side.

Without going into great detail, let me list a few of the other specific steps we are taking to improve the process of federal regulation.

First, the president has directed all departments and agencies that grantees should not have to change their own programs in the middle of the year simply to accommodate a routine change in a federal regulation. The president has directed that grantees should have the option, wherever possible, of waiting until the end of the year to begin using the new regulation.

Second, he has asked that a concerted effort be made to simplify the administrative requirements for federal grants by establishing some sort of uniformity intradepartment. For example, HEW is replacing its 300 separate grant regulations with a single set of application, reporting, auditing, and payment procedures. The Department of Transportation is now considering a consolidation of its planning grants for state and regional organizations, which, if adopted as we expect it will be, will permit you to get one grant to cover highways, mass transit, rail, and airport planning.

Third, the president has directed each agency in the executive branch to do a sunset review of its regulations, beginning with those regulations that are the object of most public concern, criticism, and complaint.

The president's underlying premise for all of this is simple: regulations do not have to be incomprehensible; they can be clear, coherent, and written in a way that is understandable to you and me. It's high time for us to begin an arduous, never-ending attempt to make them that way.

A related problem is the incredible proliferation of regulations covering environmental protection, civil rights, and citizen participation. Everyone agrees that these are important subjects, and virtually everyone agrees that they reflect appropriate national concerns. But there are too many different rules enforcing them. Nobody knows what all the rules are anymore—not Congress, not the agencies, not the public, and not the state and local governments that are confronted with the task of implementing and conforming to them.

Before anyone can decide whether these rules are achieving their purpose, we need to know what the rules are. Over the next several months, the Council on Environmental Quality, the Equal Employment Opportunity Commission, and the Community Services Administration will be assembling and publishing all of the most important federal requirements in each of their three areas. For the first time, the mass of regulations in each of those three areas will be collected in one comprehensive and comprehensible form. The next step will be to find out where they need to be cut, simplified, or modified.

The final subject that I want to mention is one which the report describes as "the single biggest obstacle" in intergovernmental programs—uncertainty as to federal funding levels. The National Governors' Conference recommended that several major programs be converted to an advance appropriation status, beginning in fiscal year 1979. The report specifically mentioned summer youth employment,

Title XX social services, special programs for the aging, basic support for vocational rehabilitation, and maternal and child health services. It's no coincidence that OMB, at the president's direction, is looking at those five programs right now with an eye toward doing exactly what you suggested.

We are taking two other related financial management measures that won't help in the prediction of federal funding levels but will ensure that you receive the money you're supposed to receive without arbitrary or accidental delays.

One measure is the expansion of the use of letters of credit, thereby permitting grantees to draw money directly from the Treasury to pay for approved grants as the money is needed. We will expand the application of letters of credit to cover an additional \$3 billion worth of programs per year, including such programs as urban mass transit, economic adjustment assistance, and rent supplements for lower-income families.

The second measure in the financial management area is the electronic funds transfer, which achieves much the same purpose. The president has directed all agencies and departments to work with Secretary of the Treasury Blumenthal to identify additional programs that can benefit from the use of electronic funds transfer. We are already moving to bring federal highway administration payments to states under that system.

Our purpose in expanding the use of letters of credit and electronic funds transfer is to reduce the number of times that grantees must spend their own money while waiting for the federal reimbursement. A line in the statement the president is making today shows that he takes the problem seriously and that the heart of the Georgia governor still beats in the Oval Office: "State and local governments should not be put in the position of having to lend the federal government money, which is, in effect, what happens when they must borrow money to pay bills while awaiting federal funds."

From his experience in Georgia, the president is aware that problems don't end when the federal money gets there. We know that too many state and local governments must submit to repeated audits of the same set of accounting books by wave after wave of federal auditors. To reduce this duplication and waste, the president is today instructing all federal departments to make their audit schedules publicly available and to use those schedules as a basis for consolidating federal audits, increasing cooperation with state and local auditors, and increasing reliance on audits made by other people and other levels of government, without the necessity of a federal audit overlay.

These are some of the things that we're doing differently. Individually and as an organization you've helped us to identify some of the most serious problems. There is potential for a vital partnership of the chief executive officer of the country and the chief executive officers of its states. It is a partnership that we must work hard to actualize, not rhetorically and not theoretically, but in a continuing process of identifying mutual problems on both sides and in a willing and creative collaboration to solve those problems.

We are trying to engage in the tough, unglamorous, but rewarding work of

making the government work, and the things I've been describing today are nothing more than a beginning. Workable government, which is well known to governors, is not something that you can package and preserve like some timeless work of art. Government, especially government in a federal system, especially government in a free society, requires constant tending, constant adjustment, and continuous renewal. We believe that the initiatives the president is announcing today and the partnership with you upon which those initiatives are based and from which they emanate hold the exciting promise for a government that really works.

CHAIRMAN ASKEW: I want to thank you, Jack, for an excellent report, and I want to salute you and the president for your responsive approach to our concerns. I also want to join you in saluting Pat Lucey and the NGC staff for their roles in producing the report on roadblocks, which has been widely praised and quoted, and in working with the administration to implement its suggestions. This is a good example of hard work by governors on the national scene through NGC and the dividends to be gained.

REPORTS OF THE STANDING COMMITTEES

CHAIRMAN ASKEW: The time has now arrived for the consideration of proposed policy statements. First, the Committee on Criminal Justice and Public Protection, chaired by Governor Otis Bowen of Indiana.

GOVERNOR OTIS R. BOWEN: The Committee on Criminal Justice and Public Protection met yesterday with Deputy Attorney General Peter Flaherty to discuss the Justice Department's study of the reorganization of the Law Enforcement Assistance Administration (LEAA). This capped several months of activities on this issue. Our committee and its advisory task force have maintained strong support for the block grant program. That view is shared by many governors who also believe that LEAA has provided significant help in controlling or reducing crime in many states.

The committee has provided Attorney General Bell with a summary of the general position of the governors concerning LEAA and has offered suggestions on the course any reorganization effort should take. In addition, the committee voted to urge the attorney general to establish a new study group consisting of an equal number of state and local officials on one hand and federal officials on the other. Its purpose would be to review the various responses to the study group report filed with the department and to make its own recommendations to the attorney general. Only in this way will the state view be heard. That position will be offered as a unanimous committee amendment to resolution A.-1. The committee intends to remain involved in the LEAA reorganization, and we will continue to press our views strongly.

Two other items received the close attention of the committee at its meeting yesterday. First, the committee reviewed the disaster preparedness resolution,

A.-16, and proposed the amendments that were adopted at the plenary session this morning. The committee will monitor the administration's efforts to reorganize existing disaster relief agencies and programs, and will work closely with the Office of Management and Budget to assure that this effort reaches a satisfactory conclusion. We also urge Congress to conduct its own careful examination of these programs and to enact whatever legislation is needed to restore a sense of order in the existing bureaucratic federal disaster relief structure, which now includes more than twenty federal departments and agencies.

The committee heard a report from the Department of Defense on the progress of a departmental study group that is analyzing the current mission and role of the National Guard and reserve forces. The study group is about to report to the secretary of defense on a series of options regarding, among other things, the command structure of individual state and National Guard units. It is possible that the Department of Defense will recommend that the principal operating component of a state National Guard unit be a company and that significant alteration of a state's National Guard command structure will result. This, in turn, may have a very serious effect on the governors' ability to call up units of the state National Guard at times of natural disasters or other emergency situations.

The committee reminded the representatives of the department, first, that federal law requires the permission of the governor before changes in a state's National Guard command structure can take place and, second, that the governors have not been consulted at any point during the course of the department's review. We were assured, however, that consultation will take place before any final decision on this question is made by the secretary and the president.

Nevertheless, the committee felt that it is important to take a public stand on this issue and to put the Department of Defense squarely on notice that the governors demand consultation at a point where they can significantly influence the recommendations that ultimately will be made. This is what is said in S.-6.

Finally, at the suggestion of Governor Castro, the committee agreed to place on its work agenda two issues that deserve close and careful attention. First, the increasing harm caused to individuals, particularly young people, by inhalation of toxic substances and, second, the serious questions raised by state and federal practices in the collection, storage, and dissemination of criminal statistics and data on criminal history. The committee expects a report on these issues at the 1978 winter meeting.

At this point, Mr. Chairman, I wish to move adoption of the two pending committee resolutions, A.-1 and S.-6.

CHAIRMAN ASKEW: Is there any discussion on policy statement A.-1 regarding the administration and implementation of the Omnibus Crime Control and Safe Streets Act?

GOVERNOR HUNT: Mr. Chairman, I wish to second the motion if it didn't have a second.

I also would like for all of us to convey to Jack Watson and the president our feelings about the necessity for governors to have effective input into LEAA. I also

want to call your attention to a study that was done by LEAA and Justice Department officials on how the LEAA program ought to be reorganized and ought to function. Now, unlike the study that was made on welfare reform, which had state and local involvement, neither governors nor local officials were involved in this study group. As a part of our resolution, we are suggesting the establishment of a new study group with half the membership governors and local officials, the people who are closest to it and most directly involved. I urge not only that we pass this resolution but that we individually convey our feelings to Jack Watson and by letter to the president. We ask that we be given an opportunity to have a real partnership in changing LEAA so that it will work better. There are some changes needed, particularly those to cut the red tape, and we commend their recommendation of those. But they are recommending some other things, such as taking away some of the block grants to the state level and sending funds directly to the local level, that we need to have the opportunity to speak to and to direct to the state level. If more of the funds went to the local level, you'd see a lot more of them going to hardware, to things that perhaps don't work as well as some others. You'd see much less going to changes of the court system. The law officers in my state tell me that we need to make the courts work better if we are going to reduce crime and that we need better juvenile programs. Those are things that aren't going to happen at the local level. They must be done at the state level. We have to lead it and direct it, and, therefore, I urge that we assure ourselves of real input into this program. We have this opportunity in almost everything else.

CHAIRMAN ASKEW: Thank you very much, Governor.

Are there any other questions in regard to A.-1? Then there is a motion and a second that we adopt, requiring a two-thirds vote. All in favor say aye, all opposed no. The ayes have it, and it is adopted.

Now to S.-6, the Department of Defense review of National Guard status. First, it requires a motion to suspend the rules.

GOVERNOR BOWEN: I so move.

CHAIRMAN ASKEW: Is there a second?

GOVERNOR O'CALLAGHAN: Second.

CHAIRMAN ASKEW: We have a motion and a second. It's not debatable. All in favor say aye, all opposed no. The ayes have it.

There being no opposition, the chair in each instance will note the extraordinary majority unless it appears that there are substantial no's. I will then require a showing of hands. But three-fourths having voted to suspend the rules, the motion then recurs on the adoption of the resolution itself, S.-6. Governor Bowen moves the adoption of the resolution. Is there a second?

GOVERNOR RHODES: Second.

CHAIRMAN ASKEW: Is there any discussion? All those in favor of the adoption say aye, all opposed no. The ayes have it, and it is adopted.

Next is the report of the Committee on Transportation, Commerce, and Technology, chaired by Governor George Busbee of Georgia.

GOVERNOR BUSBEE: Policy statement F.-1, "Transportation Policy Di-

rections," deals with guidelines for transportation planning and direction in the country. The heart of the policy is given under the heading "Transportation Planning," which states what we expect of the nation's transportation program. It says, "The nation's transportation program should foster the development, coordination, operation and maintenance of transportation systems and services that provide the optimum capability for the movement of people and goods in the most efficient, convenient, safe and reliable manner. Transportation, in addition to the basic task of moving people and goods, should serve the objectives of economic development, allow for wide utilization of resources, provide for social and environmental enhancement, foster the preservation of private and public investment, contribute to national security and serve the individual's need for effective mobility."

Under the heading "Transportation Finance," the statement notes that the decline in the growth of state motor fuel taxes is a major problem to the states, and calls for a portion of any energy taxes from transportation fuels to come back to the state transportation programs either directly or through preemption.

We call for a four-year program in future federal funding, because transportation improvements involve multiyear contracts. To accomplish this, trust funding for transportation programs based on dedicated revenue sources is proposed. It is noted here that dedicated revenue sources and user revenue sources may not mean the same thing in all cases. User funds are currently dedicated to support the highway trust fund and the airport and airways trust fund. The policy states that these concepts should be extended to include a public transit trust fund.

We have said that user revenues are not appropriate, but a dedicated funding source is needed to provide continuity to the program. The statement calls for greater flexibility at the state level in the use of federal funds for transportation. The statement calls for a 10 percent transfer between the various modes and unlimited transfer within the same modal programs at the secondary level. I think this is particularly significant.

In policy statement F-2, "Highway Transportation," we propose a reduction of federal-aid highway categories to four. As you know, we currently have thirty-two or thirty-three categories. The four categories would be interstate, urban, rural, and safety.

We also propose additional federal aid to the primary, secondary, and urban systems, without any delay in the completion of the interstate highway system. The statement notes that some states are completely out of interstate highway funds and are advance financing segments of the interstate system with their own funds. At the same time, for various reasons, some states cannot use their interstate highway appropriations, and, thus, these funds are not being used. We call for the provision of additional funds to those states that can advance the completion of their interstate programs and, at the same time, protection of the vested interests of those states that are currently unable to expend their appropriations.

In view of the alarming condition of many of the nation's bridges, we support a greatly enhanced federal-aid bridge program.

In policy statement F-3, "Air Transportation," we applaud the four-state demonstration program, which allows states to administer a portion of the federal aid to the aviation program. We also support quick evaluation of the results and a broadening of the number of states participating in this program.

The committee supports regulatory reform of the aviation industry to remove artificial and unnecessary regulations and economic constraints. The reform must be reasonable and not bring about sudden change and instability to a successful industry.

We support legislation to provide for voluntary, modified certification by the Civil Aeronautics Board for third-level air carriers, with appropriate route projection, joint fare privileges, guaranteed loans for modernizing equipment, and simplified reporting procedures.

In policy statement F-4, "Rail Transportation," we note the importance of the nation's railroads to the health of the national economy and to the solution of our energy problems, and we support the enhancement of the value of this transportation system.

Previous policy statements have supported the creation of a rail trust fund; this policy statement continues that support to aid with deferred maintenance and capital improvement projects, which cannot be financed at present.

The statement notes that subsidies to Amtrak have been increasing but with no discernible improvement in service. Additional cost effectiveness, higher service levels, and considerations of greater use of the private sector are encouraged.

The statement on water transportation, F-5, points out that this mode of transportation is very energy efficient, and calls for the inclusion of inland waterways and the intracoastal canal system in the national transportation policy plans. Legislative proposals dealing with waterway usage charges are noted, and the statement supports user charges or fees for the operation and maintenance of navigation aids and channels. The statement notes that benefits such as power generation, recreation, flood control, et cetera, should be considered when determining the amount of charges or fees to be assigned to water transportation users.

Policy statement F-6, "Urban and Rural Public Transportation," supports the extension of the provisions of the Urban Mass Transportation Act beyond the present 1980 termination date, and calls for additional flexibility for the states in its implementation.

The need for rural public transportation is noted, and the planning and launching of rural transit systems is supported. In order to provide continuity in program planning and implementation, we call for an assured source of federal funds for public transportation.

The committee supports programs such as section 5 of the Urban Mass Transportation Act, and favors retention of the existing formula for allocation of funds, with maximum flexibility in determining their use. We think that UMTA's provision on funding for nonurbanized areas should be amended to allow distribution of operating subsidies and capital grants in the same manner as section 5 apportionments are proportioned to urbanized areas.

We recognize the need for special programs for transportation of the elderly, handicapped, and other disadvantaged groups. The federal effort in this area must be streamlined to consolidate and make more efficient the numerous programs for this purpose.

The statement on pipeline transportation, F.-7, calls for the development of a comprehensive national pipeline transportation program to be coordinated with other modes of transportation.

The policy statement on travel and tourism notes the value of this industry to our country.

In the policy statement on no-fault insurance, F.-10, we commend the Department of Transportation for its comprehensive report, "State No-Fault Automobile Insurance Experience, 1971-1977," done in June 1977. The conclusion of this report is that no-fault automobile insurance works. Our policy statement says that the adoption of national no-fault standards is not an acceptable option to individual state action.

Please note that in the alternatives we gave in the statement on no-fault insurance, we included the adoption of federal standards. The committee was evenly split on this issue, and I think there are some members of the committee who would like to discuss this and possibly make motions of amendment. But I'd like to finish the report of the committee and then come back to this issue.

Policy statement F.-13, "Communications Technology," calls for better facilities for communication between governors and encourages all states to adopt what many states already have, a toll-free system for calls to state government. The integration of all interstate telephone rates into a national rate pattern is also supported, as is an updating of the 1934 Federal Communications Act.

Statement F.-15, "Industry Organized-Government Approved Trade Mission Program," proposes that the U.S. Department of Commerce establish a special classification for trade missions sponsored by state and local governments that permit participation by unrelated industries. At the present time, participation in such missions is vertically organized around a specific product or service theme, and it's felt that a broadening of the participation in the mission by other industries would promote their use and success.

We also have a policy statement on international business legislation, F.-15. It identifies what other nations are doing to support industrial efforts of multinational corporations located there and some of the deficiencies we have in this nation. It encourages Congress to consider putting American businessmen and corporations on an equal and fair basis as they compete with other nations and the corporations from other nations that do business abroad. Looking at our current trade deficit, I think the government should encourage American business to do business overseas.

Mr. Chairman, that concludes the presentation of the Committee on Transportation, Commerce, and Technology.

I move for the adoption. I think there'll be an amendment on no-fault.

GOVERNOR SNELLING: Second.

CHAIRMAN ASKEW: You're proposing the adoption of the policy statements except no-fault?

GOVERNOR BUSBEE: Right.

CHAIRMAN ASKEW: Any discussion on this procedure? Is there any discussion on any of the proposed statements?

GOVERNOR ARTHUR A. LINK: I'd like the chairman of the committee to summarize once again the statement on airline regulation.

GOVERNOR BUSBEE: There are some alternatives. Option 1a says, "The governors recognize the need for. . . ." Everything is stricken up to "regulation of the air carrier industry, as free market conditions. . . ." I won't read all of it. I'll just say, Governor Link, that's simply the status quo, you might say.

Option 1b, which the committee adopted, is what I would call a moderate reform. It says, "The governors recognize the need for regulatory reform that will remove artificial and unnecessary regulations and economic constraints, thereby encouraging increased efficiency in the airline industry and better air transportation services at lower costs, while maintaining the present high level of safety. Yet reform must be reasonable and not bring about a sudden change and instability to a successful industry."

The next option, which we did not adopt, was, "Be damned the torpedoes, full speed ahead." A middle position was adopted.

GOVERNOR LINK: Was it the consensus of your committee that there is enough safeguard there so that the regulation would not adversely affect communities whose service is dependent upon regulated service?

GOVERNOR BUSBEE: Yes. I think that's the reason they didn't go any farther than they did, Governor.

GOVERNOR LINK: I'm concerned that it went a little farther than I'd like to see it go.

GOVERNOR BUSBEE: Well, you have the three alternatives. We went with the middle one.

GOVERNOR LINK: Thank you.

CHAIRMAN ASKEW: Is there any further discussion? All those in favor say aye, all opposed no. The ayes have it. All policy statements are adopted except the one on no-fault insurance.

GOVERNOR BUSBEE: I move that we adopt the committee report on no-fault auto insurance. But I just want to say that we were deadlocked, and I know there will be an amendment to the report.

CHAIRMAN ASKEW: We're talking about moving on F.-10, and then you would move F.-7 as an amendment.

GOVERNOR ELLA T. GRASSO: Mr. Chairman, we have an amendment.

CHAIRMAN ASKEW: There is a motion on F.-10, and there is a supplement that picks one of the options as recommended by the committee.

Now, is there a second? Governor Busbee makes that motion. Is there a second, then?

GOVERNOR SNELLING: Second.

CHAIRMAN ASKEW: A motion made and seconded.

GOVERNOR GRASSO: I have an amendment to delete the words of Alternative 1 and the balance of the page and to insert new language. The new language would read, "The National Governors' Conference insists that the states continue to regulate the insurance industry. The Conference will vigorously resist any proposal that the federal government preempt this area of traditional state responsibility. The Conference supports: (1) the basic concept of no-fault insurance; (2) the fundamental approach of the two pending national standards no-fault bills in preserving the basic power of the states to regulate the insurance industry; and (3) the creative federalism of the two bills in their establishment of a state-dominated review panel, rather than still another federal bureaucracy, to enforce the national standards for state no-fault insurance plans."

We have had considerable discussion of this and some division. This was compromise language that has been developed, and I move it at this time.

CHAIRMAN ASKEW: Is there a second?

GOVERNOR THOMSON: Second.

GOVERNOR ASKEW: A motion and second. Is there any discussion in regard to this amendment?

GOVERNOR SNELLING: Mr. Chairman, one of the most appealing things to me about the National Governors' Conference is the illustration of creative federalism that is reflected in the policy positions that have been adopted in the past. I specifically refer to the existing policy positions as set forth in this booklet of 1976-1977. The members should be aware that the proposal of the committee is, in effect, a retention of the existing policy of the National Governors' Conference, which, in terms of policy, is in favor of no-fault insurance, but also says that the experiments now going on in the states be allowed to continue without the heavy hand of either federal intervention or federal standards. I believe our committee acted wisely in preserving the existing policy on no-fault insurance.

It is not in any way anti-no-fault, but it recognizes that there are numerous experiments going on now throughout the nation and that it is not yet certain by any statistical evidence that some of the approaches being taken to no-fault are superior to others. I think it would be a mistake, and I think it would be quite different than the point of view that we generally take in this conference, if we were to abandon the concept that the states be allowed to experiment in areas such as this and to take into consideration the local differences that exist within which these kinds of policies must operate.

The courts are not the same throughout the states, and the circumstances under which any such program would operate are quite different. I believe that the policy adopted before by the National Governors' Conference is a good one and ought to be continued. And that is what the majority of the committee recommends to you.

CHAIRMAN ASKEW: Governor O'Callaghan.

GOVERNOR O'CALLAGHAN: In the recommendation that Governor Grasso read, it says, "the fundamental approach of the two pending national

standards no-fault bills in preserving the basic power of the states to regulate the insurance industry." Does that mean that the states will then be able to regulate just the dollop it has from the federal government? Then it goes on to say, "the creative federalism of the two bills in their establishment of a state-dominated review panel." What are they going to review, a federal law? I'd like to have that cleared up at this time.

GOVERNOR GRASSO: It's my understanding that this provides for the establishment of a federal review panel, to which states provide members, and that the state plans are then reviewed by the panel.

GOVERNOR O'CALLAGHAN: But what will be the power of this review panel? Are we talking about a federal law and federal guidelines? Will it review the state laws, too?

GOVERNOR GRASSO: It will review the state laws in terms of the guidelines that are being developed by Congress.

GOVERNOR O'CALLAGHAN: Will these guidelines be, in effect, a national regulation of no-fault?

GOVERNOR GRASSO: No. Again, it's my understanding from the legislation that I studied when I was a member of Congress and that I've read since then that this will provide a minimum level, and that the state plans will be judged against these minimum levels.

GOVERNOR O'CALLAGHAN: Then we will have a national no-fault.

GOVERNOR GRASSO: No.

GOVERNOR O'CALLAGHAN: Well, then, what about the states that don't have a no-fault?

GOVERNOR GRASSO: We will have state laws that reach these standards or may exceed them. This would probably be the experience in many states.

GOVERNOR O'CALLAGHAN: Well, can I carry it just one step further? What about the twenty-four states or thirty-four states that don't have no-fault? What are they going to review on them?

GOVERNOR GRASSO: I would expect that in those instances the federal standard would prevail.

GOVERNOR O'CALLAGHAN: So we get back to a national no-fault. Thank you.

CHAIRMAN ASKEW: Is there any other question on this?

GOVERNOR DUKAKIS: Mr. Chairman, I appreciate the comments of my friend from Vermont and those of the governors of states that at the present time do not have no-fault systems in effect. But I think what we have to bear in mind here is that so many states have now adopted some form of no-fault insurance that the case for some degree of flexible, minimum national standards is overwhelming. We now have a situation in this country where, depending on where you are at any particular time in your car, on what state line you cross, what happens to you in the event you get hurt in an automobile accident depends on the accident of geography. At a time when the conference seems to be moving toward the adoption of some reasonably uniform system, albeit with minimum standards, our failure to

adopt even this very modest amendment means that the conference's hands, at least as I understand it, Mr. Chairman, are virtually tied when it comes to expressing our voice on the degree of flexibility.

Now, as the governor of the state that first adopted no-fault and thereby saved its citizens literally hundreds of millions of dollars, I would like to see a set of minimum standards as flexible as possible. But if this conference decides that it wants no national minimum standards of any kind, I assume as a conference we are precluded from involving ourselves in that kind of debate and that kind of discussion.

Mr. Chairman, for those reasons, I would urge strongly that we support the amendment offered by Governor Grasso and then participate as actively and as forcefully as we can in developing minimum standards that allow the states to be as flexible as possible within those standards. To do otherwise makes it impossible for us to involve ourselves at all in debate on what those standards ought to be, other than to take a flat position, which is that we are against any national standards of any kind.

I don't give any quarter to my friend from Vermont on the subject of my desire for the states to have as free and as flexible a hand as possible in fashioning their own solutions to problems, but in this particular area we are dealing with a subject, that is to say, highways, safety, and a variety of other things, that has long since become the subject of national regulation. I don't think we're breaking new ground in adopting a very moderate position on the subject of minimum national standards with substantial state participation when we already have a system in this country which, by federal mandate, requires air bags and a variety of other things and imposes federal standards on highways which you and I have to obey. We have to spend money we don't want to spend on so-called interstate highway improvements because that's the only kind of money they'll give us for those kinds of programs.

It does seem to me that in this particular area, national regulation is no longer something either novel or radical. Under those circumstances, I think we ought to support the amendment and then participate most actively in the formulation of these minimum standards. In particular, we must make sure that they are sufficiently flexible so that states that have adopted no-fault plans will not find that they have imposed on them much more difficult and rigid no-fault systems than we support.

GOVERNOR CARLOS ROMERO-BARCELO: I was not present at the committee hearings, and I am a member of the subcommittee. Had I been present, I would have voted for the resolution that's been submitted by Governor Grasso. We have no-fault insurance in Puerto Rico, and it's worked very well.

GOVERNOR RAUL H. CASTRO: Like my colleague from Puerto Rico, I was not present at the committee hearings, and I am a member of that committee. Had I been present, I would have supported the amendment as read and presented by Governor Grasso.

We are one of those states that do not have no-fault insurance. We will never have it unless some type of minimum standards are established by the federal gov-

ernment. I believe the establishment of minimum standards will prompt those states that don't have no-fault insurance to adopt it. I support the amendment.

GOVERNOR GARRAHY: Mr. Chairman, I also want to express my support for the amendment of Governor Grasso and second Governor Castro's stand. For twelve years the governors of my state have supported no-fault legislation and have not been able to get it passed by the legislature. Without the federal minimum standards, a state such as mine perhaps would never have a no-fault bill enacted.

GOVERNOR JOHN V. EVANS: As a state senator, I supported no-fault legislation on the state level, but I resent the fact that the National Governors' Conference proposes and supports federal minimum standards. I think we're moving in the wrong direction. Give us time. No-fault insurance will be adopted on the state level, the way I think it should be.

GOVERNOR THOMSON: Mr. Chairman, if we vote for this amendment, are we, in effect, supporting, at least to a moderate basis, some form of federal no-fault insurance?

CHAIRMAN ASKEW: What you are doing is supporting the basic concept of no-fault, and, in effect, calling for some type of federal minimum standards of no-fault. I think it would probably apply to all states, even those who do not choose to enact no-fault. It would be my conclusion that, in effect, you would be setting federal minimums that would put some type of federal regulation on your basic system. Governor Grasso, is that a correct statement?

GOVERNOR GRASSO: Yes.

GOVERNOR THOMSON: In that case, I want to say that while I certainly respect those governors whose states have enacted no-fault insurance, I certainly would be opposed to any direction from the federal government with respect to this for my state, which has not enacted no-fault insurance.

GOVERNOR EXON: I tend to support the committee's proposition rather than the amendment that's now before us. We do not have no-fault insurance in Nebraska, but we have talked about it a great deal.

How many states have adopted no-fault insurance? I think that's quite important.

GOVERNOR BUSBEE: I might stand corrected. It's my understanding that there are sixteen that have true no-fault.

GOVERNOR EXON: I assume that you are opposed to the amendment that has been offered by Governor Grasso?

GOVERNOR BUSBEE: Mr. Chairman, I was just trying to be fair. I have a committee that has worked very hard on a very long policy statement, and we had a deadlock on this issue. We compromised the position of the committee to make it more acceptable.

Let me explain exactly what you're voting on. If you turn to page 57 of what you have there, there's an amendment sheet. If you look at alternate number 1, the committee has stricken the words "or federal standards," which are on the first line of alternate 1. If you adopt the committee report, it will mean that the adoption of national no-fault is not an acceptable option to individual state action.

Congress should take no action that would preempt states' efforts to establish a no-fault insurance system. By removing the words "or federal standards," we are taking no position on national standards. I don't think the conference has endorsed or refuted no-fault in the past. The committee report says that the National Governors' Conference urges those states that have not enacted no-fault legislation to continue to examine the options available to them and to achieve maximum interstate coordination in any actions they may take. The report also urges each state to consider the model legislation drafted by the National Conference of Commissioners on Uniform State Laws and by the Council of State Governments.

That's all we've said. The amendment offered by Governor Grasso adopts the concept of no-fault insurance instead of encouraging states to do it. It adopts the approach of having a federal standard, and I think more or less endorses the two bills on no-fault that are pending in Congress. That's the difference between the committee report and the amendment.

CHAIRMAN ASKEW: I believe, too, Governor Busbee, that your amendment deletes—

GOVERNOR BUSBEE: It's not my amendment now.

CHAIRMAN ASKEW: The committee's amendment deletes alternate 2, which would have actually called for minimum standards, as well.

GOVERNOR BUSBEE: That's correct.

CHAIRMAN ASKEW: So, in addition to striking "or federal standards," it deletes alternate 2.

GOVERNOR EXON: One more question, Governor Busbee. You didn't answer my question. How are you intending to vote on the motion before the governors?

GOVERNOR BUSBEE: Governor Exon, you're putting me on the spot. I told the members of the committee that I was going to try not to debate this question. I'm going to vote for the way it came out of the committee, in other words, with the committee and against the amendment. I was not going to say that had you not pressed me to say it.

GOVERNOR EXON: Thank you.

GOVERNOR BUSBEE: I don't know that I'm right. You vote like you want to vote on this thing.

GOVERNOR O'CALLAGHAN: As a governor who fought for no-fault and got it through his legislature, I see this as merely another method of getting something done by Congress that the governors can't get through their own legislatures. But I imagine that some of these governors would resent it if somebody went around them to the federal government.

If a governor cannot get no-fault passed in his own state, I do not believe he should do it through Congress. He should continue to work within his state. This method of relying on Congress undermines, rather than strengthens, the federal system.

CHAIRMAN ASKEW: Florida was one of the first to adopt no-fault, and

there are many in the state who want to repeal it. Obviously this presents that option.

GOVERNOR SNELLING: Mr. Chairman, I regret that the amendment that was presented to you on behalf of the committee appears to be confusing, because it was, in fact, a compromise. The committee amendment and the committee proposal simply reassert the position historically taken by the National Governors' Conference, which is generally favorable to no-fault, but they resist the concept of federal action, be it by enactment or by minimum standards, and urge the states to study the several experiences of no-fault.

There are some very important words in the dialogue that we have heard so far. The word "true" has been used. We are told that there are sixteen true no-fault insurance programs in the United States. Then we are told that there are an additional eleven that, in the judgment of some people, are not no-fault insurance, although the legislatures of those states obviously believe that they are.

I hope that the governors will abandon the notion suggested by some that the function of the National Governors' Conference is to encourage federal legislation for the purpose of holding a stick over state legislatures to get them to do that which they will not do on the basis of their judgments with respect to local situations.

To paraphrase Snoopy, "Those who live by circuitous routes shall die by circuitous routes." Those of you who use this method this time in hopes that pressure will help you get a piece of legislation through your legislatures will certainly find the day when it will be used to help establish something in your state that you don't want to establish. So if we still believe that we can make a dynamic federalism work, I think we should reassert the position previously taken by the National Governors' Conference and support the committee.

GOVERNOR GRASSO: Mr. Chairman, the amendment was designed to encourage the establishment of federal national standards. The panels were to be state instrumentalities. I would like to say that nearly every person who has spoken here, including the sponsor of this amendment, has effective no-fault insurance plans in his or her state. We know what can come to our citizens as a result of this action, and we are not trying to use this as a vehicle to get done elsewhere what we cannot provide by our state leadership.

It's time for action in this area, especially as we face the ever-increasing difficulties that come with litigation and costs in the area of automobile and highway accidents.

Perhaps everyone's mind has been made up on this, but I did want to set the record straight on that one particular issue. I again urge enactment of the amendment.

CHAIRMAN ASKEW: All those in support of the amendment offered by Governor Grasso raise your right hand. Opposed same sign. Eleven ayes, twenty-four nays. The amendment fails.

The vote recurs on the alternatives to the original draft, which, as Governor Busbee has indicated, strike the words "or federal standards" and deletes alter-

nate 2. I think we all understand what it is. Those in favor of that amendment please raise your right hand, all opposed by like sign. It's adopted.

Is there any objection to showing that the original policy, as amended, is adopted by the same vote? There being no objection, it too is adopted by the same vote.

GOVERNOR SHAPP: I don't want to take too much time, but there is something in the section on rail transportation that I think deserves the attention of every governor here.

The conference urges the secretary of transportation to "pursue aggressively the National Rail Plan in cooperation with the states." The statement deleted the word "a." It continues, "The functional designation of the nation's railroads into at least two classifications is a first step toward a national rail plan."

This is a very, very dangerous statement. It should be studied very carefully by the governors, because the first classification would institute an interstate and defense network and the second one would include light- and medium-density rail lines and branch lines.

The purpose of the FRA legislation of 1973 and the operation of ConRail is to delete as many rail lines as possible where they have what they call light density, unless the states will fund them. In the coal regions of Appalachia, there are many lines that would be called light density. These would be automatically deleted, and the result would be that we won't be able to get into our coal fields.

In New England, the mid-Atlantic states, and even on the West Coast, there will be many lines that will be abandoned because they are called light density. We have an energy crisis in this nation, and we should be expanding our railroads. Under the policy on rail transportation that we have adopted, the Department of Transportation would be able to eliminate light- and medium-density rail lines and branch lines. I think that every governor should take a look at the rail system in his state before permitting something like this to happen.

CHAIRMAN ASKEW: Thank you, Governor Shapp.

Now the report of the Committee on Natural Resources and Environmental Management, chaired by Governor Julian Carroll of Kentucky.

GOVERNOR JULIAN M. CARROLL: As you are aware, the Natural Resources and Environmental Management Committee has been extremely active on a variety of issues. At present, we have nine fully functioning subcommittees with a very comprehensive work program. As chairman of the committee, I have been most gratified by the tremendous enthusiasm and commitment of my fellow governors and their capable staff representatives to the work of this committee and its specific objective. We are very pleased with our program this year, and feel we have laid the groundwork for substantial additional accomplishment in the future.

I would like to outline briefly the accomplishments of the committee. Governor Jay Hammond, who heads the Subcommittee on Air Quality Management, has done a tremendous job. I'm very pleased to report to you that virtually all of the policy recommendations that we developed are reflected in the Clean Air Act Amendments of 1977, which the president signed last month. These recommenda-

tions are being put in the form of guidelines and regulations, and the subcommittee is working with EPA in developing those guidelines.

The Subcommittee on Water Programs Management, under the capable leadership of Governor Scott Matheson, has testified before Congress on behalf of our recommendations in regard to the Federal Water Pollution Control Act and the Safe Drinking Water Act. The subcommittee has been very busy working with Secretary of the Interior Cecil Andrus on the review of national water resources policies that was recently initiated by the administration.

Governor Ed Edwards and the Subcommittee on Waste Management have worked very hard establishing a number of task forces to work closely with EPA on the implementation of the Resource Conservation and Recovery Acts of 1976.

The Subcommittee on Facility Siting, chaired by Governor Bob Straub, has done a tremendous job in working on the administration's initiative of reforming the siting processes, particularly those related to nuclear power plants. For the past six months, the subcommittee has been working on recommendations that will have a significant impact on the legislation that is now being created in Congress.

Governor Dick Lamm has done a tremendous job on the Subcommittee on Impact Assistance. You've already heard about some of his work. I think you're going to see a tremendous impact on the national legislation as a result of Dick's work.

As always, our Subcommittee on Energy Conservation has really been in the thick of things. Governor Rudy Perpich has done a tremendous job working with energy conservation as a result of the initiatives that were suggested at the White House conference on energy held in July.

The Subcommittee on Oil and Gas, led by Governor Dolph Briscoe, has been studying the various fuel production policies in order to develop a series of issue papers for our consideration. As a representative of the full committee, Dolph has testified before Congress. His subcommittee will be playing a major role in the second White House Energy Conference.

With the creation of the new federal strip-mining bill, the Subcommittee on Coal has taken on increased significance. Governor Jay Rockefeller has done a fabulous job working with Secretary Andrus in developing the regulations and guidelines for the implementation of this new legislation.

The Subcommittee on Energy Emergency Preparedness, led by Governor Bob Ray, reported to you this morning, and I think you can see that it is doing a substantial amount of work with the administration in developing plans to deal with energy emergencies.

At the administration's request, the staff of the Committee on Natural Resources and Environmental Management has been working with administration officials on the creation of the new Department of Energy.

Mr. Chairman, I'm going to make a similar motion to the one made by Governor Busbee: If any member of the conference has an amendment that he would like to propose to any of our resolutions, simply raise your hand and I will exclude that resolution from an overall motion. Otherwise I'm going to move the

adoption of all of our resolutions at one time. Please advise me if you have a resolution that you wish to amend.

CHAIRMAN ASKEW: Is the intent of resolution D.-36 to endorse the Hunt River Project?

GOVERNOR CARROLL: No. You said be brief, didn't you. [Laughter.]

GOVERNOR DU PONT: Mr. Chairman, I don't want to offer an amendment, but I would like to commend the chairman for allowing me, not a member of the committee, to take the floor in the committee deliberations and successfully move the adoption of a very important amendment that is now included in the resolution.

I wanted to call it to the attention of the other governors, because I believe we are taking a step in the right direction for the country. In the energy policy statement, the National Governors' Conference will go on record as opposed to cargo preference. Some of you may have followed the deliberations in Washington concerning the cargo preference legislation. It will cost consumers more than half a billion dollars in higher oil and gasoline prices. It has bad international implications. Cargo preference violates some thirty international treaties. It's inflationary for the consumer and causes a number of other difficulties. I'm very pleased that the conference is on record as opposing cargo preference.

GOVERNOR CARROLL: Thank you, Governor du Pont.

I now move the adoption of D.-2, 7, 16, 19, 35, 36, 37, and 38. I am excluding S.-1 and 2 because they require suspension of the rules. I move the adoption of the others, Mr. Chairman.

CHAIRMAN ASKEW: Is there a second?

GOVERNOR DU PONT: Second.

CHAIRMAN ASKEW: Is there any discussion on any one of them? All those in favor signify by saying aye, all opposed no. The ayes have it. They're adopted.

Now I'll recognize Governor Carroll for purposes of moving suspension of the rules on S.-1 and S.-2.

GOVERNOR CARROLL: So move.

CHAIRMAN ASKEW: Is there a second?

GOVERNOR EXON: Second.

CHAIRMAN ASKEW: Any discussion? No objection? If not, then the rules are suspended, and he moves the adoption of S.-1 and 2. Is there a second of that?

GOVERNOR EXON: Second.

CHAIRMAN ASKEW: Any discussion? All in favor will say aye, all opposed no. The ayes have it. S.-1 and S.-2 are approved.

Now we'll have the report of the Committee on Human Resources, chaired by Governor Kneip of South Dakota.

GOVERNOR KNEIP: The committee report summarizes the proposed policy statements, the committee's activities since the winter meeting, and the committee's work plan for the coming months. There are ten resolutions, so I will just touch on

each of them to give you an idea of what we are talking about. At the conclusion, I will ask if there are any amendments to any of the resolutions.

The first resolution is on national welfare reform. The National Governors' Conference commends the Carter administration for its efforts in the area of welfare reform and for working closely with local and state governments throughout the development of the plan. NGC supports the goals and directions of the proposal.

The resolution on education recommends that the definition of "state," as used in the federal statutes, be modified to refer to the elected leadership of the state rather than a state agency. It says that Title I of the Elementary and Secondary Education Act should be funded at its authorized level and emphasis placed on disadvantaged youth. It recommends that the federal government increase its financial commitment to the implementation of the Education for All Handicapped Children Act, Public Law 94-142, and that the state should be given more flexibility with regard to procedural requirements under that act. The resolution also says that federal and state tax incentive plans should be instituted to encourage families to save for the cost of higher education, and NGC strongly endorses efforts to achieve better coordination of federal, state, and institutional assistance for higher education.

The resolution on manpower contains four recommendations: (1) The federal government should be responsible for developing the broad framework for the manpower systems, and the states should be given the authority to adapt federal policies to the economic and social characteristics of each state. (2) Federal funds should be allocated to states through forward-funded, noncategorical grants. (3) States should be allowed to play a strong role in CETA, and the governors should be responsible for developing and coordinating a state plan in CETA. (4) Congress should reimburse the states for excess unemployment insurance benefit costs incurred in the recession of 1974-75, and relieve states from bearing the full costs of future recessions.

The policy statement on long-term care says that the federal government should move away from the extensive, federally mandated medical model and develop improved community-based delivery systems.

In the resolution on child abuse and neglect, NGC urges continued support for research, demonstration projects, and grants through reauthorization of the Child Abuse Prevention and Treatment Act.

The statement on the rights for the handicapped supports the spirit and purpose of section 504 of the Rehabilitation Act of 1973. The federal government is urged to provide technical assistance and financial aid to make full compliance with the regulations possible.

The statement on health is an introduction to the three policy statements on specific health issues. It asks the federal government to delay enactment of national health insurance until the pressures of inflation in the costs of health care are curtailed. The federal government should, therefore, take strong steps to control costs and strengthen the health planning process.

The resolution on health planning recommends changes in the National Health Planning Act that will allow the governors to develop viable health planning processes in their states.

The policy on medical care cost containment recommends a strong national statute to establish a joint federal-state government cost containment program. The recommendations allow for a national program, with variations for the peculiarities of each individual state.

The resolution on health insurance supports a national health insurance program with universal coverage for all residents and a broad range of services. States must play an active role in the planning and administration of any national health insurance program.

Many of the recommendations in these policy statements grew out of the interests expressed by the governors at the meeting in Hershey, Pennsylvania. This is particularly true of the proposal on welfare reform.

Does anyone have an amendment to any resolution?

GOVERNOR EXON: I am not in favor of the resolution on national health insurance, C.-19.

CHAIRMAN ASKEW: Does anyone want to proceed singularly on any others than C.-6 and C.-19?

GOVERNOR EVANS: Mr. Chairman, let's separate C.-9, too.

CHAIRMAN ASKEW: Governor Kneip moves the adoption of the committee report and all policy statements except C.-6, 9, and 19. Is there any discussion? All those in favor of the motion of Governor Kneip will say aye, opposed no. The ayes have it, and the motion is carried.

Now the vote would recur on resolution C.-6, "National Welfare Reform." Governor Kneip moves the adoption of C.-6. Is there a second?

GOVERNOR GARRAHY: Second.

CHAIRMAN ASKEW: We have a second. Now I'll recognize Governor Godwin.

GOVERNOR GODWIN: I'd like to summarize the basic concerns that I have with the resolution on welfare reform. For a long time, the National Governors' Conference has been against a guaranteed income policy. It strikes me that we are coming very close to agreeing to that in this resolution, particularly in the committee report. I won't take the time to argue all the merits and demerits of that. I simply want to make it very clear that I continue to oppose the concept of a guaranteed annual income for the citizens of this country. I think it will substantially increase the number of welfare recipients, and I am certain that if a guaranteed income policy is adopted, the states' role and their voice in the control and administration of welfare programs will cease.

I am concerned about the cost of the program. I know the president did not want the program to cost more than the existing program and that it is estimated that it will cost less than \$3 billion more. But I've been led to believe from information that we have obtained that the cost is substantially greater than that. These are the objections that I have to the policy statement.

GOVERNOR JAMES B. EDWARDS: Mr. Chairman, I agree with Governor Godwin about the guaranteed annual income. We are on record as having stated clearly in our position paper that nothing in our position would be construed to mean that we support a guaranteed annual income. But the policy statement seems to come close to supporting it. Because of this, I think we should consider this resolution long and hard before we pass it.

Giving the federal government all the controls precludes the states from establishing eligibility requirements and benefit levels and, of course, the administration of the program. I know that we're all looking for fiscal relief, but I think we're forfeiting too much of our responsibility to the federal government to get this fiscal relief. There are other ways I think we could get it, say, in the form of block grants.

There are several questions that I think must be answered before we can vote on this resolution. First, is there really an effective work requirement? The present statutory requirements in the AFDC program for seeking work are much stronger than the administration's proposals. The work requirements for the intact family, single people, and couples through state general assistance programs are in many instances much stronger than those in the administration's proposal. Work requirements and legislation being discussed in Congress in relation to the food stamp program are much stronger than the administration's proposals.

Second, is there really an incentive to strengthen the family unit? Under the administration's proposal, if one member of a married couple declines a job, all benefits are denied. At the same time, if a couple is living together and one of them declines a job, 50 percent of the benefits continue.

Does the program move people off welfare and into jobs? Persons working now will be newly eligible for welfare benefits, and others who have subsidized government jobs will continue to receive welfare benefits. For example, a family of four in states with major benefits could receive over \$10,000 of earned income before they would leave the welfare rolls. This is without an allowance for child care. Now, a family of four in states that do not supplement could receive \$15,600 of earned income before they have to leave the rolls, assuming an allowance for child care. Welfare benefits provided through the earned income tax credit would be available to persons earning as much as \$14,000 to \$16,000 a year.

Is there really an assets test? Under this program, gentlemen, you can have \$5,000 in cash, \$20,000 in your business, a \$3,000 automobile, a \$100,000 home, \$50,000 in jewelry, and you'll still be eligible to receive welfare. If that's the kind of plan that you all want to endorse, then so be it, but I do want to draw these things to your attention.

The last thing I'd like to talk about is the cost of the program. We've been led to believe that this whole plan would cost \$2.8 billion more than the costs of the current plan. But look carefully at the program. An old saying is "figures don't lie." But people can sometimes finagle with figures. There's an inclusion of \$1.3 billion of wellhead tax revenues as a current expenditure. The wellhead tax has not even passed Congress, and the administration claims it as one of the things in-

cluded in the present welfare program. I can go on: \$5.5 billion of CETA funds, a one-third funding situation, and \$.7 billion for the unemployment insurance are included in the cost of the present program. Those are just a few examples. I can document that this plan is going to cost \$13.7 billion more than what is currently spent on welfare.

Before we hurriedly endorse the administration's welfare proposal, I urge you to look at the fine print.

GOVERNOR ROBERT W. STRAUB: Mr. Chairman, the issue of welfare reform was discussed and debated at the Western Governors' Conference, and the governors at that conference were unanimously in support of the president's welfare program. I think that President Carter is entitled to a tremendous amount of credit for having the vision and the courage to move ahead through the labyrinth and the confusion of the existing welfare program. For the first time, there is an attempt at major reform that will simplify the program and will reduce the cost to the states. I hope that the people at this conference will back the president, work for a simplified welfare program, vote for a plan that will reduce the cost to the states, and vote in favor of the president's welfare program.

GOVERNOR DUKAKIS: Mr. Chairman, I must say I'm somewhat puzzled. Last year in Hershey, the conference adopted a detailed and far-reaching welfare reform plan. It did so by an overwhelming majority, though some of the governors who have spoken in opposition to the president's plan were in opposition to the resolution on welfare reform last year.

The president has now produced a welfare reform plan that does virtually everything we asked in last year's resolution. In fact, elements of the proposal are so close to the elements in our resolution that it is almost as if the president were referring to and using our resolution as a basis for his proposal.

I don't want to get into an extended discussion of the details of the program, except to say, with all due respect to my good friend from South Carolina, that I don't believe his analysis of the program is accurate. There is a very strong work requirement in it for the first time in the history of welfare programs in this country, as far as I know. Some would say that the work requirement is rather harsh because, for the first time, it requires single parents with children over the age of six to work. Incidentally, this requirement goes beyond what I would have liked to see in this bill.

So this is not a proposal that promises to have millions of our citizens wallowing in the lap of government-supported luxury. Far from it. In my view, the introduction of a strong work requirement even for single parents with relatively young children is a very strong measure. I believe it will have an even more dramatic effect on welfare caseloads than the president has projected. We're finally moving toward not only the kind of comprehensive and simplified welfare system that the governor of Oregon described but one in which, for the first time, so far as I know, work is a critically important part of the system.

I think that's what the conference asked for last year, and I think it would be very unfortunate if, after having passed that resolution last year on the bipartisan

recommendation of the Task Force on Welfare Reform, we would now say that we're not quite sure and we want to wait a little bit before we endorse the president's proposal—a proposal that is almost a carbon copy of what we recommended. So I strongly urge the adoption of this resolution. As the governor of Oregon has said, I think we have an opportunity for the first time in many, many years to reform a chaotic, confused, and inequitable system. I urge the members of this conference to support and endorse, in effect, what we did last year, endorse the president's proposal. I hope that we can then work very hard and very aggressively to see that it becomes law as quickly as possible.

GOVERNOR DU PONT: I am going to support the resolution because I believe that the present welfare system is a total disaster. The recipients don't like it, the bureaucrats don't like it, and the taxpayers don't like it. But as I said in questioning Secretary Califano yesterday, I'm skeptical. I think the system is going to cost a bundle, and I bet by the time we're through it will be well over \$3 billion above the current welfare costs that the administration has predicted.

But more than that, I am very skeptical that it's going to save the states any money. I'd like to remind you of what the secretary said yesterday in response to my question, which was if it didn't save us 10 percent, he'd send us a check for the difference. I want all of the governors to remember that so we can write for those checks when it turns out that the welfare program is costing us more money.

GOVERNOR THOMSON: Mr. Chairman, I want to go on record as opposing this program. I've heard the word *reform* used many times as it's being used here. In my judgment, it's not really a reform but a method of raising income and raising taxes. Yesterday I asked the secretary where we stood in terms of the price tag, and he indicated a figure that was close to \$3 billion.

The figures that I have studied indicate that that's only the tip of the iceberg and it could be much more. I haven't heard anyone deny that this is guaranteed annual income, and in my judgment, we will be endorsing the concept of nationalizing welfare. I'm very much opposed to that, and I think people will get a much better deal if welfare continues under the supervision and administration of the states.

GOVERNOR BOWEN: The decision to support or oppose this particular resolution is a little bit agonizing to me, as I'm sure it is to many other governors. I support the stated goals and the principles of work incentive and requirements. I certainly support the goal of strengthening the family unit and keeping the family together. We all want less red tape. Of course, we all still want some financial relief.

I am really not convinced, however, that the president's program will actually do these things. I'm also not satisfied with the assets test. I don't favor the massive movement from state control to federal control of benefit levels and eligibility requirements and federal administration of the programs. Like some others, I would prefer block grants to the states to cover the amounts that are now spent on the AFDC, food stamp, and public service employment programs, and then letting the states devise their own programs to suit their own individual needs.

I realize that it sounds like I doubt and oppose this program more than I support it, but I have very little hope that the block grant concept will ever come to pass. I think history shows that he who pays the bill also dictates the standards for the programs. I, however, feel strongly that we do need change and that what we are doing now is totally unacceptable. Therefore, I shall vote yes, but I do implore Congress, as they take up the points one by one to strengthen and improve the program, to keep the states involved and give them some flexibility in operating their own programs. So my vote of yes will be a qualified yes. I don't like to oppose a program without an acceptable and possible alternative. A block grant program to the states with the states running their own programs would be acceptable to me, but it is not, in my opinion, in the realm of possibility due to the make up of Congress, the administration's position, which is already staked out, and the desire of the public for change almost irrespective of what it is.

So in light of these statements, I, like Governor Godwin and the rest, would like the record to show that my support of the resolution is qualified, and that I reserve the opportunity to offer future constructive criticism for strengthening the details of the program that would give the states a more realistic role in adapting the federal program to meet the individual state's needs.

CHAIRMAN ASKEW: Thank you. I think most of us feel that way. No one has indicated thus far that they think we've reached the perfect solution.

GOVERNOR ROBERT RAY: Mr. Chairman, I have been attending governors' conferences for a number of years now, and I think the subject of welfare reform has come up at each one. Year after year we talk about it, and year after year we go home depressed with the thought that nothing is going to happen.

As Mike Dukakis pointed out a moment ago, when the program that was designed on a bipartisan basis was presented to the National Governors' Conference a year ago, it was thoroughly debated. The arguments ranged all the way from no, we can do it better by ourselves, to Jim Rhodes' argument that the federal government ought to do it all. Now we're at a place where the administration has picked up on many of the ideas that we advanced just a year ago. We're perhaps closer now than in the nine years I've served as a governor to having something done to eliminate some of the fraud, overpayments, waste, and extra expenses. We're almost to the place where we'll perhaps have some incentive rather than disincentive. We're almost to the place where we'll have some uniformity across the country, and it seems to me that we will be turning backward if we turn our backs on this proposal. I wholeheartedly agree with Governor Bowen that it isn't perfect and it needs to be refined. We have some serious questions and doubts about some of its aspects. But it also seems to me that we're going to have an opportunity to be heard before Congress. We should not let the opportunity go by to say that we are going to support a welfare program that basically was put together by the governors. It doesn't make any difference who's going to take the credit or who's going to get the credit. I don't care which one of you takes the credit, whether it's the president or any of you governors. The fact is that welfare is not what we want it to be, and we have a chance to voice an opinion today to do something

about the mess that we've had at least as long as I've been governor. I would hate to see us not support this. We can make corrections and changes and present our arguments after this conference.

GOVERNOR LONGLEY: I don't think this is necessarily a question of welfare reform. We all want it; we support the objectives. I think President Carter should be commended for moving in this direction. But we could very well have a situation in which the cure is worse than the present problem; the methodology and cost factors might be less humanitarian than the very problems we are concerned with.

I also strongly object to the National Governors' Conference preempting or circumventing the rights of the individual states for individual expression. I question whether we aren't attempting to be more of a legislative body than a body of chief executives.

I will vote against the resolution, but I will express my support of the objectives directly to the administration and my own congressional delegation. I will question if we are indirectly providing more welfare relief for two or three states than we are welfare reform for the recipients.

GOVERNOR RHODES: Mr. Chairman, we've talked about welfare every year that I've been governor. I'm for this, I'm going to vote for it, and I'm going to urge everybody to vote for it. I'm for federal takeover.

Now, the good gentleman from Maine said that no one could run welfare. I want to speak for the industrial states. Every four years, the cost of welfare in my state doubles. Now, we're going to get a 10 percent rebate based on 1977 appropriation expenditures. We can't get that until 1981, and, in the meantime, the cost of welfare in Ohio is going to go up 100 percent. I know why all of you governors who have plenty of money should vote against this. But if you're up against raising taxes to take care of welfare, you should vote for this. I think the president has been very bold and imaginative. He's walked into this with his eyes open, and I think we ought to give him a little credit and a little support for it. Everybody wants to do something about welfare. There's an attempt to do something, so let's support it.

GOVERNOR MILLIKEN: I intend to vote for this resolution. I'm going to vote for it because what Congress has before it now is basically the work done by the conference at Hershey, and I think we ought to recognize that. We ought to support it, and I hope we'll have enough votes to pass it.

GOVERNOR O'CALLAGHAN: Call for the vote.

CHAIRMAN ASKEW: All in favor raise your right hand, all opposed like sign. The vote is thirty-one to four. The resolution is adopted.

Now, let me thank particularly Hugh Carey. I'd hate to have lost it by one vote after the stirring speech yesterday. I think Hugh Carey did an absolutely outstanding job on the task force, and we are grateful. I also want to express my appreciation to Dick Kneip and his committee and to the staff of NGC for putting us in the position to be able to vote on this.

The next resolution is C-9, "Education." Governor Kneip moves the adop-

tion of resolution C.-9, and Governor Carroll seconds it. Is there any discussion on C.-9?

GOVERNOR EVANS: Mr. Chairman, I was the one who asked that this be set aside. At that time, I was looking at another version of the position, which called for a greater role for the governors, rather than the state boards of education or the education people. So this policy, as now developed, is all right with me and I support it.

CHAIRMAN ASKEW: Is there any further discussion? All those in favor of the adoption of resolution C.-9 will say aye, all opposed no. The ayes have it. It's adopted by the necessary two-thirds vote.

The last resolution is C.-19, "National Health Insurance." Governor Kneip moves the adoption, Governor Dukakis seconds it. Is there any discussion on this?

GOVERNOR EXON: For many reasons, I offer a substitute motion that C.-19 be deleted as outlined by the committee, and I so move.

GOVERNOR THOMSON: Second the motion.

CHAIRMAN ASKEW: Any discussion on deleting C.-19? All in favor of deleting will say aye, all opposed no. The ayes have it and it's deleted.

GOVERNOR EXON: Point of order. What is the majority needed?

CHAIRMAN ASKEW: You just won.

GOVERNOR EXON: Oh. [Laughter.]

CHAIRMAN ASKEW: It would have required a two-thirds vote to eventually adopt it, and it appeared to me that there was about a three-fourths vote to delete it. If you want to have a show of hands, we can do it.

GOVERNOR GARRAHY: Mr. Chairman, I question that vote. I think that his motion was to delete it.

GOVERNOR KNEIP: It was deleted.

GOVERNOR EXON: To clear this up, my motion was to delete, and, if I understand your ruling, my motion has prevailed. Is that correct?

CHAIRMAN ASKEW: That is correct. I'm being told by our parliamentarian that, technically speaking, to delete it has the impact of a negative vote on it, so if you wish to delete it, I think the proper thing to do is to call for a vote on the adoption of the resolution and then vote it in the negative.

All those in favor of the adoption of C.-19 will say aye, all opposed no. Then it's the opinion of the chairman that it did not secure the necessary two-thirds vote for adoption and, therefore, fails.

Now, we'll have the report of the Committee on Executive Management and Fiscal Affairs, chaired by Governor Milton Shapp of Pennsylvania.

GOVERNOR SHAPP: Mr. Chairman, the Committee on Executive Management and Fiscal Affairs acted upon a number of issues this past year, one of them being NGC's efforts to develop a general statement of our budget priorities. I will report briefly on each of these issues before moving adoption of the three policy positions.

CHAIRMAN ASKEW: Does anyone have any questions in regard to B.-2, B.-10, or B.-11?

GOVERNOR GEORGE R. ARIYOSHI: Mr. Chairman, B.-2.

CHAIRMAN ASKEW: How about B.-10 and B.-11?

GOVERNOR HUNT: Mr. Chairman, I want to ask that B.-10, the resolution on cigarettes, be taken up individually, please.

GOVERNOR SHAPP: I move the adoption of B.-2, Mr. Chairman.

CHAIRMAN ASKEW: Governor Shapp moves adoption of B.-2. Is there a second?

GOVERNOR DUKAKIS: Second.

CHAIRMAN ASKEW: A motion and a second on B.-2. Any discussion?

GOVERNOR ARIYOSHI: Mr. Chairman, I'd like to offer a verbal amendment to delete the words, "authorize commercial banks to underwrite state and local revenue bonds and thereby reduce bond costs through greater marketing competition," from the last paragraph on page 1, subparagraph 1. I so move.

GOVERNOR LEE: Second.

CHAIRMAN ASKEW: Is there any discussion?

GOVERNOR SHAPP: I'd like to be heard on that first. The purpose of that amendment—

GOVERNOR ARIYOSHI: Mr. Chairman, may I speak to the motion?

CHAIRMAN ASKEW: Absolutely. Please go ahead.

GOVERNOR ARIYOSHI: This matter was not very well considered in our committee. This morning I was given a position paper dated October 16, 1973, that was in support of the proposition that is being advanced here. I want to proceed on the basis that every time a committee reports on a matter, the matter has been very thoroughly considered, all of the facts and answers being considered in the committee. I am very sorry to say that this is not the situation with this particular matter. There was a motion to defer this matter, but it failed by a vote of four to three. I really think that when a governor on a committee feels that the facts are not there, that we are not in a position to consider a matter very carefully, the matter should be deferred until the facts can be properly considered by the committee members. And I am very, very concerned that this matter has come up in this fashion.

For example, Mr. Chairman, a question was raised about the conflict of interest. The October 1973 paper talks about conflict of interest involving banks in this fashion. But this is a statement that goes back to 1973, and it does not talk about the more recent controversy in New York, where the banks have been accused of being involved in some conflicting positions. I feel strongly that the questions have not been properly addressed in the committee. I feel very, very badly that the committee had to report something out like this when it was not properly considered. I really don't care how it goes on the merits of the question here, but I think it is very, very important that we have a committee system here.

GOVERNOR SHAPP: The reason why the last three lines on page 1 of this document are there is very simple. The purpose is to increase competition in the money markets. It is being strongly opposed by the various members of the securities industry who, at the present time, have virtually a complete headlock on all

funding that goes through for bonds for the states. It was the feeling of the committee, and of myself, that it would be very desirable to have the commercial banks involved. I think we'd have greater competition, and perhaps many of our states would be able to get lower interest rates on their borrowings.

GOVERNOR LEE: I second Governor Ariyoshi's motion. I was in this same committee meeting yesterday afternoon. This proposition surfaced for the first time then, with really very little explanation and the somewhat simplistic rationale of the issues that embrace it because it would increase competition for revenue bonds. But it is a massive disemboweling of the Glass-Steagall Act of forty years ago, which at that time brought some order out of chaos in the banking field. Under that law now, the commercial banks may underwrite general obligation bonds of state and municipal bonds, but not revenue bonds, which are in an area that is assigned to the investment bankers.

The thing that worries me is if the commercial banks are turned loose in this field, they may gorge themselves on revenue bonds and have a significant decrease in their interest and market for our general obligation bonds, which, as far as I'm concerned, are of very prime consideration. I'm frankly a little uncertain about the whole thing. There may be good answers to the worries and concerns that have arisen, but nobody has presented them to me yet. And since it did jump out of the underbrush only yesterday afternoon, I absolutely am not prepared to vote to support it, and I do support the governor of Hawaii's motion.

CHAIRMAN ASKEW: Could I make a suggestion to you, Governor Ariyoshi? In fairness to you, a motion that, in effect, goes to strike takes a two-thirds vote; a motion to refer this aspect of the resolution back to the committee would require a simple majority.

GOVERNOR ARIYOSHI: I so move.

CHAIRMAN ASKEW: So he withdraws his original motion.

GOVERNOR LEE: The seconder accepts.

GOVERNOR RHODES: Mr. Chairman, I'm opposed to the conference supporting pending legislation for commercial banks to underwrite state and local revenue bonds for these reasons: First, this part of the resolution is sponsored by six or seven of the largest banks in America. Second, they do issue general obligation bonds, and fewer than 1 percent of 12,000 banks in America ever issue them, so the competition is not there. Third, which the governor of Maryland mentioned, under the Carter Act of 1933 the issuance of bonds was separated from the banks because of scandals and default. I do not believe that the smaller banks of America should suffer. If the banks are into the revenue bonds there may be some earmarking on depository of the residue to banks before they use the money. So I'm opposed to this. Send it back to the committee. It has no business before the conference. I want to congratulate the governor from Hawaii. He's a good mathematician.

GOVERNOR DU PONT: Mr. Chairman, I'm sorry to have to disagree with my friend from Ohio about this resolution only being sponsored by a few large banks. If you look at the list in this study of the institutions who support the

commercial bank underwriting, and thus oppose the governor of Hawaii's motion, you find the following list: the FDIC, the Federal Reserve, the Comptroller of the Currency, the National League of Cities, the U.S. Conference of Mayors, and the National Association of Counties. It would increase the number of bids we get on our state bonds, and it would save our taxpayers money. I urge the members to support it as a position of the committee as explained by Governor Shapp.

GOVERNOR RHODES: Mr. Chairman, I'd like Governor du Pont to read the names of the banks that are sponsoring this and had these associations pass their respective resolutions.

CHAIRMAN ASKEW: He doesn't have that list.

GOVERNOR RHODES: You don't have those?

GOVERNOR DU PONT: You were the one who named the banks.

GOVERNOR RHODES: There are less than ten banks that sponsored this, and they went to different organizations just like they came here.

GOVERNOR DU PONT: Who are they?

GOVERNOR RHODES: The ten top ones, and you being a du Pont ought to know all of them. [Laughter.]

GOVERNOR SHAPP: Let me perhaps save some time and end some confusion. My concern is not what Governor Rhodes has suggested, because I wouldn't care if there were only six banks. If they would participate in this market and help us get lower interest rates, it would be fine. But I recommend withdrawing this paragraph in order to save time and rerefer it to committee. Is that satisfactory?

GOVERNOR ARIYOSHI: Yes.

CHAIRMAN ASKEW: What he is saying is that he, as the chairman, moves to rerefer that position to the committee.

Is there any further question now? All in favor of the motion say aye, all opposed no. The ayes have it. The motion is adopted, and we'll continue on with the remaining paragraphs within the resolution.

Are there any questions about the rest of B.-2? Then there is a motion on the adoption of the remaining part of it that has been made and seconded. Is there any further discussion? All in favor of the adoption of the remaining portions of B.-2 can signify by saying aye, opposed no. It's adopted.

Governor Shapp, do you want to move on B.-10?

GOVERNOR SHAPP: Yes.

CHAIRMAN ASKEW: Governor Shapp moves the adoption of B.-10. Is there a second?

GOVERNOR JAMES THOMPSON: Second.

CHAIRMAN ASKEW: There's a motion and a second.

GOVERNOR HUNT: Let me begin by saying that I share the concern of people with regard to involvement of organized crime and cigarette smuggling. It is there, and we've got to figure out some ways to do something about it.

Let me also say that I come from the state that produces more tobacco than any other state. We have 100 thousand farmers who are involved in it, about half

a million people totally. Great numbers of them are fairly poor. They can make four times as much from producing their tobacco as they can from any other crop they could possibly produce. If this crop goes under, if they can't produce this crop, then literally hundreds of thousands of people in my state are going to be on welfare.

When other states have raised cigarette taxes so substantially, the consumption of cigarettes has gone down. I have a lot of figures to support this statement, but I won't take time to read them all. But, for example, New York raised the taxes on cigarettes so greatly that the absolute amount sold has actually gone down. Today there is a thirty-five cents tax per package of cigarettes in New York City. That's what we pay for cigarettes in North Carolina: the tax in New York City equals the cost in North Carolina.

The Jenkins Act requires people who mail cigarettes to notify the state tax collectors of the names, addresses, and the quantities shipped. The proposed legislation would make it a federal crime to transport cigarettes across state lines.

In 1974, the Justice Department testified before Congress that it would be virtually impossible to enforce a law of this kind, because there are so many ways that people can transport cigarettes. Three months ago, the U.S. Treasury's Bureau of Alcohol and Narcotics testified before Congress on the bill that would do what this resolution proposes. The bureau said that enforcement was nearly impossible, and that any serious effort to enforce it would require a great increase in manpower. It would be similar to what was needed during Prohibition, and we know the effect of that.

We must do something about this, but the real problem is that taxes have been raised so high in many parts of the country that smuggling is inevitable. So long as those taxes stay that high and continue to go up, we're not going to be able to do anything seriously and effectively about this problem.

This resolution may very well pass. I hope that it will not, but it's a vain act unless you realize that if there is that kind of differential in the price of any product—today it's cigarettes and tomorrow it could be your products coming out of your state—you're not going to be able to do anything effective about this problem. I think this is something that can be dealt with better in other ways. I think compacts between states are a possibility. I hope that we will not pass this resolution.

GOVERNOR RHODES: We lose \$22 million a year, and we just enacted a law that says that we will confiscate the trucks and their contents, so I am for putting everybody who's cheating us out of \$22 million in jail whether they come from North Carolina or Ohio.

GOVERNOR HUNT: I'm simply saying that this law isn't going to do the job as long as those taxes are so high. You can have the law, but I urge you to do something about the problem, and what you do about the problem is not have the product taxed so high that you reduce consumption.

GOVERNOR RHODES: Send us \$22 million and we'll repeal the law.

GOVERNOR THOMSON: Mr. Chairman, I'm going to oppose the resolu-

tion. We have excellent enforcement in our state, because the officials of Connecticut and Massachusetts come in and enforce it.

GOVERNOR ROMERO-BARCELO: I was originally in favor of the resolution, but in deference to the 100 thousand farmers Governor Hunt mentioned, I am now against it. I think that each one of us can take care of smuggling as we see fit.

GOVERNOR SHAPP: I would like to briefly reply to the governor of North Carolina. He has said that there will be crime. The individual states cannot control this crime; it's up to the federal government to do it, because it has gotten too large. I don't think the cigarette industry will be hurt at all. In fact, I think it will become healthier if organized crime is eliminated from the cigarette industry. So I urge that we adopt B.-10.

CHAIRMAN ASKEW: All those in favor of the adoption of the resolution raise your right hand, opposed like sign. Twenty-nine to four. B.-10 is adopted.

We move on to B.-11, "Sales and Excise Taxation of On-Base Sales to Military Personnel." Governor Shapp moves the adoption of B.-11. Is there a second?

GOVERNOR ROMERO-BARCELO: Second.

CHAIRMAN ASKEW: A motion and a second. Governor O'Callaghan.

GOVERNOR O'CALLAGHAN: This resolution will probably pass, but I feel it's one of the most heartless resolutions to come before the conference. I don't believe that we are so desperately in need of \$400 million among the fifty states to take this action. I believe that the resolution is based upon a false premise. It says, "Further, special economic benefits in the form of modest pricing of goods were accorded these individuals since their pay was substantially lower than that of their civilian counterparts." This is the false part: "Neither of these conditions exists today as the economic circumstances of active and retired military personnel have changed significantly."

Now, my state has a large technical air force base for both the navy and the air force. The servicemen don't vote in my state; they come from your states. But I don't need the extra three and a half cents sales tax from them either. I think this is a very heartless act on our part and not well thought out. Thank you.

GOVERNOR LONGLEY: I agree with Governor O'Callaghan. At a time when enlistments are down and when too many people are looking down their noses at what people who have served in the military represent to this country, I think we should thank and commend the people willing to spend time in military service, for a short time or for a career, rather than take action against them.

CHAIRMAN ASKEW: Does anyone else wish to be heard on this item?

Governor Shapp.

GOVERNOR SHAPP: I move its adoption.

CHAIRMAN ASKEW: All those in favor of the adoption of the resolution raise your right hand. All those opposed like sign. It fails for lack of a two-thirds vote.

Does anyone wish to move the suspension of the rules for S.-3, on racing taxation?

GOVERNOR THOMSON: Mr. Chairman, I so move.

CHAIRMAN ASKEW: Is there a second?

GOVERNOR RHODES: Second.

GOVERNOR THOMSON: If there should be any objection from any of the governors, I would withdraw this.

CHAIRMAN ASKEW: I would like to object, if that's the case.

GOVERNOR THOMSON: All right. Then I'll withdraw it and try for the winter meeting, Mr. Chairman, to save time.

CHAIRMAN ASKEW: S.-4, the resolution on a balanced budget. Is there a motion to suspend the rules?

GOVERNOR SHAPP: I so move.

GOVERNOR JAMES EDWARDS: Second.

CHAIRMAN ASKEW: All those in favor of suspending the rules raise your right hand, all opposed like sign. It fails to get the three-fourths vote.

S.-5, the resolution on a capital budget. Governor Shapp moves the adoption of resolution S.-5. Is there a second?

GOVERNOR KNEIP: Second.

CHAIRMAN ASKEW: A motion and a second. All those in favor of suspending the rules raise your right hand, all opposed like sign. It fails.

GOVERNOR LONGLEY: Mr. Chairman, I want to echo what Governor Ariyoshi has said. I think we need much more time in receipt of material. I'd like to suggest that the Executive Committee consider giving us at least thirty days to read and analyze material forwarded us. I question whether the members of the committee are given the time that we need to study and analyze important matters such as this.

CHAIRMAN ASKEW: This is really a question for the committee. The committee has to make that judgment, which is subject to our review. I believe now that we've seen the problem that the timing causes we should be in a better position to understand all of its implications before we are asked to vote.

We'll now hear the report of the Committee on Community and Economic Development, chaired by Governor William Milliken. Governor Judge will give the report.

GOVERNOR THOMAS L. JUDGE: The Committee on Community and Economic Development focused its attention on issues affecting the development of America's family farms, small communities, and rural areas, and adopted an agricultural policy.

There were two other policy positions that were presented to the committee: a policy calling for more practical research on alternative methods of controlling insect and plant pathogens and a policy to provide federal funds for impact assistance to communities that have been affected by the closure or realignment of military installations and to change the Federal Property Disposal Act to allow states to receive title to excess real property when these military bases close.

I would move the adoption of these three policy positions.

GOVERNOR KNEIP: Second.

CHAIRMAN ASKEW: A motion and a second. Is there any discussion? All in favor say aye, all opposed no. The ayes have it. They are adopted. We can move to S-7, "National Development Policy and Small Cities," which requires a suspension of the rules. Do you want to move suspension?

GOVERNOR JUDGE: I so move.

GOVERNOR HUNT: Second.

CHAIRMAN ASKEW: A motion and a second. All in favor of suspending the rules say aye, all opposed no. The ayes have it, they are suspended, and that recurs on the resolution itself.

GOVERNOR JUDGE: I so move.

CHAIRMAN ASKEW: Governor Judge moves the adoption of the resolution. Is there a second?

GOVERNOR EXON: Second.

CHAIRMAN ASKEW: All in favor of the resolution say aye, all opposed no. The ayes have it, and the resolution is adopted.

At this time, I would like to recognize two of our colleagues who are attending their final NGC meeting as governors.

Mills Godwin has served the Commonwealth of Virginia with great distinction as governor, in the 1960s as an enlightened Democrat and in the 1970s as a Republican. He cannot succeed himself in this year's election. I think that this man's integrity and his stature in serving the Commonwealth of Virginia over two terms has been outstanding. He will remain a close and valued friend and colleague of ours for many years to come, and we would like to present to him a symbol of our warm regard and deep affection for him. Best wishes to him and his family.

GOVERNOR GODWIN: Mr. Chairman, thank you and all of the other governors. It has been a great privilege and a tremendous opportunity to be associated with the members of the National Governors' Conference and National Governors' Association. Thank you very much.

CHAIRMAN ASKEW: Thank you, sir.

Another friend and colleague who will be leaving us is Raul Castro. Raul has been a great governor of Arizona, and he has demonstrated his ability in the foreign policy field, having served as ambassador before. He's going to a very challenging assignment as ambassador of the United States to Argentina. Raul, congratulations on your new assignment, and please accept this indication of our friendship and respect.

GOVERNOR CASTRO: Mr. Chairman, you have the open invitation to come and visit me south of the border, and I'll have your margaritas and tequilas ready for you.

CHAIRMAN ASKEW: Muchas gracias and hasta luego.

Now I'd like to call on Governor Busbee, chairman of the Nominating Committee, to give the committee's suspenseful recommendation for our new chairman and the members of the Executive Committee.

REPORT OF THE NOMINATING COMMITTEE

GOVERNOR BUSBEE: Mr. Chairman, after many long hours, working late last night, and much deliberation, the Nominating Committee has come up with the following nominations: Chairman, Governor Milliken; Executive Committee, Governor Askew, Governor Link, Governor Dukakis, Governor Rockefeller, Governor O'Callaghan, Governor Bennett, Governor Robert Ray, Governor Snelling, and Governor Milliken.

I move the adoption of the recommendation of the Nominating Committee.

CHAIRMAN ASKEW: Is there a second?

GOVERNOR HUNT: Second.

CHAIRMAN ASKEW: Any nominations from the floor? If not, then there is a motion to second and accept the nominations of the Nominating Committee. All in favor say aye, opposed no. The ayes have it. It's official.

CHAIRMAN ASKEW: And now I'm sure that you'd like to hear a few words from my great friend and a friend of all of us, who incidentally has done a super job as our host. We certainly want to thank him and thank all of those connected with this great conference. I'd like to introduce to you your new chairman, Governor Milliken of Michigan.

GOVERNOR MILLIKEN: Thank you very much, Governor Askew and my fellow governors. You're going to hear no speech out of me now. I just want to say to you that I will do everything I can as chairman of this association in the coming year to work with you individually and collectively to see that this organization becomes the organization that effectively deals with problems of the states of the United States. I look forward to a close working relationship with all of you, and I know that I will have it.

And now, on behalf of all of the governors here and those who cannot be here, I want to recognize Mr. Chairman, Governor Askew, for the outstanding job that you have done during the course of this year. You succeeded Cecil Andrus as chairman of the conference, and you have done a remarkable job. All of us are deeply indebted to you, and I want to present to you a memento and a symbol of the appreciation that each of us has for you—this gavel, which is appropriately inscribed. I know that it does not adequately express the way we feel, but we feel very warmly and very appreciatively toward you.

CHAIRMAN ASKEW: Thank you very much, Bill. Each one of us who is privileged to serve as a governor in one of our great states, commonwealths, or territories knows what a tremendous privilege it is just to serve as a governor. It's a double privilege to have the opportunity to serve as chairman of the National Governors' Conference. It's been an experience that I have enjoyed very much and a memory that I shall treasure.

I thank you very much for all this and, Bill, I look forward to working with you. It's your meeting to close.

GOVERNOR MILLIKEN: Unless there is any further business to come before this conference, this meeting now stands adjourned.

APPENDIXES

Appendix I

THE GOVERNORS, SEPTEMBER 1977

State or Jurisdiction	Governor	Regular Term, in Years	Present Term began January	Number of Previous Terms	Max. Consecutive Terms Allowed by Constitution
Alabama	George C. Wallace (D)	4	1975	2(a)	2
Alaska	Jay S. Hammond (R)	4	1974(b)	—	2
American Samoa	H. Rex Lee (D)	(c)	1977(d)	1(e)	—
Arizona	Raul H. Castro (D)	4	1975	—	—
Arkansas	David H. Pryor (D)	2	1977	1	—
California	Edmund G. Brown, Jr. (D)	4	1975	—	—
Colorado	Richard D. Lamm (D)	4	1975	—	—
Connecticut	Ella T. Grasso (D)	4	1975	—	—
Delaware	Pierre S. du Pont IV (R)	4	1977	—	2(f)
Florida	Reubin O'D. Askew (D)	4	1975	1	2
Georgia	George Busbee (D)	4	1975	1	2(f)
Guam	Ricardo J. Bordallo (D)	4	1975	—	2
Hawaii	George R. Ariyoshi (D)	4	1974(g)	—	—
Idaho	John V. Evans (D)	4	1977	(h)	—
Illinois	James R. Thompson (R)	4(i)	1977	—	—
Indiana	Otis R. Bowen (R)	4	1977	1	2
Iowa	Robert D. Ray (R)	4	1975	3(j)	—
Kansas	Robert F. Bennett (R)	4	1975	—	2
Kentucky	Julian M. Carroll (D)	4	1975 (k)	(i)	(m)
Louisiana	Edwin Edwards (D)	4	1976 (n)	1	2
Maine	James B. Longley (I)	4	1975	—	2
Maryland	Blair Lee III	4	1977 (t)	—	2
Massachusetts	Michael S. Dukakis (D)	4	1975	—	—
Michigan	William G. Milliken (R)	4	1975	1(o)	—
Minnesota	Rudy Perpich (D)	4	1976	(p)	—
Mississippi	Cliff Finch (D)	4	1976	—	(m)
Missouri	Joseph P. Teasdale (D)	4	1977	—	2(f)
Montana	Thomas L. Judge (D)	4	1977	1	—
Nebraska	J. James Exon (D)	4	1975	1	2
Nevada	Mike O'Callaghan (D)	4	1975	1	2
New Hampshire	Meldrim Thomson, Jr. (R)	2	1977	2	—
New Jersey	Brendan T. Byrne (D)	4	1974	—	2
New Mexico	Jerry Apodaca (D)	4	1975	—	(m)
New York	Hugh L. Carey (D)	4	1975	—	—
North Carolina	James B. Hunt, Jr. (D)	4	1977	—	(m)
North Dakota	Arthur A. Link (D)	4	1977	1	—
Ohio	James A. Rhodes (R)	4	1975	2(q)	2
Oklahoma	David L. Boren (D)	4	1975	—	2
Oregon	Robert W. Straub (D)	4	1975	—	2
Pennsylvania	Milton J. Shapp (D)	4	1975	1	2
Puerto Rico	Carlos Romero-Barceló (NPP)	4	1977	—	—
Rhode Island	J. Joseph Garrahy (D)	2	1977	—	—
South Carolina	James B. Edwards (R)	4	1975	—	(m)
South Dakota	Richard F. Kneip (D)	4	1975	2(j)	2
Tennessee	Ray Blanton (D)	4	1975	—	(m)
Texas	Dolph Briscoe (D)	4	1975	1(j)	—
Utah	Scott M. Matheson (D)	4	1977	—	—
Vermont	Richard A. Snelling (R)	2	1977	—	—
Virginia	Mills E. Godwin, Jr. (R)	4	1974	1(r)	(m)
Virgin Islands	Cyril E. King (I)	4	1975	—	2
Washington	Dixy Lee Ray (D)	4	1977	—	—
West Virginia	John D. Rockefeller IV (D)	4	1977	—	2
Wisconsin	Martin J. Schreiber (D)	4	1977(s)	—	—
Wyoming	Ed Herschler (D)	4	1975	—	—

- (l) Independent.
- (NPP) New Progressive Party.
- (a) Previous terms 1963-67; 1971-75.
- (b) Alaska Constitution specifies first Monday in December as Inauguration Day.
- (c) Indefinite term.
- (d) Governor Lee was appointed in June 1977. His term will expire in January 1978 when American Samoa will inaugurate its first elected governor.
- (e) Previous term 1961-67.
- (f) Absolute two-term limitation.
- (g) Hawaii Constitution specifies first Monday in December as Inauguration Day.
- (h) Governor Evans, as lieutenant governor, became governor in January 1977, when Governor Cecil D. Andrus resigned to become secretary of the interior.
- (i) Illinois is changing its gubernatorial election cycle to non-presidential election years. Thus, Governor Thompson was elected in 1976 for a two-year term expiring in January 1979.
- (j) Two-year terms.
- (k) December 1975.
- (l) Governor Carroll, as lieutenant governor, became acting governor in December 1974, when Governor Wendell H. Ford resigned to become United States senator. Elected to full four-year term in November 1975.
- (m) Governor cannot serve immediate successive term.
- (n) May 1976.
- (o) Governor Milliken also served a prior partial term.
- (p) Governor Perpich, as lieutenant governor, became governor in December 1976, when Governor Wendell R. Anderson resigned to become United States senator.
- (q) Previous terms 1963-67; 1967-71.
- (r) Previous term 1966-70.
- (s) Governor Schreiber, as lieutenant governor, became acting governor in July 1977, when Governor Patrick J. Lucey resigned to become U.S. ambassador to Mexico.
- (t) Governor Lee, as lieutenant governor, became acting governor in August 1977, when Governor Marvin Mandel relinquished his administrative duties.

Appendix II

ARTICLES OF ORGANIZATION*

Article I

NAME AND MEMBERSHIP

The name of this organization shall be the "National Governors' Association," hereinafter referred to as the "Association."

Membership in the Association shall be restricted to the Governors of the several States of the United States, the Virgin Islands, Guam, American Samoa, and the Commonwealth of Puerto Rico. The Association shall maintain its headquarters in Washington, D.C.

Article II

FUNCTIONS

The functions of the Association shall be to provide a medium for the exchange of views and experiences on subjects of general importance to the people of the several States; to foster interstate cooperation; to promote greater uniformity of state laws; to attain greater efficiency in state administration through policy research and analysis of issues affecting all levels of government and the people and a strong program of state services; to facilitate and improve state-local and state-federal relationships; to vigorously represent the interests of the States in the federal system, and the role of the Governors of the American States, Commonwealths and Territories in defining, formulating and expressing those interests.

Article III

MEETINGS

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

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

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

*As amended and adopted at the NGA Annual Meeting, Detroit, Michigan, September 9, 1977.

Article IV

CHAIRMAN

The Chairman of the National Governors' Association shall be elected by the Association at the final business session of the annual meeting.

The chairmanship shall alternate annually between the two major political parties, and a majority of the members of the Executive Committee shall always be of a political party other than that of the Chairman.

The Chairman shall hold office until the adjournment of the succeeding annual meeting and until his successor is chosen. A vacancy in the chairmanship shall be filled by vote of the remaining members of the Executive Committee at the next subsequent meeting of the committee. Such vacancy shall be filled by an Executive Committee Governor of the same political party as that of the Chairman who has vacated the position.

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

The Chairman of the Association shall appoint the chairmen of the standing committees of the Association, and following consultation with the Executive Committee and appropriate standing committee chairmen, appoint members and chairmen of any subcommittees or special committees, special projects, or study committees authorized by the Executive Committee or by the Association. The chairmen of the subcommittees reporting to each standing committee, supplemented as necessary by other Governors appointed by the Association Chairman, shall constitute the membership of the standing committee.

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

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

The Chairman shall appoint a Nominating Committee to serve at the annual meeting. The Nominating Committee shall consist of five members, three of whom shall be of a political party other than that of the person who shall be elected as next Chairman of the Association. The Nominating Committee shall present a single slate of nominees for the offices of Chairman and members of the Executive Committee. Additional nominations may be made from the floor, and election shall be by secret ballot in all cases where the number of nominees exceeds the number of officers to be elected.

Article V

EXECUTIVE COMMITTEE

The Executive Committee of the National Governors' Association shall consist of the Chairman of the Association and eight other members elected at the final business session of the annual meeting.

Not more than five members of the Executive Committee shall be representative of a single political party. To the extent practicable, the members of the Executive Committee shall be widely representative of the various areas and regions of the United States.

Members of the Executive Committee shall hold office until the adjournment of the succeeding annual meeting and until their successors are chosen, except as follows: The currently retiring Chairman and three other members of the currently retiring Executive Committee shall be returned to serve on the new Executive Committee. Regarding these four automatically selected members of the new Executive Committee, no more than two such members shall be of the same political party.

Vacancies in the Executive Committee may be filled by the Chairman subject to ratification by the remaining members of the committee by mail ballot or by vote at the next subsequent meeting of the committee.

The Executive Committee shall meet not less than four times each year. It shall have authority to act for the Association in the interim between semi-annual meetings.

The Executive Committee is empowered to authorize the creation of standing, special project or study committees of the Association and to assign and re-assign to such committees the activities and studies authorized by the Association.

Article VI

EXECUTIVE DIRECTOR

The Executive Committee is empowered to employ and fix the salary of an Executive Director who shall serve at the pleasure of the Executive Committee. The Executive Director shall be the principal administrative officer of the Association and shall have responsibility for the administration of all Association functions and activities established by the Executive Committee.

The Executive Director shall employ, fix the salaries of, and direct such personnel as may be required to carry out the purposes of the Association in accordance with budgets adopted by the Executive Committee and shall provide the Association with periodic reports on the activities and projects of the Association and its personnel.

The Executive Director shall be the Secretary of the Association and shall attend and keep a correct record of all meetings of the Executive Committee and of the Association; safely keep all documents and other property of the Association

which are committed to him; and shall perform all other duties appertaining to his office which may be required by the Executive Committee.

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

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

Article VII

ORGANIZATIONAL AFFILIATION AND ADMINISTRATIVE SUPPORT

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

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

Article VIII

POLICY STATEMENTS

Statements reflecting policy positions or resolutions of the Association shall be in the form of summary statements prepared by standing committees, subcommittees, special task forces, or other special committees authorized by the Chair-

man, with the approval of the Executive Committee, to prepare or issue such proposed policy positions or resolutions. The Chairman, in consultation with the Executive Committee, shall determine the number and jurisdiction of each committee and subcommittee and may assign, reassign or withdraw special policy issues from, or to, any committee.

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

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

The Executive Committee, upon recommendation of the appropriate standing committee, is empowered to endorse or oppose specific federal legislation or administrative actions, when, in the judgment of the Executive Committee, such action is in the best interests of the states. Such action shall require the affirmative vote of at least two-thirds of the members of the Executive Committee. All Governors shall be immediately notified by the Chairman of any Executive Committee action of this type.

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

Article IX

DUES

Each member shall contribute such amounts as may be necessary to finance

the programs and operations of the Association, in accordance with contribution schedules approved by the Association. Budgets shall be prepared and adopted by the Executive Committee. Annual financial reports shall be submitted to all members of the Association and an independent audit shall be conducted not less than once a year by a reputable firm of certified public accountants.

Article X

AMENDMENTS

The Association at any meeting may amend these Articles of Organization by a majority vote of all Governors present and voting. Notice of specific amendments together with an explanatory statement shall be mailed to all members of the Association at least thirty days prior to submitting an amendment to vote at a meeting. In the absence of such notice, a three-fourths majority vote shall be required for the adoption of any proposed amendment.

Article XI

SUSPENSION

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

Article XII

DISSOLUTION

In the event of the dissolution of the National Governors' Association, any assets of the Association shall be distributed to the members (as defined in Article I) in the proportion which each member contributed to the support of the Association in the year preceding dissolution. Any assets so distributed to a member shall be used for a public purpose.

Appendix III

RULES OF PROCEDURE

PREAMBLE

1. These Rules of Procedure shall be in specific conformity with the Articles of Organization of the National Governors' Association and, to the extent practicable, shall be consonant with precedents and traditions of the Association.

2. On any issue not covered by these Rules of Procedure or by the Articles of Organization, *Robert's Rules of Order* shall be the standard authority, when applicable.

RULE I—POLICY STATEMENTS AND RESOLUTIONS

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

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

3. In order to consider any policy statement or resolution that has not been prepared and presented in accordance with Article VIII, the Association may suspend the Articles of Organization by a three-fourths majority vote. The motion to suspend is not debatable. Under such suspension, the proposed policy statement or resolution may be debated, amended and adopted upon a similar majority vote of the Association.

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

RULE II—ORDINARY BUSINESS

1. Any proposal or motion necessary to carry on the business of the Association may be approved by a simple majority vote.

RULE III—MOTIONS TO AMEND

1. Motions to amend most propositions are in order. An amendment may be amended. Amendments shall be adopted by the same proportionate vote as is required on the main motion being amended.

2. Every amendment proposed must be germane to the subject of the proposition to be amended. To be germane, the amendment is required only to relate to the same subject, and it may entirely change the effect of the proposition. An amendment to an amendment must be germane to the subject of the amendment as well as to the main proposition.

3. Any amendment must be in writing if the Chairman so requests.

RULE IV—MOTIONS TO TABLE

1. The purpose of a motion to table is to eliminate further consideration of any pending matter. Such motion is in order to either the entire question or on a pending amendment, and the member offering the motion should identify the breadth of his motion. A motion to table is not debatable. Adoption requires a simple majority vote. Motion may be renewed after progress in debate.

RULE V—PREVIOUS QUESTION

1. The purpose of a motion for the previous question is to close debate and vote immediately on either the pending amendment alone, or on all amendments and the main question seriatim. Member offering the motion should identify the breadth of his motion. A motion for the previous question is not debatable. Adoption requires a two-thirds vote. Motion may be renewed after progress in debate.

RULE VI—POSTPONE INDEFINITELY

1. The purpose of a motion to postpone indefinitely is to reject a main proposition without the risk of a direct vote on final passage. It may not be applied to an amendment and may not be renewed. The motion is debatable. Adoption requires a simple majority vote.

RULE VII—ROLE CALL VOTES AND OTHER MATTERS

1. A roll call vote may be requested by any member on any pending question. The roll shall be called upon a show of hands by ten members.

2. Whenever the roll is called, all members present shall be entitled to vote. No proxies shall be permitted.

3. The proportion of votes required for adoption of any motion, as set forth in these Rules of Procedure, refers to the number of members voting Yea or Nay on the motion, a quorum being present. Members are entitled to indicate that they are present but not voting, or to explain their vote.

RULE VIII—ADOPTION, AMENDMENT AND SUSPENSION OF RULES

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

Appendix IV

FINANCIAL REPORT

COMBINING BALANCE SHEET

June 30, 1977

Assets	National Governors' Association Undesignated	National Governors' Association Designated	National Governors' Association Center for Policy Research	Combined total
Current assets:				
Equity in pooled cash and investments	\$ 324,558	\$ 1,532,392	\$ (486,638)	\$ 1,370,312
Receivables:				
Grants and contracts—principally				
U.S. Government	—	—	531,543	531,543
Royalties	—	80,846	—	80,846
Other	5,437	—	629	6,066
	5,437	80,846	532,172	618,455
Less allowance for uncollectible accounts	—	—	16,038	16,038
Net receivables	5,437	80,846	516,134	602,417
Prepaid expenses	7,056	—	—	7,056
Total current assets	337,051	1,613,238	29,496	1,979,785
Property and equipment, at cost:				
Furniture and equipment	64,398	—	—	64,398
Leasehold improvements	2,032	—	—	2,032
	66,430	—	—	66,430
Less accumulated depreciation and amortization	3,210	—	—	3,210
Net property and equipment	63,220	—	—	63,220
	<u>\$ 400,271</u>	<u>\$ 1,613,238</u>	<u>\$ 29,496</u>	<u>\$ 2,043,005</u>
<u>Liabilities and Equity</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 119,923	\$ —	\$ 34,539	\$ 154,462
Advances on grants and contracts in progress				
in excess of related costs	—	—	53,370	53,370
Total current liabilities	119,923	—	87,909	207,832
Equity (deficit)	280,348	1,613,238	(58,413)	1,835,173
	<u>\$ 400,271</u>	<u>\$ 1,613,238</u>	<u>\$ 29,496</u>	<u>\$ 2,043,005</u>

STATEMENT OF REVENUE AND PROGRAM EXPENSES

July 1, 1976 - June 30, 1977

	National Governors' Association Undesignated			Designated			NGA Center for Policy Research			Combined Total		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
Beginning Fund Balance	\$323,000	\$321,978		\$1,216,600	\$1,216,630		\$ 81,000	\$ 81,003		\$1,620,600	\$1,619,611	
Revenue:												
Dues from the States	\$684,000	\$681,624	99.7	\$ —	\$ —		\$ —	\$ —		\$ 684,000	\$ 681,624	99.7
Interest	14,000	42,922	306.6	91,600	91,074	99.4	—	—		105,600	133,996	126.9
Royalties	—	—		370,000	396,608	107.2	—	—		370,000	396,608	107.2
Publication Sales	10,000	5,226	52.2	—	—		—	2,230		10,000	7,456	74.6
Registration Fees	24,500	21,345	87.1	—	—		—	10,122		24,500	31,467	128.4
Grants and Contracts	—	—		—	—		1,221,800	916,639	75.0	1,221,800	916,639	75.0
Transfers from NGA	(23,800)	(23,800)	100.0	(91,600)	(91,074)	99.4	115,400	114,874	99.5	—	—	
Miscellaneous	—	7,665		—	—		—	200		—	7,865	
Total Revenue	\$708,700	\$734,982	103.7	\$ 370,000	\$ 396,608	107.2	\$1,337,200	\$1,044,065	78.1	\$2,415,900	\$2,175,655	90.1

Program Expenses:

Human Resources	\$ 82,150	\$104,883	127.7	\$ —	\$ —	\$ 495,600	\$ 395,532	79.8	\$ 577,750	\$ 500,415	86.6
Natural Resources	58,000	56,965	98.2	—	—	485,100	349,665	72.1	543,100	406,630	74.9
Executive Management and Fiscal Affairs	76,050	74,436	97.9	—	—	141,900	118,504	83.5	217,950	192,940	88.5
Transportation, Commerce and Technology	76,950	75,462	98.1	—	—	—	—	—	76,950	75,462	98.1
Community and Economic Development	73,150	51,489	70.4	—	—	—	1,279	—	73,150	52,768	72.1
Crime Reduction and Public Safety	7,200	8,075	112.2	—	—	159,750	164,064	102.7	166,950	172,139	103.1
State-Federal Relations	111,050	107,863	97.1	—	—	—	—	—	111,050	107,863	97.1
State-Local Relations	90,850	88,862	97.8	—	—	—	—	—	90,850	88,862	97.8
Public Affairs	153,900	146,233	95.0	—	—	—	—	—	153,900	146,233	95.0
Chairman	30,000	25,495	85.0	—	—	—	—	—	30,000	25,495	85.0
Winter Meeting	22,950	24,278	105.8	—	—	—	—	—	22,950	24,278	105.8
Annual Meeting	15,950	11,283	70.7	—	—	—	—	—	15,950	11,283	70.7
Center Research and Management	—	—	—	—	—	147,800	146,560	99.2	147,800	146,560	99.2
Other	—	1,288	—	—	—	—	7,877	—	—	9,165	—
Total Expenses	<u>\$798,200</u>	<u>\$776,612</u>	97.3	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,430,150</u>	<u>\$1,193,481</u>	82.8	<u>\$2,228,350</u>	<u>\$1,960,093</u>	88.0
Excess Revenue (Expense)	<u>\$ (89,500)</u>	<u>\$ (41,630)</u>		<u>\$ 370,000</u>	<u>\$ 396,608</u>	<u>\$ (92,950)</u>	<u>\$ (139,416)</u>		<u>\$ 187,550</u>	<u>\$ 215,562</u>	
Ending Fund Balance	<u>\$233,500</u>	<u>\$280,348</u>		<u>\$1,586,600</u>	<u>\$1,613,238</u>	<u>\$ (11,950)</u>	<u>\$ (58,413)</u>		<u>\$1,808,150</u>	<u>\$1,835,173</u>	

Appendix V

ANNUAL MEETINGS OF THE NATIONAL GOVERNORS' ASSOCIATION

1st	Washington, D.C.	May 13-15	1908
2nd	Washington, D.C.	January 18-20	1910
3rd	Frankfort and Louisville, Kentucky	Nov. 29-Dec. 1	1910
4th	Spring Lake, New Jersey	September 12-16	1911
5th	Richmond, Virginia	December 3-7	1912
6th	Colorado Springs, Colorado	August 26-29	1913
7th	Madison, Wisconsin	November 10-13	1914
8th	Boston, Massachusetts	August 24-27	1915
9th	Washington, D.C.	December 14-16	1916
10th	Annapolis, Maryland	December 16-18	1918
11th	Salt Lake City, Utah	August 18-21	1919
12th	Harrisburg, Pennsylvania	December 1-3	1920
13th	Charleston, South Carolina	December 5-7	1921
14th	White Sulphur Springs, West Virginia	December 14-16	1922
15th	West Baden, Indiana	October 17-19	1923
16th	Jacksonville, Florida	November 17-18	1924
17th	Poland Springs, Maine	June 29-July 1	1925
18th	Cheyenne, Wyoming	July 26-29	1926
19th	Mackinac Island, Michigan	July 25-27	1927
20th	New Orleans, Louisiana	November 20-22	1928
21st	New London, Connecticut	July 16-18	1929
22nd	Salt Lake City, Utah	June 30-July 2	1930
23rd	French Lick, Indiana	June 1-2	1931
24th	Richmond, Virginia	April 25-27	1932
25th	Sacramento and San Francisco, California	July 24-26	1933
26th	Mackinac Island, Michigan	July 26-27	1934
27th	Biloxi, Mississippi	June 13-15	1935
28th	St. Louis, Missouri	November 16-18	1936
29th	Atlantic City, New Jersey	September 14-16	1937
30th	Oklahoma City, Oklahoma	Sept. 26-28	1938
31st	Albany and New York, New York	June 26-29	1939
32nd	Duluth, Minnesota	June 2-5	1940
33rd	Boston and Cambridge, Massachusetts	June 29-July 2	1941
34th	Asheville, North Carolina	June 21-24	1942
35th	Columbus, Ohio	June 20-23	1943
36th	Hershey, Pennsylvania	May 28-31	1944
37th	Mackinac Island, Michigan	July 1-4	1945
38th	Oklahoma City, Oklahoma	May 26-29	1946
39th	Salt Lake City, Utah	July 13-16	1947
40th	Portsmouth, New Hampshire	June 13-16	1948

41st	Colorado Springs, Colorado	June 19-22	1949
42nd	White Sulphur Springs, West Virginia	June 18-21	1950
43rd	Gatlinburg, Tennessee	Sept. 30-Oct. 3	1951
44th	Houston, Texas	June 29-July 2	1952
45th	Seattle, Washington	August 2-6	1953
46th	Lake George, New York	July 11-14	1954
47th	Chicago, Illinois	August 9-12	1955
48th	Atlantic City, New Jersey	June 24-27	1956
49th	Williamsburg, Virginia	June 23-26	1957
50th	Bal Harbour, Florida	May 18-21	1958
51st	San Juan, Puerto Rico	August 2-5	1959
52nd	Glacier National Park, Montana	June 26-29	1960
53rd	Honolulu, Hawaii	June 25-28	1961
54th	Hershey, Pennsylvania	July 1-4	1962
55th	Miami Beach, Florida	July 21-24	1963
56th	Cleveland, Ohio	June 6-10	1964
57th	Minneapolis, Minnesota	July 25-29	1965
58th	Los Angeles, California	July 4-7	1966
59th	S.S. Independence and Virgin Islands	October 16-24	1967
60th	Cincinnati, Ohio	July 21-24	1968
61st	Colorado Springs, Colorado	Aug. 31-Sept. 3	1969
62nd	Lake of the Ozarks, Missouri	August 9-12	1970
63rd	San Juan, Puerto Rico	September 12-15	1971
64th	Houston, Texas	June 4-7	1972
65th	Lake Tahoe, Nevada	June 3-6	1973
66th	Seattle, Washington	June 2-5	1974
67th	New Orleans, Louisiana	June 8-11	1975
68th	Hershey, Pennsylvania	July 4-6	1976
69th	Detroit, Michigan	September 7-9	1977

Appendix VI

CHAIRMEN OF THE NATIONAL GOVERNORS' ASSOCIATION 1908-1977*

Governor Augustus E. Willson, Kentucky	1910
Governor Francis E. McGovern, Wisconsin	1911-14
Governor David I. Walsh, Massachusetts	1914-15
Governor William Spry, Utah	1915-16
Governor Arthur Capper, Kansas	1916-17
Governor Emerson C. Harrington, Maryland	1918
Governor Henry J. Allen, Kansas	1919
Governor William C. Sproul, Pennsylvania	1919-22
Governor Channing H. Cox, Massachusetts	1922-24
Governor E. Lee Trinkle, Virginia	1924-25
Governor Ralph O. Brewster, Maine	1925-27
Governor Adam McMullen, Nebraska	1927-28
Governor George H. Dern, Utah	1928-30
Governor Norman S. Case, Rhode Island	1930-32
Governor John G. Pollard, Virginia	1932-33
Governor James Rolph, Jr., California	1933-34
Governor Paul V. McNutt, Indiana	1934-36
Governor George C. Peery, Virginia	1936-37
Governor Robert L. Cochran, Nebraska	1937-39
Governor Lloyd C. Stark, Missouri	1939-40
Governor William H. Vanderbilt, Rhode Island	1940-41
Governor Harold E. Stassen, Minnesota	1941-42
Governor Herbert R. O'Connor, Maryland	1942-43
Governor Leverett Saltonstall, Massachusetts	1943-44
Governor Herbert B. Maw, Utah	1944-45
Governor Edward Martin, Pennsylvania	1945-46
Governor Millard F. Caldwell, Florida	1946-47
Governor Horace A. Hildreth, Maine	1947-48
Governor Lester C. Hunt, Wyoming	1948
Governor William P. Lane, Jr., Maryland	1949
Governor Frank Carlson, Kansas	1949-50
Governor Frank J. Lausche, Ohio	1950-51
Governor Val Peterson, Nebraska	1951-52
Governor Allan Shivers, Texas	1952-53
Governor Dan Thornton, Colorado	1953-54
Governor Robert F. Kennon, Louisiana	1954-55
Governor Arthur B. Langlie, Washington	1955-56

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

Governor Thomas B. Stanley, Virginia	1956-57
Governor William G. Stratton, Illinois	1957-58
Governor LeRoy Collins, Florida	1958-59
Governor J. Caleb Boggs, Delaware	1959-60
Governor Stephen L. R. McNichols, Colorado	1960-61
Governor Wesley Powell, New Hampshire	1961-62
Governor Albert D. Rosellini, Washington	1962-63
Governor John Anderson, Jr., Kansas	1963-64
Governor Grant Sawyer, Nevada	1964-65
Governor John H. Reed, Maine	1965-66
Governor William L. Guy, North Dakota	1966-67
Governor John A. Volpe, Massachusetts	1967-68
Governor Buford Ellington, Tennessee	1968-69
Governor John A. Love, Colorado	1969-70
Governor Warren E. Hearnes, Missouri	1970-71
Governor Arch A. Moore, Jr., West Virginia	1971-72
Governor Marvin Mandel, Maryland	1972-73
Governor Daniel J. Evans, Washington	1973-74
Governor Calvin L. Rampton, Utah	1974-75
Governor Robert D. Ray, Iowa	1975-76
Governor Cecil D. Andrus, Idaho	1976-77
Governor Reubin O'D. Askew, Florida	1977
Governor William G. Milliken, Michigan	1977-78

Appendix VII

APPROVED POLICY STATEMENTS

Criminal Justice and Public Protection

A.- 1

ADMINISTRATION AND IMPLEMENTATION

OF THE OMNIBUS CRIME CONTROL AND SAFE STREETS ACT

The National Governors' Association commends the Law Enforcement Assistance Administration for its extensive and helpful cooperation with the states in implementing the Omnibus Crime Control and Safe Streets Act of 1968 as amended by the Crime Control Act of 1973. LEAA's actions in fostering the development of qualified staff at the state level, providing wide latitude to the states in devising plans to improve the entire criminal justice system, promoting a spirit of cooperation between the various criminal justice disciplines, and generally supporting the state partnership required in a block grant program set an outstanding example which could well be emulated by other federal departments.

Therefore, the Association reaffirms its confidence in the LEAA program and urges Congress and the Administration to form a partnership with the Governors in working to strengthen LEAA to assure effective intergovernmental action in dealing with one of the nation's most serious domestic problems.

Crime is one of the nation's primary domestic issues. The Governors, as well as independent assessments, have concluded that the Crime Control Act of 1968 has brought about critical and significant improvements to state and local criminal justice systems.

The Governors, as well as independent assessments, have concluded that the block grant is the most effective federal financial assistance delivery mechanism to states and local units of government to address crime and comprehensive criminal justice system improvement.

The success, momentum, and thrust of the LEAA program are jeopardized and undermined by a failure to appoint strong and effective federal leadership to LEAA and a failure to support the LEAA program with adequate appropriations. The National Governors' Association calls upon the attorney general to appoint a strong and dedicated administrator of LEAA and to give that individual full support in carrying out the purposes of the program.

The National Governors' Association calls upon the Administration to support, and the Congress to appropriate, the full authorization level of the LEAA programs for fiscal year 1979.

The National Governors' Association strongly reaffirms its support for the block grant as the federal financial assistance delivery mechanism for the LEAA program and, therefore, rejects the principal recommendation of the Department of Justice study group report to the attorney general which calls for replacing the block grant with a program of special revenue sharing.

In addition, the National Governors' Association calls upon the attorney general to appoint a new reorganization study group, at least half of whose members would be Governors or their designees and other state and local representatives, whose principal task would be to review and analyze the responses to the June 23, 1977, report which were submitted to the Department of Justice by September 1, 1977. The newly constituted study group would then make its own recommendations to the attorney general for improving LEAA. It is the strong feeling of the National Governors' Association that a new study group is needed to replace the existing study group which is made up entirely of LEAA and Justice Department personnel and which has no representatives from state or local government.

The National Governors' Association calls upon Congress and the Administration to streamline and simplify the LEAA program.

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

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

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

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

Revised September 1977.

A.- 2

STATE-CITY COOPERATION

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

The Association recognizes the need of large cities and counties for additional crime control funds. The states are responding to this need by continuing to make additional block grant funds available to cities and counties through the state planning agencies.

A.- 3

CRIMINAL CODE REVISION

The National Governors' Association believes that one of the most critical needs in the improvement of many states' criminal justice systems is the revision, modernization, and simplification of their criminal codes. The Governors pledge their commitment to request the state legislatures, in cooperation with the appropriate state and local criminal justice officials and members of the bar, to review and, where necessary, revise the state criminal code immediately, and at least once each decade thereafter.

To facilitate revision efforts, the Association urges the Department of Justice to establish a clearinghouse for state criminal code revisions as a source of advice and information sharing among the states.

A.- 4

CRIMINAL JUSTICE STANDARDS AND GOALS

The National Governors' Association considers the establishment of standards and goals for the criminal justice system essential to achieving a meaningful reduction in crime and delinquency. To facilitate this process, the Association urges each state and local government to begin evaluation of its law enforcement and criminal justice system. The Governors and their individual state planning agencies are urged to take the lead in this effort.

The Association endorses the goal of reducing in ten years the rate of high-fear crime by 50 percent from its 1973 level. (High-fear crime refers to homicide, rape, aggravated assault, burglary, and robbery committed by people who are strangers to their victims.) To reach this goal, the Governors pledge their best efforts and leadership to improve and reform the criminal justice system.

A.- 5

PREVENTION AND CONTROL OF JUVENILE DELINQUENCY

The National Governors' Association urges each state to act as the focal point for coordinating the planning and services of all state and federal agencies which contribute to the prevention, control, and treatment of juvenile delinquency.

To achieve that objective, greater emphasis should be placed on cooperation between the numerous federal agencies with juvenile delinquency programs and between federal and state agencies.

Because the problem of juvenile delinquency is broader than the criminal justice system, program planning should promote maximum use of private and public, social and educational services to youth.

Also, because the key to a meaningful reduction in juvenile delinquency is prevention, each state should strengthen its commitment to basic prevention programs and give particular emphasis to home, school, and community services aimed at youth in danger of becoming delinquent.

The Association commends Congress for enacting the Juvenile Justice and Delinquency Prevention Act (PL 93-415). However, the success of the program depends on the availability of fresh resources, and the Association urges appropriation of the full amount authorized by the act.

A.- 6

ORGANIZED CRIME

The National Governors' Association pledges full support and cooperation in the intergovernmental war to eradicate organized crime and urges the states to consider the following actions to improve their capacity to deal with organized crime:

1. Establishment of State Crime Prevention Councils to study organized crime and to recommend legislative, administrative, or other means of addressing the problem and to build public support for the effort.
2. Enactment of legislation to protect legitimate businesses from infiltration by organized crime.
3. Enactment of legislation to authorize statewide investigative grand juries under special circumstances.
4. Enactment of legislation to provide criminal proscriptions against loansharking.
5. Enactment or strengthening of legislation prohibiting illegal professional, commercial, or syndicated gambling.
6. Enactment of legislation providing criminal penalties for tampering with or coercing witnesses. (Legislation or administrative procedures may also be necessary to provide for the physical safety and relocation of witnesses who testify for the government in organized crime cases.)
7. Strengthening of state revenue departments' capacity to enforce criminal sanctions in the states' tax laws.

Statutory authorization for wiretaps, with proper constitutional safeguards, has proved an effective weapon in the struggle against organized crime in many states. Conscious of the need to protect individual liberties, the Association recommends that those states which do not authorize wiretapping give serious consideration to the enactment of such legislation, with appropriate safeguards, as a valuable tool in the fight against organized crime.

To assist the states in organized crime programs, the Law Enforcement Assistance Administration should broaden its technical aid and training programs for the development of competent staff for state and local jurisdictions, and increase its financial support for the development of state intelligence systems.

Building on the work of the National Advisory Commission on Criminal Justice Standards and Goals, LEAA should develop and broaden guidelines to help federal, state, and local governments improve their effectiveness in dealing with organized crime.

A.- 7

DRUG ABUSE

The National Governors' Association recommends that the federal government, in combating the proliferation of narcotics and drug abuse problems, continue and strengthen present efforts to coordinate federal programs and to develop goals, objectives, and priorities.

Diplomatic pressure to halt the illegal importation of narcotic substances should be intensified, and programs to reduce the production of such substances should be promoted.

Successor legislation to the Drug Abuse Office and Treatment Act of 1972 should be enacted to provide sufficient funds for all states to address the problem of drug abuse treatment and prevention in a comprehensive and effective manner. Such legislation should:

1. Create an office of drug abuse prevention policy to coordinate and provide direction for the federal effort and designate the National Institute on Drug Abuse as the grant funding authority.
2. Continue and strengthen the state planning capability and channel all federal grants for drug abuse prevention through single state agencies.
3. Provide for standardization and streamlining of the grant application procedure to facilitate prompt and efficient funding of state and local projects.
4. Implement a nationwide system of block grants and contracts to the states to facilitate coordinated management of federal and state programs.

The Association recommends that states enact the Uniform Controlled Dangerous Substances Act as well as other legislation which would grant courts and correctional authorities sufficient flexibility to permit individualized sentencing and treatment for users and appropriately severe sentences for sellers for profit. States should unify all state drug control programs and coordinate public and private drug control efforts.

Disorderly and other criminal conduct accompanied by drunkenness should remain punishable as separate crimes. Public drunkenness should be decriminalized and addressed as a health problem.

A.- 8

SELECTIVE SERVICE SYSTEM

The National Governors' Association urges the Administration to revise its budget for the Selective Service System to provide a more effective civilian and state role in the procurement of personnel for our armed forces by retaining the unpaid local board members during the standby period and by maintaining the state directors and a minimal office staff for each state headquarters.

A.- 9

EXTRADITION REFORM

The continued existence of disparities in extradition law and procedure from state to state is a significant barrier to effective law enforcement in the face of rising crime rates and the high mobility of fugitives from justice.

The National Governors' Association supports the efforts of the National Association of Extradition Officials to achieve uniformity in the extradition laws and procedures. The Association recommends that states adopt the Uniform Extradition Act as proposed by the National Conference of Commissioners on Uniform State Laws and use the uniform extradition document and forms drafted by the National Association of Extradition Officials.

A.- 10

THE NATIONAL GUARD

The Army and Air National Guard of the several states are organized in more than 4,000 units located in 2,600 communities. The Guard is the most cost-effective of the nation's armed forces, providing 16 percent of the organized force for less than 3 percent of total U.S. military expenditures. The Administration in its fiscal 1977 budget proposed to alter current practices which would adversely affect the Guard's ability to recruit new members and to carry out its state mission effectively.

The National Governors' Association supported recent congressional action to ensure that:

1. Administrative pay will not be eliminated for Guard commanders.
2. Present regulations which allow civilian federal employees to receive military pay while performing field training will be retained.
3. The forty-eight annual drill requirement for Guard units will be continued.
4. New enlistees will be eligible for pay prior to commencement of their initial active duty training.

5. All Guard units will be furnished the same quality of equipment and the same level of training as afforded to regular units of the U.S. Army and Air Force.

A.- 11

CRIMINAL JUSTICE INFORMATION SYSTEMS

The National Governors' Association urges development of legislation establishing basic minimum standards for the development, structure, and operation of criminal justice data systems. The legislation should define the kind of information to be contained in the system, provide for the inclusion of dispositional data and the review and expunction of outdated or inaccurate data, and establish sanctions for the misuse of confidential information. Access to individually identifiable information should be strictly limited. States should be permitted to exceed federal minimum standards, and their own legislative standards should prevail over less restrictive federal or sister state standards.

Any federal legislation pertaining to the privacy and security of criminal justice data should expressly provide full state participation in the development and promulgation of regulations and in the administration of the act. In the case of automated data systems, Governors should decide whether information should be stored in a shared or dedicated facility.

A.- 12

PRIVACY

Personal privacy is a fundamental right of every American citizen. However, the increasing application of technological advances and the proliferation of personal data information systems threaten that right as never before.

Numerous instances of misuse and abuse of information by the public and private sector exist: gathering too much extraneous personal data; using information for purposes other than those for which it was collected; using incorrect, incomplete or out-of-date information; and keeping the existence of a person's file and its contents a secret from him or her. Because there is little legal protection against the abuse and misuse of personal information, the National Governors' Association supports the efforts of the states, the Administration, and Congress to develop and establish privacy safeguards and standards for the collection, maintenance, and dissemination of personal data, and encourages the enactment of legislation to protect privacy.

The Association urges that any federal legislation pertaining to privacy should provide full participation by states in the development and promulgation of regulations and administration of the act. The designation of shared or dedicated computer systems should be left entirely to the discretion of the Governor.

The Association supports the following privacy safeguards:

1. Data systems should collect only the data necessary to carry out their

purposes and should institute security precautions to prevent unauthorized access and misuse of data.

2. Data files should be periodically updated and purged of incorrect information. Data operators should keep a record of those to whom information is disseminated so that they may be notified of corrections. Operators should publish annual notices of the existence and character of their systems.

3. Individuals should have access to their files and be able to learn how information about them is being used and to whom it is being disseminated. Individuals should be able to challenge incorrect or out-of-date information on themselves and to have corrections made upon verification of the facts. If the data system declines to accept the challenge, it should be recorded and disseminated with the data. No data collected about an individual for one purpose should be used for an unrelated purpose without the individual's consent.

Renumbered from F.-12, September 1977.

A.- 13

COMPENSATION TO VICTIMS OF CRIME

In order to reduce the financial burdens on victims of crime, to encourage full reporting of crime, and to assure cooperation with police, twelve states have instituted programs to compensate individuals who have been injured as a result of violent crimes. Many of these state programs have functioned effectively and relatively economically for a number of years.

Legislation to establish such compensation programs is pending in other states, but the fiscal burden on the states of meeting existing financial obligations has deferred many new programs.

The National Governors' Association urges Congress to approve legislation that would provide financial support for existing state compensation programs and for others that may be enacted in the remaining states. Such a federal program should be administered by the Law Enforcement Assistance Administration.

Renumbered from A.-12, September 1977.

A.- 14

STATE LOTTERIES

Revenues from existing state lotteries contribute much to the support of education and other fundamental state services. The National Governors' Association reaffirms the traditional view that state lotteries should not be subject to excise or occupational taxation by the federal government. States that operate lotteries should be allowed to do so in a manner which will ensure their greatest possible financial contribution to the welfare of the people. The Association opposes any federal action, through taxation or otherwise, which would tend to discourage or obstruct the successful operation of state lotteries.

Renumbered from A.-13, September 1977.

A.-15

ILLEGAL ALIENS

The number of illegal aliens coming into the United States seeking employment has increased dramatically. This flood of immigrants exacerbates unemployment problems in both rural and urban areas. The National Governors' Association urges the federal government to commit the resources necessary to ensure that legal limits on immigration are observed.

To discourage immigration and exploitation of illegal aliens the Association recommends enactment of legislation to prohibit the knowing employment of these aliens. However, enforcement of any sanctions should be consistent with the free exercise of the civil rights of all people.

Renumbered from A.-14, September 1977.

A.-16

CONSUMER PROTECTION

Because consumers currently lack effective representation before federal regulatory agencies and because this lack of positive representation has resulted in a system of federal regulations that do not adequately reflect the interests of consumers, the National Governors' Association supports federal legislation that would create an independent, non-regulatory, consumer protection agency.

Renumbered from A.-15, September 1977.

A.-17

DISASTER RELIEF

State government is responsible initially and primarily for the prevention and control of natural and man-made disasters and the alleviation of their effects.

The federal government now assists the states to prepare for nuclear disasters and to deal with the effects of natural disasters, but has no policy that calls for a federal role in aiding the states to prepare for natural and man-made disasters.

The federal bureaucratic structure currently distributes responsibilities for civil and nuclear preparedness and disaster relief assistance among more than twenty federal agencies, with principal responsibility resting with the Defense Civil Preparedness Agency (DCPA), the Federal Disaster Assistance Administration (FDAA), and the Federal Preparedness Agency (FPA).

This lack of national policy concerning natural and man-made emergency preparedness, coupled with a dispersion of federal responsibility among numerous federal agencies, works a great hardship on the states and hampers their ability to handle disaster situations with maximum effectiveness.

The consolidation of federal emergency preparedness and disaster relief responsibilities into one office would make the management and operation of the federal effort more effective and efficient.

The President is urged to:

1. Declare as national policy that it is proper and appropriate for the federal government to aid the states to prepare for natural and man-made disasters, as well as nuclear defense.
2. Reorganize existing federal emergency preparedness and disaster relief responsibilities into one office, headed by a presidentially appointed director who is charged with the responsibility to coordinate all federal activities and to work closely with the states to meet those responsibilities. The federal reorganization effort should evaluate the effectiveness of existing aid programs in helping states meet the needs created by natural and man-made disasters, with a special emphasis on the ability of these programs to deliver aid and assistance expeditiously with a minimum of bureaucratic delay.
3. Immediately charge one individual, who reports directly to the President, with the responsibility for coordinating the efforts of all federal agencies that deal with emergency preparedness and disaster assistance and to designate that person as the single point of contact for a Governor confronted with a natural disaster who may call upon the federal government for aid and assistance.

The Congress is urged to hold hearings on, and give prompt consideration to, legislation reorganizing and consolidating federal emergency preparedness and disaster relief agencies.

Adopted September 1977; replaces existing A.-16.

A.-18

DEPARTMENT OF DEFENSE REVIEW OF NATIONAL GUARD STATUS

The Department of Defense, at the request of the President, is studying the role and mission of the National Guard and reserve forces. Because of the interdependence of the state and federal missions of the National Guard in defense of the nation, the President should advise the Department of Defense that "no change in the branch, organization or allotment of a unit located entirely within a state may be made without the approval of its Governor." The Governors support the current departmental review because of their deep interest in the future and well-being of the National Guard.

The Governors wish to express their appreciation to the Department of Defense for the informative briefing provided the Committee on Criminal

Justice and Public Protection on September 8, 1977. However, the Governors demand that the Department of Defense consult with the Governors before policy recommendations are forwarded to the secretary of defense and the President.

Adopted September 1977; renumbered from A.-17.

Executive Management and Fiscal Affairs

B. - 1

GENERAL REVENUE SHARING

The National Governors' Association had no higher priority than the renewal of the General Revenue Sharing program. The Governors applauded the approval by Congress of revenue sharing legislation which provides for guaranteed long-term funding to be distributed according to the current allocation formula. However, the Governors are concerned that the legislation will raise administrative costs significantly above the current rate of 1/12 of 1 percent of program funds.

The Governors urged Congress to approve a general revenue sharing bill in accord with the following principles:

1. Continuation of the distribution of funds directly to states and general purpose governments, using the existing formula which reflects need, population, and tax effort.
2. No additional categorization of programs or funding.
3. Long-term, multi-year funding.
4. An increase in the annual funding level to compensate for inflation.
5. Enforcement of civil rights provisions of the act to guarantee non-discriminatory expenditure of funds with adequate provision for due process for all individuals and governments involved and consolidation of enforcement responsibility in a single federal agency.
6. Guaranteed public hearings providing for citizen participation in revenue sharing appropriations to be conducted by recipient governments as part of their normal legislative budget processes.

B. - 2

STATE AND LOCAL BONDS

The municipal bond market is a vital source of funds for financing the capital expenditure requirements of state and local governments. In order to meet the continuing demand for capital, it is imperative that this market provide a dependable source of funds at reasonable rates of interest. For this reason, the nation's Governors and the National Governors' Association oppose any proposal that would directly or indirectly limit the continued tax exemption of state and local bonds, including inclusion of investment income from state and local bonds in the calculation of minimum income tax liability and the proposed federally subsidized taxable bond option.

The Association has noted recent proposals for federal regulation of the practices and procedures by which state and local governments disclose financial

information to investors and bond dealers in connection with bond issues. Such proposals are ill-founded. While the Governors firmly support continued improvements in disclosure practices based on existing industry standards developed and published by the Municipal Finance Officers Association, we believe that federal regulatory intrusion into this area is both unwarranted and potentially damaging to the municipal market.

The Association supports pending legislation to: (1) increase the current maximum limit on industrial development revenue bond issues from \$5 million to \$10 million; and (2) remove the current capital expenditure rule.

Adopted September 1977; replaces the existing B. - 2.

B. - 3

GRANT-IN-AID OMNIBUS

Public disenchantment with government is currently so great that it threatens the effectiveness of the nation's political institutions. Further, the prime element of growing public cynicism is the fact that government has become so complex, bureaucratic, and pervasive that it has lost the capability to respond to the concerns of the average citizen.

The National Governors' Association believes that the cause of much of the complexity and duplication now paralyzing governmental effectiveness is found in the continuing tendency of Congress to enact programs that do not recognize a proper balance of federal, state, and local roles, responsibilities, and structures in addressing domestic problems. Congress continues to enact more programs, and to make more complex, narrow, and duplicative those that already exist.

The federal bureaucracy, in the absence of sufficient oversight and management direction, continues to add its own perspectives and priorities to congressional enactments through rules and regulations which often extend well beyond the congressional mandate.

Increased congressional attention to the structural and procedural mechanisms through which programs will be achieved can significantly simplify and improve governmental performance and intergovernmental relations. Such attention should reflect an awareness of the unique balance of roles and responsibilities of federal, state, and local levels, which is essential if programs are to be delivered effectively.

Toward this objective, the Association urges that Congress, in the enactment of domestic legislation, recognize and incorporate the following elements:

1. Congressional determination of a compelling need for federal action over and above state and local action.
2. Clear statements of measurable program objectives to reduce administrative confusion and judicial interpretation of congressional intent and priorities.
3. Authorization and appropriation of sufficient funds to meet identified program objectives realistically.

4. Modification of existing maintenance-of-effort requirements so that recipients that lower their "own source" effort would lose federal funds only in the same percentage as their own reductions.

5. Limitation of administrative authority over planning and reporting requirements by specifying the product of planning rather than the process; by designating substate areawide planning to organizations created under state law or by executive order of the Governor; and by requiring justification of any reporting not clearly necessary for the proper administration of congressional objectives.

6. Authority for the administering agency to make agreements with states to perform program audits.

7. Non-specification of state and local administrative structures and program administration in accordance with the Intergovernmental Cooperation Act of 1968.

8. Enactment of appropriations for federally assisted intergovernmental programs one fiscal year in advance of the year in which funds are to be spent.

Wherever possible, the current system of categorical grant-in-aid programs should be simplified by consolidating programs with substantially similar objectives into broad block grants. These grants should include adequate time and procedures for the transition from categorical to block administration and hold-harmless funding provisions for recipients to prevent reduction below their allocation under the categorical programs being consolidated. Any future reduction in federal funding should be made only in proportion to the savings from reduced state and local administrative costs.

The Association urges Congress to adopt a requirement that all federal agencies justify their existence program by program, setting forth need, federal ability to fund, duplication of services, and conflicting requirements and objectives which hinder effective delivery of program benefits and state and local efforts to administer programs.

Congress should consider the impact of its actions on state and local abilities to finance and administer their own programs and terminate those federal programs which, after extensive objective review, are found to have failed to make a significant contribution toward resolving the problems they were created to address.

B. - 4

PUBLIC PENSION PLANS

The regulation of public pension plans is the sole responsibility of state government, and most states already regulate their public pension plans. Congress should not enact national legislation to regulate public pension plans. The National Governors' Association urges each state to reexamine its regulations to provide for adequate and assured pension plans for both the public and private sectors.

PUBLIC EMPLOYEE RELATIONS

Gubernatorial discretion and flexibility in the management of state personnel programs are essential to effective state government.

The imposition of personnel standards by the federal government ignores the diversity of the states and disrupts state and local government institutions, laws and traditions. Federal personnel standards will hamper efficiency, stifle development of innovative personnel management techniques, and limit administration of the major components of state and local government.

The National Governors' Association opposes federal action that would establish federal controls on the ability of state and local public employees to organize and bargain collectively pursuant to state laws; specify merit system standards that are inconsistent with the broad principles outlined in the Intergovernmental Personnel Act of 1970; unilaterally supersede longstanding state and local personnel standards; or impose wage-and-hour provisions on state and local governments.

The Association fully supports the concept, inherent in the federal system, that interference by the national government in matters of state and local internal personnel administration should be strictly contained.

The Association takes no position on the principle of collective bargaining for public employees, but reaffirms its commitment to the view that government personnel management is best left to the jurisdiction of the states and localities.

ETHICS IN GOVERNMENT

Two centuries ago, the American people went to war in order to assure open and accountable government. Now, there is a growing citizen distrust of elected officials and government at all levels. This is the inevitable result of too many years of public decision making in private, of political processes abused and misused, of justifications where justice was called for.

The first obligation of every elected official in this nation is to lead the fight to restore citizen confidence in government. As elected officials and politicians, the nation's Governors reaffirm their faith in the capacity of the democratic system to reform and renew itself in a time of crisis and to maintain the confidence, as well as the consent, of the governed.

Toward that end, almost every state has acted to reduce the influence of money and secrecy in its policy process. Building on this foundation, the National Governors' Association urges action at all levels of government to ensure:

1. Loophole-free campaign finance regulations that provide for a limit on campaign contributions and expenditures and their complete and timely disclosure, selected pilot projects to determine feasibility of financing, and independent enforcement procedures with strong statutory penalties.

2. Stringent ethical codes for government officials which clearly define conflict of interest, assure appropriate and timely disclosure of personal finances by public officials and candidates, and set up an independent enforcement procedure.

3. Open meetings of all public decision-making bodies, except in limited specific circumstances, penalties for officials who do not comply, and advance public notice and written minutes.

4. Registration and full disclosure of lobbying activities by all special interest groups.

B. - 7

INTERGOVERNMENTAL PROGRAM MANAGEMENT

The federal government, with firm state support, has sought to improve the management of intergovernmental programs through the adoption of the Intergovernmental Cooperation Act of 1968, the Joint Funding Simplification Act of 1974, revenue sharing and block grants, as well as through the issuance of management-oriented circulars (such as OMB's A-95 and Federal Management Circulars 73-2, 74-4 and 74-7).

However, commitment to these concepts and follow-through on their implementation have been inconsistent and in many instances nonexistent. Committees of Congress, the Office of Management and Budget, the Department of the Treasury, and the General Services Administration have attempted to obtain compliance, but they have not received the full support and cooperation of the entire federal government.

As a result, states are confronted continually with uncoordinated programs that have interrelated objectives or serve the same constituency. Each program tends to develop independently with its own peculiar rules, procedures, and practices. These rules are often conflicting, frequently duplicative, and always costly.

While the day-to-day operations of government are not characterized by high profile or political glamour, they are essential to the proper functioning of the grant-in-aid system. The extent to which these routine activities are well meshed and smoothly maintained will determine whether the public will find government responsive, comprehensible, and helpful or complicated, confusing, and excessively bureaucratic.

The National Governors' Association believes the federal government must dedicate itself fully to simplifying program management through the reduction of regulations and the enactment of statutory changes to improve efficiency, effectiveness, and productivity.

No federal agency should be excused from compliance with intergovernmental coordination acts, and each federal agency should strive to relieve the states of the administrative burdens arising from uncoordinated management of grant-in-aid programs.

The Association urges the executive branch of the federal government to commit itself fully to a vigorous and total application of uniform policies aimed at better management. Specifically, the Association urges:

1. Continued Administration support for decategorization of federal aid programs as the best approach to simplification of intergovernmental programs.
2. Vigorous enforcement by OMB of all intergovernmental management circulars and directives.
3. Major review of intergovernmental program planning and reporting requirements to determine if they are justified in view of congressional intent.
4. Renewed efforts to improve intergovernmental information systems by strengthening OMB oversight of agency information policies to eliminate continuing problems over dedicated computers, by strengthening the Budgetary Information System with emphasis on federal regional agencies' performance, and by review of agency performance under Treasury Circular 1085.
5. Stronger oversight of intergovernmental audit procedures under Federal Management Circular 73-2.
6. Renewed Administration support for programs to strengthen state and local planning and management assistance, particularly under the Intergovernmental Personnel Act, and for intergovernmental funding of projects and programs under the Joint Funding Simplification Act.
7. Increased decentralization of federal program administration to the ten standard federal regions with emphasis on equalizing the administrative latitude of regional administrations.

B. - 8

PREFERENCE TO IN-STATE CONTRACTORS

Several states currently grant, or authorize their local governments to grant, preference to contractors located within their states by penalizing specified out-of-state bidders. This is done either by a direct grant of preference or penalty or through a complex arrangement designed to retaliate against contractors from states or localities engaged in preferential practices.

The National Association of State Purchasing Officials opposes any legislation to regulate prices or restrain trade. The granting of in-state preferences either through direct grants to in-state contractors or retaliation against specified out-of-state bidders could, in some cases, reduce the number of bidders for government contracts, thereby reducing competition and indirectly affecting prices.

The use of preferences or penalties based solely on the location of the bidder and no other factor is an unreasonable restraint of trade and invites retaliation which provides further restraint of trade.

The granting of such preferences or penalties also violates federal regulations, which prohibit preferential treatment in the use of federal funds, and requires enormous additional paperwork to comply with retaliatory provisions and calculations of bids. The trend has been toward repeal of preference legislation since it is an additional burden on the taxpayer as well as a restraint of trade.

The National Governors' Association supports the elimination of legislation granting preferential treatment to in-state contractors or penalizing out-of-state bidders. The Governors are committed to identifying and removing unreasonable restraints of trade and competition adversely affecting citizens and taxpayers.

B. - 9

ADVANCE BUDGETING FOR INTERGOVERNMENTAL PROGRAMS

The National Governors' Association urges the Administration and the Congress to further reform the federal budget process by utilizing appropriate advance budgeting procedures whenever possible in funding federally assisted intergovernmental programs. Such procedures would improve significantly the delivery of public services by reducing the extent to which federal, state, and local program planning, budgeting, and execution are hampered by uncertainty about the availability of federal funds.

The need for increased certainty of federal funding levels is a function of the relative timing of federal and state budget preparation and the increasing lead time needed to plan effectively for public expenditure.

State budget decisions are almost uniformly made on a time sequence closely paralleling federal decisions for the same fiscal year. With five exceptions, states begin their fiscal years on July 1. This means that most Governors must submit budget requests to their legislatures in January, at about the same time the President submits his budget to Congress. However, because the federal fiscal year begins on October 1, three months after most of the states', these legislatures will have completed their FY 1978 appropriations by July 1, when the congressional appropriation cycle is only half complete.

Since about 25 percent of a typical state government's expenditures are from federal funds, Governors and legislatures must make decisions about three-quarters of their budgets each year in the face of uncertainty about the remaining one-quarter. Furthermore, since most federal funds require a matching contribution from the state's own resources, even a minor change in federal funds causes an immediate ripple effect in the way state funds must be allocated.

A federal decision to "cap" federal spending for a program, to shift heretofore federal costs to states, or even to step up federal support for a program involving matching funds means that states must reallocate their own resources, often after the legislature has adjourned.

For these reasons, it is imperative that a mechanism be found that allows the incorporation of federal budget decisions into the normal decision processes of the states.

Such techniques as one-year advance appropriations, three-to-five-year rolling budget targets, multi-year budget carry-over provisions, and advanced

contract authority applied to intergovernmental programs for which they are most appropriate would provide a fundamental and much-needed improvement in our ability to better serve the public.

B. - 10

INTERSTATE SMUGGLING OF CIGARETTES

The Advisory Commission on Intergovernmental Relations has estimated that cigarette smuggling between low and high tax jurisdictions now costs states nearly \$400 million annually in uncollected cigarette tax revenues. In spite of extensive individual and collective efforts to curtail cigarette bootlegging, states have been unable to reduce its incidence. Indeed, revenue losses from cigarette bootlegging have grown rapidly in recent years and the practice is now a significant source of income for organized crime.

The Governors believe that the interstate nature of cigarette bootlegging and the growing involvement of organized crime in the activity underscore the need for federal intervention. The National Governors' Association supports the enactment of federal legislation which would make the interstate smuggling of cigarettes to avoid state and local taxation a federal crime. The Governors call upon the appropriate federal agencies, particularly the U.S. Department of the Treasury and the U.S. Department of Justice, to join NGA, the National Association of Tax Administrators, and the Advisory Commission on Intergovernmental Relations in supporting such legislation.

Adopted September 1977.

Human Resources

C. - 1

GENERAL PRINCIPLES

The National Governors' Association supports the concept of income-based eligibility for programs offering income maintenance, social services, subsidized medical care and nutritional assistance. Equal treatment for families, the working poor, childless couples and individuals should be provided regardless of marital status or family composition.

The Association believes that human services programs should be structured according to common goals. For example, social services and rehabilitation programs might be directed to the following specific goals, as appropriate, for particular families and individuals.

1. Achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency.
2. Achieving or maintaining self-sufficiency, including reduction or prevention of dependency.
3. Preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating, or reuniting families.
4. Preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care.
5. Securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions.

The Association supports proposals to remove barriers to states in planning and administering a broad range of allied human services programs in a coordinated manner which more adequately reflects state priorities. Such action would be an important first step toward needed basic reforms, including consolidation of existing categorical programs and a strong leadership role for the states. The Association supports the following principles:

1. State-designated, substate service areas should be recognized as the common geographical areas for planning human services programs.
2. States should be allowed to transfer a portion of funds available to a certain program to other federal programs included in a state or substate human services plan.
3. States should have the option to waive certain statutory requirements and administrative regulations if they impede the development of a coordinated services program.

4. Special funds for comprehensive planning activities by state and sub-state service areas and administrative start-up costs for the implementation of such plans should be provided.

5. States should be permitted to consolidate funds for planning in various programs of the Department of Health, Education and Welfare.

The Association commends Congress and the Administration for enactment of the revised social services law (Title XX) and urges that the same spirit of cooperation and maximum flexibility for states which characterized the development of the legislation be continued in the implementation and refinement of the program.

However, the Association supports suspension of enforcement of the Federal Interagency Day Care Requirements developed in 1968 and mandated by Title XX regulations. The quality of day care services should be regulated through the day care licensing programs of individual states.

Federal legislation and programs should provide for increased experimentation among the states and for differing approaches in implementation and administration of these programs to meet the varying needs and situations of the states. This could include an option in which states devise their own structures and programs to meet the goals and objectives of the federal legislation.

The Association urges Congress to provide in all grant-in-aid legislation a specific section that allows the legitimate state budgetary process to occur prior to the implementation of any new program or changes in existing programs.

The Association supports improved federal and state efforts to combat hunger and malnutrition, including the improved administration and coordination of present food programs and the continued purchase by the federal government--at market prices if necessary--of commodity foods for distribution to school and supplemental feeding programs.

Positive management and initiatives by both federal and state government could increase efficiency and reduce errors in public assistance payment programs. The Association does not believe that the punitive program of fiscal sanctions levied against states and localities on the basis of error rate samples contributes to the goal of reducing error rates or recognizes the equal responsibility of federal and state partners for high error rates. The Association urges HEW to revoke its regulation imposing fiscal sanctions and to focus instead on efforts to stabilize regulations, simplify administration and assist states in developing constructive programs to minimize error.

The Association urges continued financial assistance to programs now funded through the Head Start, Economic Opportunity and Community Partnership Act of 1974, including state offices of economic opportunity. Federal financial assistance to community action agencies should be granted only with the approval of the Governor or a local official designated by the Governor.

INFLATION AND COST-OF-LIVING ADJUSTMENTS

Inflation is having a disproportionate and very severe impact on the poor, the unemployed, the disabled, the aged and other people served by human resources programs and on the amount of financial support for programs designed to assist such people.

The National Governors' Association urges the federal government to make a special effort to provide financial adjustments for inflation in human resources programs and to develop new initiatives to stop continuing increases in the prices of basic human needs, such as food, medical care, and home energy needs.

Federal financial adjustments for inflation in human resources programs should be made through additional appropriations for cost-of-living adjustments in the welfare program, for higher stipends in worker training programs, for larger basic grants for higher education students, and for other related programs.

Minimum wages should be raised to keep up with inflation, and income eligibility criteria for participation in human resources programs such as educational aid for disadvantaged children should also be increased.

When increases in the minimum wage or inflation reduce the net amount of services that can be offered within statutory ceilings, such ceilings should be raised.

A special federal effort should be made to control the rise in the price of basic human needs through the use of national guidelines, long-range planning, appropriate wage-and-price controls, and national legislation to restructure inflationary economic arrangements, such as might be done with national health insurance.

HEALTH

The National Governors' Association is concerned about the crisis in the nation's medical care system. The Association has adopted statements of its position on several aspects of that crisis. While any problem is resolved more easily by dividing it into manageable parts, the Association feels that the parts of this problem must be dealt with in a specific order.

The National Governors' Association feels that a national health insurance program is needed, but its premature enactment can magnify the problem of cost inflation which currently plagues the medical care system. Without a serious effort to contain costs and utilization, and without a coherent plan for the orderly development of medical care resources, a new financing mechanism will encourage current inefficiencies.

For this reason, the National Governors' Association urges that the federal government take strong steps to curtail the pressures of inflation in the health sector and strengthen the health planning process to insure the more effective implementation of a system of national health insurance.

In each statement of policy on medical care, the Association has tried to list principles to guide the design of workable programs in each area. The staff of the National Governors' Association--and of the individual Governors--is ready to work with federal government officials on the development of specific statutory language based upon these principles.

Adopted September 1977; replaces existing C.-3.

C. - 4

MEDICAID

While the purpose of Medicaid is sound--medical assistance for the poor--the design and administration of the program have produced a system which is bankrupting the states and their localities.

Medicaid has become the most rapidly escalating cost of state budgets and the largest item in many local government budgets. In some states, the amount of money spent by Medicaid on a person's health care is greater than that person's welfare benefits. Many governments approach a time when they will be financially unable to provide adequate assistance for the poor and medically indigent. That is unconscionable and cannot be allowed to happen.

The spiraling cost of this program must be controlled, but without holding the poor hostage to forces beyond their control. The fundamental issues are the need for better control over the rates paid for health services and the utilization of those services by patients.

State governments, which are responsible for the management of the Medicaid program, must intensify their efforts to manage the program better.

To accomplish this, the federal government, in cooperation with the states, must revise existing regulations and legislation which pose obstacles to effective and efficient management of the program at all levels. The National Governors' Association has analyzed and debated possible reforms in financing, services delivery, organization, and administration of the Medicaid program. From this effort, the Governors are united in supporting certain principles and recommendations regarding Medicaid reform, while recognizing that there may be alternative methods or means to achieve these reforms.

Organization and Administration

1. Federal health care finance functions should be consolidated into one major division of the Department of Health, Education and Welfare (HEW). This new division would develop a framework of consistent and uniform health care policies for all citizens. Accompanying such a consolidation should be a careful study and clarification of the roles and functions to be performed by regional office personnel.

2. The Medicaid technical assistance role of HEW should be strengthened, with added emphasis on on-site training of federal staff in the states.

3. A comprehensive program for the detection, investigation and prevention of recipient and provider fraud and abuse within the Medicaid program should be developed, with emphasis on improved coordination between Medicaid personnel and federal, state, and local law enforcement agencies.

4. State management of the Medicaid program should be strengthened by:

- Replacing negative program penalty provisions with positive fiscal incentives for improved state management;
- Implementing the Medicaid Management Information System (MMIS) or an acceptable comparable alternative in all states;
- Developing federal framework policy manuals and provider agreements, for use by states at their discretion, which would provide consistent information on programs and clear intent on policies; and
- Increasing the federal matching ratio for state Medicaid administration to 90 percent if states meet certain performance criteria.

5. HEW must take the lead in establishing a common data base for use in developing fee structures for each provider type, based on information available to every health care program.

6. HEW must simplify all medical reimbursement systems and should establish for federally supported programs a fixed hierarchy of first-to-final responsibility for payment on behalf of persons eligible for two or more benefit plans.

7. Prior to the implementation of proposed regulations, reports, and standards, HEW should be required to conduct an impact study emphasizing both fiscal and service delivery areas.

8. HEW should establish a central depository of information on policies, procedures, and data systems used throughout the country that have proven successful.

9. A national subrogation policy (assignment of all residential health care or insurance benefits while eligible for public assistance) for categorically and medically eligible recipients in the Supplemental Security Income (SSI) and Aid to Families with Dependent Children (AFDC) programs should be adopted.

Financing

1. Congress should give immediate consideration to alternative methods by which the spiraling costs in the health care industry could be brought under control more effectively.

2. Federal legislation should be enacted to allow states wider flexibility in developing and implementing methods of reimbursing health care providers--

particularly in establishing allowable costs. Alternative reimbursement methods should extend to all payers, and federal health planning programs should be coordinated with reimbursement programs.

3. Because of changes in the program and among the states since the Medicaid law was enacted, the current formula ought to be examined by Congress to determine if there are more acceptable methods of deriving the federal financial share.

4. The current system of enforcing fiscal and program accountability within state Medicaid programs should be altered by specifically directing any management fiscal sanctions and eliminating program fiscal sanctions. Increased emphasis should be placed on positive financial incentives for improved state management (as measured by acceptable levels of program performance).

5. The federal government should finance from general revenues the full financial obligation of co-payments and deductibles for Medicare recipients also eligible for Medicaid.

Delivery of Services

1. In the interest of economy, states should be allowed to determine which health service providers a recipient may choose, if the same quality care can be purchased at a lower cost.

2. Federal regulations should be changed to give states wider authority to impose realistic and appropriate sanctions against recipients who willfully overutilize Medicaid.

3. SSI eligibility rules should be amended to prohibit divestiture of personal assets for the purpose of becoming eligible for SSI and Medicaid benefits.

4. Congress and the Administration, in cooperation with the states, must develop a coherent national policy for health and social care of the elderly. This policy must endorse use, wherever appropriate, of alternatives to traditional long-term care. Such alternatives should be financed substantially by federal funds, as institutional care is now financed. If the federal government continues to encourage the use of traditional institutions to care for elderly persons by providing financial assistance mainly for this type of care, the states will have to seek full federal assumption of the costs of this care.

5. The law and regulations should be changed to allow states to contract with Professional Standards Review Organizations (PSROs) and to review and approve proposed PSRO policies to ensure that these functions are reasonably accountable to the states.

6. States should be allowed to implement a nominal co-payment on mandatory services for categorically eligible Medicaid recipients.

7. States should be allowed to restore family supplementation for Medicaid patients in nursing homes.

The nation's Governors are convinced that reform toward these ends can help bring the costs of the Medicaid program under control without reducing the

availability or quality of care to the poor. Unless such reasonable, strong and immediate action is taken by the federal government, the states cannot promise to supply these needed services at the requisite levels because they will be unable to afford them.

C.-5

INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED

The National Governors' Association fully supports efforts to develop high-quality, comprehensive services for the mentally retarded. This requires the development of services and programs that offer appropriate alternatives to life-long institutional care as well as the improvement of necessary institution-based services.

The objectives of ICF/MR regulations (49 Code of Federal Regulations 249.13) generally are consistent with the effort to improve the quality of services provided in an institutional setting. However, the March 18, 1977, deadline for compliance with these regulations imposes a severe burden on the states, and ultimately on the retarded. Title XIX participation would be denied states even when good faith progress had been made toward the deadline, but because of circumstances compliance was not possible. The arbitrary nature of the deadline ignores the potential hardship to residents that may result from too rapid an implementation effort. Finally, the deadline does not permit the recognition of other program efforts on behalf of the retarded to improve service delivery and diminish the need for long-term residential programs.

The Association recommends that the regulations as modified by NGA recommendations shall become effective as standards for ICF/MR Title XIX participation. Provisions should be added to existing regulations to permit the secretary of health, education and welfare to approve Title XIX participation based on reasonable, time-limited, corrective action plans. HEW's acceptance of these plans should be conditioned by:

1. Evidence of progress toward 49 CFR 249.13 standards as modified prior to March 18, 1977.
2. Time-limited corrective action which provides for scheduled progress and allows for reasonable compliance deadlines for states entering the program after issuance of the 1974 federal regulations.
3. Reasonable assurance of state executive and legislative support.
4. Provision that states will not request federal financial participation for clients who remain in facilities that clearly are hazardous to their safety and well-being.
5. Recognition that a significant deinstitutionalization plan that calls for comprehensive community-based services may constitute a reasonable corrective action.

NATIONAL WELFARE REFORM

The Committee on Human Resources of the National Governors' Association has surveyed the nation's Governors on national welfare reform; It is clear that changes in the present income maintenance system are needed. The Governors believe that a new national consolidation of social benefits should be developed according to the following basic principles:

1. Income maintenance should be available under a unified program to all eligible people below an established minimum income level.
2. A national minimum payment level based on a national poverty level should be established, with provision for regional variations in the national minimum payment level to reflect differences in costs of living.
3. All recipients between the ages of seventeen and sixty who are not disabled, are not in secondary school, or do not have children under the age of six or older dependents requiring full-time care should be required to register for work at the time of application.
4. All registered recipients should be required as a condition of assistance to cooperate fully with employment programs and to accept employment within reasonable commuting distance at the applicable federal or state minimum wage.
5. Assistance recipients should be given equal consideration for public service or subsidized employment programs, and Congress is urged to consider the expansion of these programs, including community work and training, so that employment opportunities are made available to all those required to register for employment.
6. States should be authorized to establish work experience and training programs that would convert authorized maintenance payments into wages which would be earned by recipients doing public service work at the minimum wage.
7. Federal tax incentives designed to expand employment opportunities for the poor should be continued and increased.
8. Disincentives for work should be eliminated, and chronic dependency should be discouraged while self-sufficiency is stimulated.
9. A national income maintenance program should be developed in the context of thoughtful reform of all other social insurance programs (unemployment insurance, workers' compensation, social security). Such an approach should substantially remove inequities and encourage the proper development of a more basic insurance system.
10. There should be full federal funding at a federally mandated minimum benefit level with 75 percent federal aid available for the costs of state

supplemental payments and program administration. Consideration should be given to the full range of administrative options.

The Association recommends that the Administration and Congress move quickly to propose new welfare reform legislation that can serve as the basis for a rational discussion of national welfare policy issues. Action is needed to provide a stimulus to and a focus for solution of this national problem. Such a proposal should address itself at a minimum to the following parameters: a national payment and eligibility standards; coverage of all eligible individuals; a rational administrative system; elimination of disincentives to employment; and fiscal relief for state and local governments. However, nothing contained herein shall be an endorsement of a guaranteed annual income.

The Association believes that its staff and the Committee on Human Resources should be involved actively in the evaluation of specific legislative proposals and in the development of broad-based support for effective reform proposals.

The National Governors' Association commends the efforts of the Administration to develop a welfare reform proposal. The Administration has worked closely with local and state governmental units throughout the development of this proposal. This continuing interaction has had a significant impact on the final proposal.

The Administration's plan is far-reaching, indeed audacious, in its aims, and the Association applauds the proposal.

The National Governors' Association has called for the enactment of a comprehensive program of national welfare reform that includes:

- Equity among the states;
- Adequate benefits to those in need;
- Fiscal relief for state and local governments;
- A strong work requirement with an emphasis on job creation;
- Consolidation of existing programs;
- Elimination of categorical distinctions; and
- Streamlining of administration.

Welfare is a complex problem and its solution will require a series of compromises. In our view, the President's Program for Better Jobs and Income is responsive to the goals and principles adopted by NGA, and we urge its early and favorable consideration by Congress.

Changes in specific elements in the proposal are inevitable in the congressional debate. We urge that Congress and the Administration continue to work closely with the states in assessing and evaluating those changes. We ask Congress, however, to focus on the basic principles of the Program for Better Jobs and Income and to consider them carefully in their deliberations. These are important principles which should be preserved.

NGA also endorses legislation designed to provide earlier fiscal relief and urges Congress to include provisions in the Program for Better Jobs and Income that will reduce state and local financial contributions to welfare over time. NGA believes that the states must play an important role in the administration of these programs, and we suggest that the legislation provide the flexibility and authority needed to make such a role possible.

Welfare reform, to be successful, must provide a simpler, more adequate, and more universal benefit structure; it must encourage and expand job opportunities; and it must provide a measure of fiscal relief. In our view, the President's program clearly is designed to meet these objectives.

Revised September 1977; replaces existing C.-6.

C.-7

FOOD STAMP REFORM

The National Governors' Association is concerned about the rapid increase in the costs of the food stamp program and the reported high error rates in the determination of eligibility and benefit levels. At the same time, the Association is just as concerned about the unnecessary administrative complexities introduced by constantly changing federal regulations and by projected curtailment of available benefits to families still in need.

The Association favors a clear definition of program content by Congress, adequate federal financing, effective safeguards against fraud and simplified administrative and reporting requirements. Specifically, the Association urges Congress to adopt the following changes in legislation as the current food stamp program is modified:

1. Benefits should continue to be related to the nutritional needs of the individuals and families served.
2. Eligibility should be based solely on income and assets, and categorical eligibility should be eliminated. The existing system of variable deductions should be replaced by a single standard deduction which increases according to family size. This standard deduction should be increased for aged individuals or family members and should be applied to gross income less mandatory withholding (income tax, social security, union dues). Eligibility should be based on prior month or concurrent available income.
3. The purchase requirement for food stamps should be eliminated and the bonus value stamps should be distributed directly to eligible applicants.
4. The administration of the food stamp program should be transferred from the Department of Agriculture to the Department of Health, Education and Welfare to facilitate the development of administrative and reporting requirements which are compatible with present or modified public assistance procedures. The states should have maximum flexibility in administering the food stamp program. States with excessive error rates should be required to develop and carry out corrective action plans specifically tailored to the conditions in each state. The frequency of eligibility determination should be based on the frequency of errors in broad categorical groups and should not be set arbitrarily.

5. Food stamp recipients should still be required to register for employment and cooperate with employment efforts. Those people sixty years of age or older should be excluded from work registration requirements.

6. Food stamps should not be available to students from families that do not also qualify.

7. The current definition of households should be modified so as not to discourage eighteen-year-olds who work.

8. The requirement for cooking facilities should be eliminated for the elderly so that food stamps would be available for congregate meals and Meals on Wheels programs.

C.-8

CHILDREN'S SERVICES

The National Governors' Association recommends expanding current state child neglect and abuse laws to include emotional, physical and sexual abuse as well as neglect; provide for preventive and remedial measures, and not simply punitive ones; mandate reporting of suspected neglect by all people regularly coming into contact with children; and ensure coordinated reporting and service functions.

The Association urges the states to enact legislation requiring health insurance companies to begin coverage of children at birth. States should strengthen and support family foster care for children separated from their natural parents.

The Association believes that one of the important stages in assuring normal physical and mental development in children is to provide early and periodic screening, diagnosis, and treatment for all children. Health care providers are urged to make special efforts to provide this treatment. The Association also supports all efforts to assist in the elimination of nutritional deficiencies in children.

C.-9

EDUCATION

Universal education and the dramatic expansion of post-secondary education opportunities are among the most remarkable successes of the United States in the past century. In 1976, 89.2 percent of the children aged five to seventeen were enrolled in school. In the last sixty-five years, the median education attainment of persons aged twenty-five and older in the United States has increased from 8.1 years to 12.3, with the percentage of high school graduates increasing from 13.5 percent to 62.5 percent. Despite these successes, much remains to be done to sustain the quality and diversity of opportunity in the face of rising costs and competing public priorities, and to provide opportunities for still unserved or underserved special populations and persons with unique needs.

Within the federal system, the states are responsible primarily for developing the mechanisms for financing education and the establishment of policies to govern its delivery. While local education agencies are responsible directly for providing educational services, these agencies were created by state law, and over the years the states have provided an increasing percentage of the support for elementary and secondary education.

In 1975, 44 percent of the revenue for public elementary and secondary schools was provided by states. State appropriations for education, including post-secondary education, constitute more than one-half of state appropriations of tax revenues.

In recent years, a number of states have undertaken major reforms in financing elementary and secondary education. These reforms have been in response to pressures to equalize tax burdens and educational opportunity among school districts as well as to finance programs for students who have special needs, particularly educationally disadvantaged and handicapped students. Similarly, states substantially have increased support for programs of assistance to post-secondary education students in addition to providing for dramatic expansion of state post-secondary education institutions. Collectively, these state actions and policies constitute a national commitment to equality of educational opportunity which should be supported strongly and complemented by federal education programs.

The federal government also has increased substantially its commitment to education in recent years. Total federal education expenditures will reach \$20 billion in 1978. But even with this commitment, there is still no consistent national policy in education. The federal programs are, for the most part, a collection of single-purpose statutes which reflect the needs of, and pressures from, elements of the public with legitimate but often narrow concerns. The states, on the other hand, have a constitutional obligation to provide public education to all students while attempting to meet special needs within this broader context. It is especially important that the Congress and the federal executive branch recognize in the making of laws and in their implementation that federal educational programs must be carried out in the context of a total educational system for which the states primarily are responsible.

States increasingly have been hampered in their efforts to carry out their educational responsibilities by the plethora of federal laws and regulations with often conflicting and uncoordinated eligibility standards, state plans, administrative structures and reporting requirements. The problems which the federal programs present for the states do not reflect differences in values or objectives, but rather that federal education programs are focused on single objectives rather than the entire educational system. The National Governors' Association believes that these problems, a number of which are described below, can be resolved. The result will be a better education for young Americans and a more efficient use of both federal and state resources.

Specifically, the Governors believe that federal statutes should be modified to remove existing restrictions on state initiatives to reform school aid systems and to provide programs for students with special needs. Further, federal statutes should recognize the diversity among the states in systems of finance and governance and should permit and encourage the coordination and integration at the state level of federal and state programs aimed at the same

substantive objectives. Finally, federal programs should not dictate administrative structures or procedures to be uniformly applied to all states in a manner that produces conflicts with long-established state statutes and policies.

The following specific recommendations regarding existing federal programs arise largely from these concerns:

1. Definitions of State in Federal Education Statutes

Federal education statutes, especially those relating to elementary and secondary education, require that the state education agency be the unit responsible for the federal program within the state. The elected leadership of state general-purpose government--the Governor and the state legislature--is thereby limited in its authority to relate the federal program to other state priorities and concerns. The National Governors' Association recommends that federal education statutes be amended to make the definition of "state" and the establishment or designation of state agencies to administer federal programs conform with definitions as constituted by state law. Federal laws should detail the substantive objectives to be achieved through federal assistance and should leave to the states the determination of state structures and procedures to carry out the federal law.

The National Governors' Association further recommends that Governors initiate a thorough reexamination of state statutes that assign responsibility for federal education programs to a state agency in a manner that limits the authority of the Governor and state legislature to relate the fiscal and legal commitments required by federal programs to other state priorities.

2. Compensatory Education

The National Governors' Association recommends that appropriations for Title I of the Elementary and Secondary Education Act be increased to the authorized level. Because of inadequate funding, only about half of the eligible pupils currently are being served.

The National Governors' Association further recommends that the Title I statute be amended to:

- Concentrate federal funds on schools with a high incidence of disadvantaged children determined on a statewide basis;
- Allocate federal funds to states on the basis of the most recent accurate data;
- Allow states to combine Title I and state compensatory education programs to create a single, coordinated program to meet the educational needs of disadvantaged youth. (Title I should encourage, rather than discourage, development of state compensatory education programs which supplement the Title I program within the state.)

The National Governors' Association further recommends that the federal statutes be amended to simplify, consolidate and provide for coordinated administration of the various federal compensatory education programs aimed at specific populations (Title I, bilingual education, et cetera). These programs

should be better coordinated at the federal level to avoid fragmented and duplicative efforts to serve individual children who meet the eligibility criteria of more than one federal program.

3. Education of Handicapped Children

The National Governors' Association recommends that the Education for All Handicapped Children Act (PL 94-142) be amended to:

- Make the approval of the state plan by the U.S. commissioner of education a contractual obligation of the federal government to pay a specific share of the costs of the program;
- Eliminate the phase-in of federal authorizations to provide FY 1978 federal assistance equal to 40 percent of the national average per pupil expenditures for public elementary and secondary schools in the United States;
- Provide that the obligation of a state to meet the specific procedural requirements of PL 94-142 be deferred until such time as the federal government's contribution reaches the level of 40 percent recommended above;
- Maintain the mandatory pass-through of federal funds to local educational agencies, but authorize states to allocate the funds to local educational agencies on the basis of a uniformly applicable formula;
- Modify the detailed requirements for state agency supervision to leave the determination of state structure to the states;
- Modify the unnecessarily detailed procedural structures on due process to give states the flexibility to establish procedures consistent with unique state circumstances, provided the substantive requirements of the federal law are met; and
- Clarify the congressional intent that the development of the required individualized educational program is to be a process for involving the parent, child, and school system in the formulation of an educational program, not a legal adversary proceeding.

The National Governors' Association further recommends that Governors examine thoroughly the costs to a state of the legal commitments and procedural provisions of PL 94-142 in comparison to the dollars the state will receive under the program. The decision of a state to participate in PL 94-142 should be made consciously on the basis of the benefits for handicapped children that will result from the program.

4. Post-Secondary Education Student Assistance

Government must do everything possible to limit increases in the cost of both public and independent higher education in order that cost increases are not merely passed along to students and their parents in the form of tuition and tax increases. New incentives must be developed for families who are not only incapable of affording the phenomenal escalation of tuition costs, but

also are unable to obtain substantial student aid. The Governors advocate federal and state tax incentive plans to encourage families to save for their children's higher education costs. Such plans would permit parents to make limited contributions to trust accounts created for the support of their dependent's higher education. These contributions would be tax deductible by the parents in the year of contribution and applied as taxable income to the dependents after the completion of their higher education.

The National Governors' Association strongly endorses efforts to achieve a better coordination of federal, state, and institutional student assistance. Specifically, NGA urges that there be:

- A common calendar for management of federal and state student assistance programs;
- A common application form; and
- A uniform methodology for determining a student's need for assistance.

5. Administration of Federal Education Programs

The National Governors' Association urges the Administration to:

- Involve and consult with Governors in each state on the formulation and implementation of policies of direct importance to the states;
- Identify the estimated costs and policy impact on states, schools, and post-secondary institutions of proposed policies, programs, regulations, or surveys before these are implemented;
- Better coordinate the administration (policies, definitions, reporting requirements, et cetera) of separate offices, such as the Office of Civil Rights and the Office of Education, that have direct impact on state agencies, schools, and students in the states; and
- Provide for delegation of responsibility to the states for administration of federal programs whenever such delegation is authorized by statute.

Adopted September 1977; replaces existing C.-9.

C. - 10

MANPOWER

The Governors call for a coherent, comprehensive approach to manpower planning and an improved delivery of services. NGA's statement of manpower policy provides a balanced framework which considers the interdependence of manpower supply, demand, intermediaries and costs. Manpower programs must be considered in relation to numerous other federal, state, and local efforts to (1) meet the needs of individuals for personal satisfaction through employment and income and (2) develop and allocate human resources in the production of goods and services. Although the operation and specific activities of manpower programs vary among the states, the following basic policies are common to most.

To prepare people for employment, manpower training and education programs must be available to enable individuals to develop and maintain marketable skills for jobs that exist now or are expected to exist in the future. These programs must be open to everyone, regardless of race, religion, national origin, sex, age, or handicap. There must be education and manpower training systems to meet the needs of persons unable to complete formal education programs. Primary support services, available through health and social service agencies, should be utilized to assist those least able to compete in the labor market. Employment and training programs should prepare individuals for jobs that yield income above the poverty level. The match between training and jobs, between supply and demand, is essential. State and local manpower program effectiveness is influenced by national economic policy, international trade policies, income maintenance, education, state economic development policy, and other social policies. Employment should be available to all who are willing and able to work. However, such employment should be a part of planned, sound economic growth policies.

Improving the job supply will require that the federal government develop policies to stimulate an increase in private-sector employment. The federal government should provide employment impact analyses to officials in state and local government when national policies are to be changed. Reliable data is necessary for state decision making and coordination of supply and demand in manpower programming.

Reducing cyclical and structural unemployment will require concepts of equal employment opportunity in the job creation initiatives. Transition to private employment, enabling the individual to become self-sufficient, should be the ultimate goal of public service employment.

To provide assistance that will enable individuals to enter the labor market and maintain employment, state and local government must assume a more dominant role in determining policy and providing direction to manpower programs. There must be distinction and coordination of responsibilities at various levels of government, agencies, and organizations, and a clear understanding of the relationships among them.

The federal government should be responsible for developing the essential components of a total manpower system into a unified framework. State government should be given the authority to adapt federal policies and authorizations to the economic and social characteristics of the state. Local governments, consortia of local governments, and occasionally states should be responsible for the delivery of client-centered services. Citizens should be involved to the fullest extent possible in planning and evaluating manpower and training programs, as well as related services.

In the distribution of financial responsibility, federal allocation formulae should consider the geographic location of unemployment, include a need index for targeting funds, and provide small states guaranteed minimum base funding levels. Funds should be allocated from the federal to the state government, through forward-funded, noncategorical grants.

The next session of Congress will consider several critical manpower issues. The Comprehensive Employment and Training Act (CETA) will be reviewed and extended. A major new employability development component related to welfare reform will

be introduced. Wagner-Peyser functions should be reviewed because of their interrelationship with CETA. The inherent debates will be entwined with the problems of developing a more rational intergovernmental delivery system.

The following recommendations are made to provide direction for a 1977-78 legislative program that is consistent with the National Governors' Association manpower policies:

Defining the State Role in the Comprehensive Employment and Training Act and Wagner-Peyser

The state, under the direction of the Governor, should undertake the following activities which will be outlined in a state plan:

1. Long-range planning with employment as the organizing focus. The planning should include review and coordination of employment, welfare, education, unemployment insurance, rehabilitation, economic development, and other appropriate programs, such as corrections and health manpower, to achieve a skilled and employable citizenry and a corresponding availability of employment opportunities.

2. Preparation of an annual employment review statement. The statement should include state employment goals, the outlook for the year, areas of potential growth or decline in employment, and the expected effect on individuals, industries, communities and the economy.

3. Mechanisms for ensuring input of business, labor, client, community-based organizations, education and training agencies and institutions, representatives of local governments, related state agencies, and, where appropriate, agriculture, into state planning, monitoring and data collection activities.

4. Review and approval of local prime sponsor plans, and coordination of these plans with other state-administered programs.

5. Responsibility for the operation of the balance-of-state employability development and public service jobs program and other special programs of a national nature provided for by congressional authorization and appropriations.

6. Provide a system of self-monitoring and evaluation of all manpower-related programs within the state.

7. Coordinate computer programs to assist employment activities in the state and have lead responsibility for collection and dissemination of labor market information.

Other State Activities

1. Working with the federal government and local governments to determine basic levels of service and financial support necessary to sustain national employment policies.

2. Working with the federal government in establishing a labor market information system and a supplemental system, if necessary, to satisfy special state requirements.

3. Initiating research, development, and training projects directed at special state needs.

Governmental regulatory responsibilities, a necessary part of our free enterprise system, are designed to assure the enforcement of state and national laws affecting the health and safety of the work force. They also are guarantees of equal access to employment opportunities.

These regulatory responsibilities should not be assigned to organizations responsible for increasing the job skills and direct job placement of the population, that is, policy functions and persuasion functions are in an inherent conflict. Regulatory functions of federal laws to be administered by state agencies should be negotiated in separate contracts between the two levels of government. No presumption of the appropriate state administering agency should be made by the federal legislation.

The Incorporation of Work and Training Requirements in Welfare Reform

Each state should be required to develop a work stimulation and training program which would list the methods to be used within the state to eliminate the individual's dependence on the income maintenance system by increasing his or her ability to obtain and hold unsubsidized employment.

Because of the wide variations among the states in economic conditions and labor markets, each state should have sufficient flexibility to provide the services that are best suited to meet the needs of its citizens. However, the program should be subject to approval by the federal government and should contain the following minimum requirements:

1. The program must provide a broad mix of training and job development alternatives, which could include job training in concert with private industry, education, and vocational training.
2. The program must require the participation of all recipients between the ages of seventeen and sixty who are not disabled, are not in a secondary school, or do not have children under the age of six or older dependents requiring full-time care.

If, however, a state demonstrates that certain prevailing conditions, such as a high unemployment rate, make mandatory participation of some groups not feasible, the federal government should waive the requirements for those groups.

3. The program should give states the authority to implement programs which expand employment opportunities in the federal, state and private sectors by authorizing the temporary diversion to the employer of that portion of the AFDC grant that is deducted due to the earnings of the recipient.

4. At state option, the program also should include the authority to develop community service training projects if the mandated hours of participation do not exceed the amount of the grant divided by the minimum wage.

5. The program must provide for optimum utilization of existing state and local mechanisms for the delivery of employment and training.

6. The program should offer services on a statewide basis to all eligible applicants.

7. The program should be subject to a public hearing mechanism prior to submission by the Governor to the federal government.

The fulfillment of the above requirements would be dependent upon an adequate level of federal/state funding. The funding mechanism should be in the form of a block grant. The block grant should be based partially on the number of recipients to be served.

Renewal of the Comprehensive Employment and Training Act

The rewrite of the Comprehensive Employment and Training Act should maintain and strengthen the decentralized, decategorized concepts of Titles I and II. Greater incentives should be developed to ensure that coordination and cooperative planning take place in the local labor market area.

The funding authority under Title III for special programs directed for state and local problems and services should be incorporated within Title I. The national level should retain responsibility for funding those programs that are interstate in scope, for example, migrants and Indians. CETA Title III also provides for Older American Employability programs. Title IX of the Older Americans Act (OAA) provides for employment for the elderly in part-time public service jobs. The Older Americans Act will be considered for reauthorization in 1978. NGA recommends that adequate attention be given to older Americans in CETA, and supports the reauthorization of Title IX of the OAA at an adequate funding level. Moreover, both programs should be administered by states.

In CETA, the Governors' responsibility should include the legislative mandate to approve plans prior to funding. Consortium arrangements also should be submitted initially to Governors before application to the federal government.

The special set-aside for vocational education should be merged with the set-aside under the Governors' discretion. The state manpower services council should be required to demonstrate involvement of the state board of vocational education or other appropriate state education agencies in the CETA planning process.

NGA supports the use of CETA public service employment resources in projects with the potential for becoming self-sustaining. Regulations prohibiting the retention of income generated by CETA projects should be changed to allow for the investment of these funds in the project to facilitate the creation of long-term, unsubsidized jobs.

Unemployment Data

Current methodologies for determining state unemployment rates are inaccurate. The margins of error affect the distribution of federal funds and undermine public confidence in the ability of state governments to measure monthly changes in their economy.

Because billions of dollars in federal funds are allocated based on unemployment data, steps must be taken immediately to obtain accurate state unemployment rates. Pending the report of the National Commission on Employment and Unemployment Statistics, NGA urges that the secretary of labor take the following steps:

1. Request funds for the expansion of the current population survey in order to have a statistically reliable base for the calculations of unemployment rates.
2. Provide for quarterly benchmarking of preliminary state unemployment estimates to current population survey data.
3. Revise those factors in the Bureau of Labor Statistics seventy-step formula that cause distortion in unemployment estimates.

Unemployment Insurance

The unemployment insurance (UI) program has undergone rapid and significant changes in recent years. During the recession years of 1974 and 1975, unemployment insurance was one of the primary means of combating the disruptive economic effects of massive unemployment. Coverage was broadened to include millions of previously non-covered workers. Benefit durations were extended up to sixty-five weeks, and the role of the program was changed dramatically as emergency federal benefit programs were superimposed on existing state programs. The National Governors' Association is concerned over the lingering impact which these emergency measures have had on the character of the unemployment insurance system.

The National Governors' Association urges the National Commission on Unemployment Compensation to examine thoroughly all aspects of the unemployment insurance program, with an eye toward establishing basic underlying principles that should guide the future of the UI program.

NGA suggests the following principles for consideration by the National Commission on Unemployment Compensation:

1. Unemployment compensation is not a substitute for productive employment. The program is ill-equipped to deal with the needs of the long-term structurally unemployed. Program emphasis should be on maintaining workers' income during temporary, short periods of involuntary unemployment.
2. The UI program should provide maximum assistance to unemployed workers in finding new employment. Financial incentives should be structured to strongly encourage claimants to undertake intensive job search activities.
3. Unemployment insurance should continue to be an "earned right" limited to workers who have demonstrated a substantial attachment to the labor force.
4. Unemployment compensation benefits should be coordinated with benefits received by the worker's family under other income maintenance and social insurance programs, in order to maintain appropriate work incentives.

5. Unemployment insurance should be financed to foster stable employment practices, encourage job expansion, and promote economic growth in all regions of the nation.

6. The National Governors' Association supports full state funding of the unemployment insurance program during the first twenty-six weeks of unemployment and half federal funding from the twenty-seventh to thirty-ninth week. Any extended benefit programs beyond thirty-nine weeks should be funded fully from federal general revenues, based on needs test criteria beyond mere unemployment.

7. The federal/state relationship in the UI system should be structured to allow states the flexibility in determining benefits and eligibility standards in accordance with minimum standards set by the federal government.

8. States should have the option to implement innovative UI work and training programs which include the diversion of unemployment benefits to wages and training stipends for a limited period of time.

NGA also urges the National Commission on Unemployment Compensation to examine the institutional structure in which the current unemployment insurance benefit payments and, particularly, the job search activities are conducted. This assessment is needed to assure that recipients of unemployment insurance and other individuals seeking employment are provided job-seeking services that are commensurate with their needs, in as efficient and effective a manner as possible.

While NGA strongly supports extensive study of the UI program by the National Commission on Unemployment Compensation, certain changes in the program must not be delayed pending the completion of the commission's work. NGA urges that federal supplement benefit funding be provided out of general revenues on a retroactive basis. This alternative is designed to relieve the nation's employers of the burden of financing an income maintenance program designed to address national economic problems. Specifically, NGA urges Congress to enact the following in 1978: A reinsurance system that will reimburse states for a portion of the excess benefit costs incurred during the 1974-75 recession and relieve states from bearing the full costs of future national economic recessions.

Adopted September 1977; replaces existing C.-10 and C.-11.

C. - 11

NON-DISCRIMINATORY TREATMENT

The National Governors' Association urges that federal programs and legislation in the human resources area be revised to provide non-discriminatory treatment for the people of the Commonwealth of Puerto Rico and the territories.

The Association supports the removal of ceilings on the amount of federal Medicaid expenditures, of "set-asides" on the amount of federal education expenditures, and of formulas which do not treat Puerto Rico and the territories in the same way as the states. Each state should develop and administer all its programs in a completely non-discriminatory manner.

LONG-TERM CARE

As early as the 1950s, states, recognizing the need for expanded services to the elderly, mentally ill, and mentally retarded, began implementing community-based services for these groups. In the mid-1960s, with the advent of federal categorical health programs (especially Medicaid and Medicare), the development of community-based programs was curtailed. The new emphasis was on publicly supported institutional treatment, with little federal money going to state institutions for moving patients into the community. Governors have the primary responsibility for long-term care. As such, we see a number of problems with the current emphasis:

- Classification of patient on the basis of category rather than diagnosis of necessary treatment;
- Lack of public confidence in institutional care;
- Federal Medicaid reimbursement biases against non-medical and non-institutional care; and
- A lack of continuity of care caused by fragmented federal programs and compounded by complex and irrational federal regulations and guidelines.

Such federal mandates encourage the most expensive form of medical services (institutionalized care), forcing states to reallocate available resources to meet these demands while leaving states with inadequate service alternatives.

While institutionalized care is a vital component of the essential health and social care needed by this sector of our population, the needs of the elderly, mentally ill, and mentally retarded often are multifaceted and can be addressed adequately only by an interdisciplinary package of services.

Public medical dollars are channeled into categorically funded institutional settings. Yet there is widespread belief that neither the quality of care nor the quality of life are being improved substantially. This emphasis on narrowly defined, institutionally based programs limits state government's ability to support other necessary services. Such other services, especially early preventive health care, could eliminate the need for later, more costly, institutional care.

The Governors believe the individual's best interest can be served most effectively through a more comprehensive examination of personal needs and an improved delivery system. A strict medical model, as now is encouraged by federal policy, often inhibits the development of community-based programs of residential and habilitative care. Such systems must integrate the social and medical needs of this constituency. We call upon the federal government to encourage--rather than continue to stifle--such programmatic design flexibility.

States must have the necessary financial and programmatic tools to provide appropriate alternatives to institutionalization. Only through such flexibility can Governors serve the best interests of the individual--interests that require a more comprehensive examination of personal needs and an expanded delivery

system. The apparent lack of continuity of service in state and local long-term care reflects the myriad of federal categorical grants, requiring seemingly endless paperwork because of rigid and unnecessary regulations.

The Governors call for flexibility in the rigid federal structure to allow, in addition to medical care, for the provision of housing, community development, transportation, rehabilitation, employment, recreation, manpower development, and other basic supportive development services as appropriate and needed by the individual.

Alternative approaches should emphasize patient care in the community as a more humane, non-institutional treatment that allows individuals' needs to be met by a network of community-based programs. Such programs would be geared to each person's special needs.

The Governor should have the flexibility to develop an inter-disciplinary state plan of human resources programs, reflecting the urgent and unique demands of his or her state. The Governor would be required to develop a community-based delivery system incorporating all facets of social and community programs. Under such a system, the Governor could build upon the expertise of all service-providing units of state and local government. The Governor should be allowed to delegate responsibility for implementation of such a comprehensive service plan to any appropriate state or local agency.

The Committee on Human Resources will continue to develop a detailed legislative proposal encompassing comprehensive medical and social components to address the needs of the elderly, mentally ill, and mentally retarded. The National Governors' Association encourages the executive branch and the Congress to work closely with the Committee on Human Resources in this endeavor.

Adopted September 1977.

C. - 13

CHILD ABUSE AND NEGLECT

Child abuse and neglect are complex problems whose historical roots stretch back through the centuries. Unfortunately, even in our modern age, abuse and neglect are still common. Thousands of children are abused and neglected, sexually assaulted, and battered by parents and others responsible for their care and well-being.

Abused and neglected children and their families require a complex of social services provided at the state level which frequently are fragmented and uncoordinated. No single agency or person currently is adequate to assure that all services are coordinated. The lack of continuity and coordination may lead to tragic oversights.

As Governors, we are responsible at the state level for coordinating human services in developing policy alternatives for child protection and reversing the trend toward family disintegration. Such action at the state level can help to achieve these goals by eliminating bureaucratic problems within our own human services agencies. Individually within the states, we must continue to meet these responsibilities to provide better and well-coordinated services.

In addition, at the federal level, the National Governors' Association urges the Congress to continue its support for research, demonstration projects, and grants to states to help to understand, treat, and prevent child abuse and neglect through reauthorization of the Child Abuse Prevention and Treatment Act. NGA urges the Congress to act promptly in reauthorizing the act and in providing allocations to the states for the development and implementation of treatment programs.

Adopted September 1977

C. - 14

RIGHTS OF THE HANDICAPPED

The National Governors' Association strongly supports equal opportunity for all citizens and supports the spirit and purpose of Section 504 of the Rehabilitation Act of 1973, as amended by Section 111(a) of the Rehabilitation Amendments of 1974. However, compliance with these regulations is likely to prove costly. The cost ultimately must be borne, for the most part, by government. The Governors urge that the federal government provide technical assistance and financial aid to make full compliance possible. The Governors recognize that implementation will require the careful testing of alternatives and mandates. We believe that the resulting issues can best be resolved through cooperative efforts based on a frank and open discussion between the states and the federal government. The National Governors' Association offers its assistance to help resolve these problems.

Adopted September 1977

C. - 15

HEALTH PLANNING

The National Governors' Association is interested in developing a viable system for the formulation of health policy in each state. NGA hopes that the National Health Planning and Resources Development Act of 1974 (PL 93-641) can work as a policy development tool for both the state and national levels of government.

To survive, the health planning system envisioned by PL 93-641 must focus on the development of public policy. The National Governors' Association is concerned that some of the more restrictive provisions of PL 93-641 may prevent such a focus. To encourage coordination between state and national health policy making, the National Governors' Association urges that the National Health Planning and Resources Development Act of 1974 be amended to reflect the following concerns:

1. The process by which health service areas are designated should allow the Governor to define such areas, consistent with other sub-state planning districts.

2. No health systems agency (HSA) should be designated or re-designated without the prior approval of the Governor of the state (or states) in which

the agency will be asked to function. In no case should an HSA be designated finally without prior approval of its health systems plan by the state health planning and development agency.

3. Public health systems agencies should be given the same degree of autonomy as is granted private, nonprofit agencies. Public HSAs should not be required to delegate authority and responsibility to separate governing bodies.

4. When an entire state has been included in a single health service area, the law should allow the state more latitude in designing a health planning system that will avoid duplication and overlap between state and local agencies. In addition to the possibility of a single, statewide HSA, the national statute should allow either that no HSA be designated for the state or that criteria be waived to allow the designation of more than one area, as negotiated by the Governor and the secretary of health, education and welfare.

5. In general, the federal statute should be amended and administered to allow the Governor to design and manage a health policy planning system that is consistent with state law and custom.

6. The federal statute should recognize the Governor's constitutional responsibility to act on behalf of the state which he or she governs. All final actions by state government, such as regulatory decisions, approval of plans, and the expenditure of public funds, should remain the responsibility of the Governor.

7. The role of the statewide health coordinating council (SHCC) in the review of the expenditure of state funds should be to advise the Governor and the state legislature prior to the completion of the appropriation process.

8. Federal statutes should not require a health planning agency to undertake procedures or functions that are contrary to the state constitution or law.

9. The National Health Planning Law should forbid the secretary of health, education and welfare from acting on the recommendation of an HSA that will result in major changes in a state's health care system, without prior approval of the recommendation by the Governor.

10. At the discretion of the Governor, and with the approval of the secretary of HEW, the Governor of any state should be permitted to assume the responsibilities of the secretary of health, education and welfare as specified in PL 93-641.

11. The law--and its implementation by the Department of Health, Education and Welfare--should recognize the need to coordinate the health planning mandates created by other federal statutes with the process envisioned by PL 93-641.

12. The law should encourage state health coordinating councils and HSAs to assure adequate representation of mental health and retardation interests in the composition of their governing boards.

The National Governors' Association also is concerned about the low priority implied by the modest amount of funds appropriated for state-level activities

under the national health planning law. The Association urges the Administration to seek, and the Congress to appropriate, funds commensurate with the duties assigned to the states by PL 93-641.

The National Governors' Association pledges its continued support for the development of a coherent state and national health policy-making system. The NGA staff will be available to the Administration and the Congress to assist in achieving this goal.

Adopted September 1977.

C. - 16

MEDICAL CARE COST CONTAINMENT

The National Governors' Association finds that recent inflation in the cost of medical care is an unreasonable and unnecessary burden on society. The cost of medical care is causing serious dislocations in the national and state economies. The current level of expenditure on medical care will require us, as a nation, to forego the production and purchase of other needed goods and services in order to finance this sector of the economy.

Based upon the experience of several states, the National Governors' Association is convinced that the problem of hospital costs is complex and not amenable to simple solution. For this reason, the Association urges the enactment of a strong national statute that establishes a joint federal and state government cost containment program. The National Governors' Association recommends the development of a cooperative program that includes a common reporting system and is based upon the decisions reflected in each state's health plan and medical facilities plan. Without common reporting, we will be unable to judge the success of a cost containment program; without a basis in state plans, decisions made through a cost containment program can create serious discontinuities in the development of a state medical care system.

To succeed, a medical care cost containment program must have at least the following characteristics:

1. In recognition of the differing needs of states for the development of health services, budgets for medical care expenditures within each state should be individually negotiated within a cost containment program.

- Such a program must include a national capital expenditure target which will be achieved through state government capital expenditure review programs.
- Cost containment must include an enforceable limit on annual increases in the revenues available to covered providers.
- A cost containment program must provide for the reallocation, through the state health planning system, of any medical care resources whose current utilization is no longer appropriate.
- The program should include incentives for effective state government administration and should allow states that do not have existing cost

containment programs to develop such programs as long as state standards are at least as restrictive as the federal requirements.

2. As a regulatory program, cost containment must vest authority and responsibility in appropriate state government agencies and officials.

The National Governors' Association urges the enactment of a national hospital cost containment program as a first step in the reform of the medical care system. NGA offers the assistance of its staff to the Administration and the Congress in the design of such a program, and urges each Governor to make such assistance available from his or her own staff.

Adopted September 1977.

Natural Resources and Environmental Management

D. - 1

GENERAL PRINCIPLES

National goals must be established for protection of the environment and for energy availability. These must be joint goals because of inevitable trade-offs. The quest is for a reasonable and responsible balance between benefits and costs, including the cost of handling waste. To make the most efficient use of our dwindling resources, adverse impacts must be minimized, and to achieve this, clear and accurate information measuring the values and costs involved in each policy and program must be developed.

The genius of the federal system is in the dynamic interplay it nurtures between the federal government and the states. The creative function of the states must not be stifled by preemptive federal legislation. Rigid uniformity denies innovation. The frontier areas of policy and program require multiple approaches with careful evaluation and sharing of the results. States know best their own traditions, societies, and economies.

This is particularly true in those areas where responsibility traditionally has been vested with the states. In new areas, where the states have been slow in recognizing their responsibilities, there is greater justification for the expression of federal interest.

National energy policy, if it is to have the vitality and acceptance critical to its success, must involve all levels of government and the private sector.

To involve the private sector, individuals and organizations should first be solicited for voluntary responses based on reliable information and analysis. If voluntary conduct does not meet the needs of society, government should then consider an appropriate mix of tax incentives and regulation.

Policy and program planning must involve data collectors, social scientists, and natural scientists sharing insights and judgments. Research results and agendas must be coordinated. This means improved communication between those who collect and analyze information, those who seek new knowledge, and those who formulate policy and assign programs.

Reliable information, collected from sources free of even the taint of partisanship or special interests, is essential. Only as confidence in the reliability of information is achieved can the nation resolve policy issues successfully.

While short-term action is needed, national energy policy makers must be guided by long-term planning and policies. Too often, short-term necessity lays the foundation of long-term policy. Planning for energy and environment must be done in terms of decades, not seasons. In the quest for adequate energy supplies, the quality of the environment must be protected and non-replaceable natural resources must be conserved.

General programs in the public interest may produce hardships for one region or sector of society. General programs in the public interest may burden one group while benefiting others. Compensation should be provided to ensure that benefits and burdens are equitably distributed.

Regional differences produce regional viewpoints. Respect for diversity and a willingness to compromise remain crucial ingredients of an effective national energy policy. The nation's Governors have demonstrated that they can resolve regional differences to serve the national interest.

State laws relative to the protection of the environment, the siting of energy-related facilities, land use planning, and the use and regulation of intra-state water rights should not be preempted by federal laws, rules, or regulations.

D. - 2

NATIONAL ENERGY POLICY

The nature of the current economy, coupled with growing problems of energy availability and higher prices, makes strong, coordinated, and clear action necessary by all levels of government and individuals to develop a national energy policy. The nation's energy policy that finally emerges should be truly national in scope and developed and implemented in partnership with the states. A full and early opportunity for public review and comment should be afforded as new policies are formulated or when changes to existing policy are proposed.

The people of this country are receptive and responsive when the problems are described clearly and when realistic, achievable objectives are set forth. The fractionalization of the executive and legislative branches of the federal government impedes effective consideration and enunciation of a coherent energy policy. Both branches should define more clearly the missions of various components and reduce the overlaps that confuse and frustrate purposeful action.

A conservation program of massive proportions must be the central focus of the nation's short-range energy management program. The federal government has a responsibility for necessary national leadership in the accomplishment of such a program on a largely voluntary basis. To date, there is no such overall integrated effort. Consequently, those who have concluded that voluntary citizen actions have been either too slow or inadequate fail to recognize that there is no real program in place. Rather, there is only the concept, not an overall integrated plan. A comprehensive conservation plan must be adopted quickly. It should set forth specific, understandable, and measurable goals for collective and individual actions. It should be coordinated through all levels of government and should be amply financed and staffed.

A properly constructed program will build on existing public and private elements. It will recognize the key factor of automotive efficiency and use. It will support positive measures and incentives to accomplish its objectives. It also will include the following ingredients:

1. Accelerated and stronger standards for automobiles, including gasoline usage requirements and taxes and other disincentives for inefficient vehicles. While this element would mandate changes for a prime user of petroleum resources, it also would provide an economic stimulus to the automotive industry after a period of redesign and adjustment.

2. A more vigorous enforcement of the fifty-five mile per hour speed limit.
3. Stronger programs for public transportation, including more federal commitment.
4. Tax and other incentives to encourage conservation.
5. Better and more intensive educational efforts on a national scale with necessary adaptations to differing state and local requirements.
6. Accelerated state energy management programs with federal financial support.
7. Weatherization of buildings.

States increasingly have taken the responsibility for supporting the administrative and managerial functions, and some energy program costs, with their own resources. To carry out these national energy goals responsibly, a program should be established at the federal level to provide adequate financial and technical assistance to states, coupled with coordinated and simplified administrative and reporting requirements. The purpose of the program would be to allow states the flexibility to develop a comprehensive energy plan to meet their needs and the national interest. The plan would include programs ranging from energy conservation to resource development, and would encompass all the planning, coordination, administration, and implementation activities for which the states have responsibility, including data acquisition and forecasting, outreach capability, local government participation, research, development, and demonstration capability, fuel allocation, and emergency preparedness planning. Financial support of the program should be flexible, responsive, and depend on the specific needs of states and national priority.

These initiatives should be prepared and implemented quickly. Close monitoring of the program will be necessary to determine if basic objectives are being met.

If additional measures are necessary to meet these objectives, then the price mechanism or allocation programs could be brought into play. Prices will necessarily rise as a result of efforts to increase supplies and discourage wasteful use. But the federal government should not take any further action the result of which would artificially inflate the cost of recovering, transporting, or distributing energy supplies without either increasing those supplies or discouraging their waste. Such price increases should be phased to avoid abrupt impacts and allow time for adjustment.

Tied to this approach should be a standby allocation program, if progress toward meeting reduced usage goals is inadequate. If the volumetric allocation process is used, the program should conform to previously prepared plans and should provide the flexibility necessary to minimize inequities or unfair burdens on regions or individual states. Allocation management plans should involve the states. An allocation program should be implemented only if the foregoing elements fail.

This comprehensive plan, based on immediate, broad-gauged conservation, has the most promise of quick, effective action, citizen receptivity and response, and achievement of goals. With a backup program of price-supported usage adjustments and a standby allocation program, the country will be prepared to move

toward an energy ethic that stresses wise use of energy with a clearer recognition of necessary fundamental changes to be made over the next few years and which encourages the immediate development of alternate energy sources.

It is clear that the federal government has a profound responsibility to initiate specific policies and programs to close the gap between energy supply and demand. Each individual state fully acknowledges its responsibility to see that this country reduces its dependence on foreign sources of energy.

It is clearly in the best interest of the United States to accelerate rapidly the pace of offshore exploration and development in the areas off the Atlantic Coast and the Pacific Coast, as well as in the Gulf of Mexico, in accordance with sound and efficient standards to safeguard the environment. Accelerated offshore exploration and development by nongovernmental entities should be facilitated and supported by federal officials without federal legislative or regulatory impediments which would cause unnecessary delays. Amendments to the Outer Continental Shelf Lands Act should expedite, rather than hinder, OCS development.

However, the primary responsibility of each chief executive is to protect the health, welfare, and safety of citizens. This responsibility should in no way be inconsistent with the national goal of averting an energy crisis. Each state that provides energy resources has the clear responsibility to apply all state laws and regulations designed to assure maximum protection while necessarily accelerating energy production.

As individual federal programs are designed through administrative and legislative channels, they must clearly delegate authority to the states to apply state laws and regulations governing environmental protection, extraction and use, taxes, water rights, health, safety, and land use concerns, if those individual laws and regulations are at least as stringent as applicable federal laws and regulations.

The National Governors' Association believes the best interests of the United States would be served by a conference of the Governors with the President on the potential of this nation to increase the production of energy. These discussions should be reported fully to the American people. The chairman of the Committee on Natural Resources and Environmental Management is urged to continue working with the Administration in order to assure the convening of this conference in a timely manner.

Revised September 1977; replaces existing D. - 2.

D. - 3

CONSERVATION

The nation's Governors are dedicated to promoting the conservation of energy to slow down the increase in demand which far exceeds the population increase. Saving energy will help to relieve the depletion of resources and increase the time period for developing more efficient energy sources.

States must take the lead in national efforts to conserve energy. States should require that all state agencies follow sound energy conservation practices in their operations (including construction of public buildings) and program

activities. Both state and federal procedures should be established to require energy resource statements on all projects as part of the existing system of environmental impact statements.

A national standard on thermal efficiency for new residential and commercial buildings should be supported and implemented.

Utility rates, tax rates, license fees and other regulatory or revenue-raising practices should be reviewed for their impacts on energy consumption. The utility rate structure could be altered to discourage wasteful use of energy. Personal and property tax rates can be set to encourage the use of energy-saving devices or practices. Registration fees for automobiles or other vehicles can be used to promote less fuel consumption.

Efforts to construct and improve the efficiency and attractiveness of mass transit systems should be supported at the state and federal levels.

Major programs to educate the public on energy conservation practices should be undertaken. The use of utility funds for this purpose should be considered.

An inventory of energy needs should be made for each state, and contingency plans for meeting these needs should be developed.

An interstate energy clearinghouse should be established to provide an inventory of available fuel sources including amounts and types. Procedures for the voluntary transfer of supplies to fuel-short areas, or of low-sulfur or other low-polluting fuels to more heavily polluted areas, should be established. This will require establishment and coordination of state energy resource clearing-houses.

Land use control remains the most hopeful long-range tool for changing the patterns of energy consumption. In the short term, land use planning procedures are necessary to balance environmental protection against the need for surface-mined, energy-producing resources and for resolving differences over the needs of generating facilities.

D. - 4

STATE ROLE IN CONSERVATION

The National Governors' Association energy conservation policy antedates the shortages in late 1973 and thereafter. The Governors predicted the need for an effective conservation effort several years ago and their judgment has been confirmed by subsequent events.

However, the federal government has not provided the leadership or the support which the goal of meaningful conservation merits. State efforts have not been uniform and much remains to be done. The Governors believe that conservation can proceed even while waiting for appropriate federal responses to the challenge. The Governors and their states can make a meaningful contribution on their own.

In the final analysis, successful conservation will depend on the good will and good sense of an informed citizenry. Currently, people are confused about the

scope, if not the very existence, of the energy problem. Conflicting voices from the nation's capital and ambivalence in Congress belie the gravity of the problem. Availability of products (albeit at a higher cost) appears inconsistent with rhetoric about shortages. Inadequate supply is usually the hallmark of a shortage and this traditional evidence is lacking.

What is needed is a large-scale, coherent exposition of the problem which this country faces as it becomes more dependent on foreign nations to meet its essential needs. What is required is a clear description of the effects on the domestic economy of paying out more than \$24 billion a year to purchase foreign oil.

To establish credibility of the message from the nation's leaders means that all opinion makers must work together--those in government and those outside--to help educate the American people and to mobilize their joint efforts to resolve the problem.

The Governors pledge not only to provide leadership in the energy conservation effort but also to enlist the cooperation and support of their legislatures, private individuals and organizations, and local governments.

While the temptation is to work only on those projects that produce easily measurable results, other efforts can make major contributions even though the savings are hard to quantify. For example, appeals to turn down the thermostat in the winter should be made continually, although no acceptable governmental program can be devised to assure compliance.

The goal is to reduce waste and to use less fuel to accomplish desirable tasks. It is essential to devise measuring standards that will test efficiency--their use will guide evaluation of energy conservation. The diesel fuel and gasoline used per acre of cultivation or bushel of corn recovered is the standard, not the total use of petroleum for agricultural production. A bumper crop may necessitate using more petroleum products than a low yield.

The chart on the following pages lists actions which have already been taken by some Governors. In addition, the Federal Energy Administration and the National Governors' Association are preparing a source book for guidance in developing an energy conservation program.

Early state involvement is crucial to the formation and implementation of a national energy conservation program. Formal mechanisms have not been established for this involvement in either the executive or legislative processes. The traditional reactive role assigned to the states is inadequate for the national energy problem. The Association recommends the task force mechanism jointly established with the Federal Energy Administration (FEA) as the model for all federal agencies and Congress. Furthermore, the Association recommends that effective regular communication with the states be instituted and maintained.

The proliferation of energy conservation programs without proper coordination impedes the states' attempts to become participants in the formulation of national energy policies and programs. The Association recommends that a single lead agency such as FEA be given adequate authority to coordinate activities between state and federal governments.

ENERGY CONSERVATION ALTERNATIVES FOR GOVERNORS

<u>Program</u>	<u>Administrative</u>	<u>Legislative</u>
1. Conservation in government facilities.	Executive Order; assignment of monitoring responsibility to a single agency. Establishment of a realistic energy conservation goal. Public education and information. Utilize savings figures in state budgeting process.	Establishing the requirement for life-cycle costing for all state facilities, buildings as well as equipment such as automobiles, air conditioners, etc. Requiring a conservation program for all units of local government, including life-cycle costing.
2. Support and enforce state 55 mile per hour speed limits.	Executive Order. Public education.	Legislating the limit into state law. Realistic penalties.
3. Public education and information.	Through existing energy agency, department of education, environmental agency, state road department, state commerce departments, natural resources department. Support of information and education funding requests. Personal appearances, etc.	Funding of agency public information and education programs, establishment of state program in department of education.
4. Review energy impacts of all state programs.	Executive Order requiring review of energy impacts of state programs and appropriate program revisions, if feasible and lawful.	Energy impact legislation for all major state actions.
5. Support mass transit and car-pooling programs throughout the state.	Through department of transportation, energy office, departments of commerce, education, etc. Enlist the help of private, industrial, and commercial sector.	Incentives and funding.
6. Land-use planning.	Executive Order (where lawful) stressing need for energy impact studies in all land-planning actions; state and local.	Legislation requiring energy planning by state and local agencies.

Program

Administrative

Legislative

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| 7. Building codes. | (After implementing legislation) Ensure adequate energy consideration in state building codes. | Mandatory state building code legislation. |
| 8. Data gathering. | Assignment of responsibility to state energy office for consumption as well as supply-demand information. | Mandatory reporting requirements. |
| 9. Technical assistance for local government, commerce and industry, public consumer protection. | Assignment to state energy office support for budget requests. | Funding, consumer protection legislation. |
| 10. Encourage use of, and research on, alternative energy sources. | State energy office, information program; technical support from university system. | Tax incentives. Research funding. |
| 11. Utility regulation. | Work with public service commissions and utilities to promote private conservation and to determine whether alternative rate structures in different areas would promote conservation without unacceptable adverse impacts on the economy of a state or area. | Mandatory legislation based on results of studies. Public utility commission action, where lawful. |
| 12. Freight regulation. | Review, study, recommend to public utility commission and legislature. | Mandatory legislation, action by public utility commission, where lawful. |
| 13. Weatherization. | Assignment of responsibility to state agency, seek federal assistance, allocate state/federal funding. | Funding, consumer protection. |
| 14. Appliance and/or automatic labeling and efficiency standards. | Information program; state procurement policy. | Mandatory legislation. |

NON-REPLACEABLE NATURAL RESOURCES

This nation has a responsibility to future generations to conserve its non-replaceable, non-replenishable natural resources. The senseless waste of these resources can no longer be tolerated. All levels of government must act to discourage such waste.

The current electric power rate system, which frequently encourages heavy consumption, should be examined with the objective of conserving resources. Conservation methods such as energy efficiency labeling of appliances should be developed to enable consumers to conserve in their homes. Large industrial users of electricity should be provided with incentives to develop energy conservation plans.

Policies for transportation, space heating, and industrial use of petroleum products should encourage the highest premium use of these non-replaceable fossil fuels.

Because less than 1 percent of the earth's water is potable, federal and state policies should be designed to reduce consumption of water and ensure supplies for future domestic and agricultural needs.

Interstate freight rates should provide incentives for the transportation and reprocessing of waste materials. Recycling programs should be established to enable citizens to participate in this form of resource conservation.

Most importantly, a national awareness of waste and its costs to society must be fostered, along with a national determination to make more efficient use of dwindling resources.

ENERGY PRODUCTION AND SUPPLY

A long-range policy that encourages domestic self-sufficiency in the production of energy should be adopted and underlie foreign and economic policy decisions as well as basic research and development.

Research and development efforts should contribute to the integrity and adequacy of the nation's energy resources. Far more than technology is involved in decisions relating to the development and use of specific energy sources. Intensive research which assesses not only the methodology of development but also energy costs and benefits as well as environmental and socioeconomic impacts should be conducted in the following areas: shale oil, coal gasification, coal liquefaction, nuclear fast-breeder reactors, nuclear fusion, tar sands, solar energy, geothermal, magnetohydrodynamics (MHD), wind power, and more efficient forms of electrical generation and transmission.

In attempting to ensure an adequate supply of energy, environmental standards must be maintained to the maximum extent feasible. Exceptions should be granted only for specific time periods and after appropriate show-cause proceedings.

To facilitate needed construction with minimum environmental harm, procedures must be established for the siting and certification of energy production and transmission facilities including the development of deep-water port facilities.

Federal mandatory petroleum allocation programs need to ensure that retailers receive continuing and sustained supplies for current agricultural requirements and other priority needs. Gasoline shortages must not be used as a pretext to eliminate small independent distributors who have provided price competition which benefits the public.

The national security and economic well-being of this nation are dependent upon increased energy conservation and increased domestic energy production from both conventional sources and new sources to implement the attainment of domestic energy independence by 1985. The failure to structure a strong and coherent national energy policy has discouraged domestic production, stimulated domestic consumption, and led to an ever-increasing reliance on uncertain and precarious foreign petroleum, which greatly reduces domestic employment opportunities and thereby produces high levels of unemployment throughout the nation.

Our energy supply is unable to keep pace with the ever-increasing demands of the commerce of the nation and the needs of our citizens to live in good health, dignity, and reasonable comfort. Severe energy shortages are resulting in widespread unemployment, interruptions of the educational process of our children, and general deterioration of the health and welfare of our citizens.

The National Governors' Association strongly urges and petitions the President and the Congress to develop and implement a long-term, stable, and effective national energy policy which will achieve the optimum balance toward conserving our domestic petroleum supplies for future needs without becoming unduly dependent on foreign sources of petroleum, and thereby significantly assisting in the establishment and maintenance of a strong economic and national defense posture.

It is the sense of this Association that the Congress be urged to enact legislation immediately that would:

1. Develop and implement a comprehensive, nationwide conservation program, bearing equally on all consuming sectors, as the central focus of the nation's short-range energy management strategy.
2. Simplify the procedures in order to expedite decisions affecting the construction of additional energy generating facilities.
3. Clearly define and establish expeditious and efficient procedures for assuring the most effective and timely development of our fossil fuel and nuclear resources, while ensuring (as previously stated) appropriate and necessary consideration of environmental and socioeconomic impacts.
4. Designate as an urgent priority the research and development of new energy systems.

ENERGY FACILITY SITING

The planning, timing, and analysis of specific sites for major energy facilities currently is burdened unnecessarily by the lack of a national energy policy, blurred lines of state-federal responsibility, lack of needed advance planning, and inadequate arrangements for state input, resulting in delay and duplication of effort which greatly influence the cost, certainty, and timely availability of needed facilities.

The increasingly complex and lengthy processes involved in planning and securing required permits and licenses for energy facilities need not, and should not, be tolerated. Key to the resolution of many of the current difficulties is the acceptance by Congress and the Administration of the capacity and responsibility of state governments. Also, a national fuels policy is urgently needed and should be developed through hearings and extensive consultation with states.

We specifically recommend:

1. States individually and through regional arrangements should clearly be given the responsibility to forecast the need for power through a clear and open process involving public hearings and comment, incorporating broad conservation goals and objectives. Such determinations should be binding upon federal agencies.
2. Current duplication of efforts in making environmental reviews must be eliminated. Legislation should be enacted by Congress delegating the responsibility for making environmental analyses of proposed energy facilities to interested states. Environmental reviews meeting minimum standards prescribed under federal guidelines, which should be developed in close consultation with states, should then be accepted by federal agencies. This action already has been taken in federally assisted highway improvement programs and should be extended to energy facilities.
3. Congress should take action to expedite and encourage regional arrangements of states to enable joint planning efforts without mandating any particular method. The pre-approval of interstate compacts similar to the authority contained in the amendments to the Coastal Zone Act is one model that could be utilized. The imposition of federally mandated, regional organizational forms would be neither wise nor productive. There is broad evidence that the states can unite their common interests in dealing with issues of concern to them. It is also vital that there be political accountability through the Governors.
4. Adequate opportunity for public participation in facility site planning and site analysis at an early stage must be further developed. Citizens should not have to attempt to influence site decisions long after all important decisions have been made. Therefore, utilities should disclose facility plans at the earliest possible time, and an improved planning process at the state and regional levels should provide, throughout the process, expanded ways in which individual and group views and opinions can be expressed. With improved citizen access throughout the process, relevant issues can be identified and dealt with on a timely basis. Delays resulting from frivolous objections or a reexamination of settled issues must be avoided. Resolution of both procedural and substantive

questions should be required within a specified time, including the right of intervention. Federal funding for intervenors shall not be provided unless it can be shown that individuals or groups of individuals will suffer direct and personal adverse impact by the approval, construction, and operation of an energy facility and that such groups have a demonstrated need for such funding.

5. A system of early site reviews, including review of potential sites on federal lands, should be established. With a national fuels policy, proper planning authority vested with the states, and with standard plant designs it would be possible to separate basic generic issues from specific site analysis. Therefore, site analysis could be carried forward separate from specific facility review. States, as a part of the planning process, should certify sites as to their compatibility with long-range state plans. The development of an inventory of suitable sites for energy facilities would significantly speed up licensing procedures.

6. Those planning and siting processes remaining at the federal level should be integrated. The creation of a federal Department of Energy can help considerably in tightening federal siting actions. Development of a one-stop siting procedure, common to several states, would be advantageous. At the very least, the coordination of federal efforts under a lead agency should be accomplished as soon as possible.

7. Greater coordination with federal agencies concerning energy facility sites on federal lands must be accomplished. Land management agency representatives in affected areas must be involved in the evaluation process.

8. State management processes should be strengthened where appropriate to more effectively deal with facility site planning and analysis. Integration of procedures under a one-stop process and greater coordination of activities under minimum standards can be of significant benefit.

9. Dealing with waste disposal is an important ingredient in our siting procedures and is imperative to our national defense posture. We must have a national policy for dealing with radioactive waste, and states should have a strong voice in the development of that policy, with the federal government retaining authority for final decision making.

10. During the interim period, as these policies are being implemented, existing procedures should be utilized for applications in process. In addition, there should be substantially increased joint activity between the states and the federal government, including the common use of information, joint hearings, and other ways to minimize current overlapping activities.

The National Governors' Association feels strongly that needed improvements in facility siting procedures can be accomplished without further delay. Greater involvement by the states can ease many of the unnecessary constraints now surrounding the complex and often redundant layers of siting review. Quick action at the federal level can result in better planning, better analysis, and the saving of billions of dollars for the American citizen and yet provide the needed energy facilities in suitable locations.

In developing appropriate federal legislation implementing needed changes in dealing with facility siting matters, substantial participation by states is encouraged and necessary.

Adopted September 1977; replaces existing D. - 7.

OUTER CONTINENTAL SHELF RESOURCES

The outer continental shelf is a great public natural resource which should be managed with scrupulous care to ensure the long-term productivity of all its resources and a fair economic rate of return to the public. Proposals for the development of outer continental shelf energy resources must be an integral part of a comprehensive, balanced energy policy. This policy should reflect not merely the proposed uses for offshore oil and gas but also whether such offshore development is necessary in light of prudent conservation measures and alternative sources of energy.

The Governors believe the outer continental shelf should be explored promptly to determine the extent of its energy resources. However, the exploration of an OCS tract must be separated from the decision to develop and produce that tract commercially.

The federal government should establish, in cooperation with the states, a phased and measurable production objective for offshore oil and gas. This objective should reflect the role of OCS oil and gas in import substitution and its relation to other sources including production from naval reserves, existing OCS leases, and onshore facilities.

On the basis of a phased production objective, the Department of Interior should revise its proposed leasing schedule to take into account objective environmental rankings, hydrocarbon prospects, regional energy needs and economic impacts, transportation and refinery linkages, costs and productivity of development, material and manpower, and capital constraints.

An OCS program must include an evaluation of sometimes conflicting national goals. In some areas of exceptional non-petroleum resource value, no petroleum-producing activities should be permitted if production will seriously jeopardize other natural resources. The Governors believe that total restrictions should be imposed in appropriate cases.

Development, production, transportation, and onshore facility plans should be submitted for approval to the Interior Department, but only after a review by the affected coastal states to ensure consistency with state coastal zone management plans and other state statutes and regulations. The National Governors' Association urges that states be given adequate time, as determined by Congress, to develop coastal zone management programs before any OCS production commences.

The current leasing system should be changed to ensure an equitable return to the public and efficient management and development of OCS resources. No single leasing method is ideal. However, the current system of cash bonus bidding plus low fixed royalty does not adequately balance the need for a fair return to the public with the need to provide industry with reasonable incentives to explore and develop OCS resources.

Expected onshore development will require states to plan for and eventually finance public facilities to cope with the impacts of that development. Since the OCS program is national, there is a clear federal responsibility to assume the necessary related costs of development. Adequate federal funds should be

made available to states now to enable them to stay ahead of the program and plan for onshore impact. Once the program commences, federal assistance, such as royalty revenues, should be made available to affected coastal and adjacent states in compensation for any net adverse budgetary impacts and for the costs of fulfilling state responsibilities in the regulation of offshore and onshore development.

The Association supports the following administrative or legislative reforms:

1. An effective institutional mechanism must be established to ensure an ongoing working relationship with potentially affected state governments. Through this mechanism the states should have timely access to data necessary for planning to avoid or minimize adverse impacts and chaotic development, and should participate fully in both technical and policy decisions affecting the program.
2. The states should participate in the decision to permit production of an OCS tract and also should share responsibility for review of the adequacy and implementation of environmental safeguards and OCS regulations. The full requirements of the National Environmental Policy Act of 1969 should be strictly observed.
3. The states should coordinate the participation of various state agencies with a view to improving the overall efficiency of resource management decision making. Federal funding is required for onshore planning and impact mitigation. With federal assistance, the states must dedicate sufficient personnel to expand their planning and regulatory capabilities with respect to economic, environmental, land use, and energy aspects of coastal zone management.

A major oil spill or blowout can have devastating effects on the coastlines and the economies of the coastal states. Fairness dictates that the oil industry should be strictly liable for all cleanup and consequent damages flowing from a spill and that this liability should be unlimited. If the federal government posits that it is in the national interest to limit the liability of those who cause the spills, then the full risk should be shared on a national level, with insurance to cover the difference between what the oil company pays and what a state is forced to absorb.

In summary: OCS is a national resource; prompt exploration of OCS is in the public interest; exploration of OCS areas should be separated from the decision to produce oil and gas from individual OCS tracts; and a phased production objective should be established, relating OCS resources to import substitution, other oil and gas sources, and demand reduction measures.

Also, a new leasing schedule should be developed that would consider these production objectives as well as environmental rankings, regional energy needs and economic impacts, transportation and refinery linkages, material and manpower, and capital constraints. New leasing procedures should ensure an equitable return to the public as well as efficient development and management of OCS resources.

Administrative or legislative reforms should be introduced to provide a more effective state role in resource management and more timely availability of necessary data for state planning needs. The states should increase their efforts and participation in resource management, decision making, and regulations.

Federal funding is needed to assist the coastal states in coping with planning needs and adverse impacts of OCS development. Strict liability and no-fault compensation measures are essential.

THE IMPACTS OF ENERGY DEVELOPMENT

It is the policy of the federal government to accelerate domestic energy development, particularly the utilization of fossil fuel sources. The nation's Governors support this effort. However, they are mindful of the enormous impacts that will result from such development activities. The national goal of achieving less dependence upon foreign sources of energy will be frustrated unless the impacts of energy development are mitigated adequately. Solving the environmental, social, and economic consequences of energy development should be viewed as a direct cost and responsibility of increased production. Accordingly, the Governors urge Congress, the federal Administration, and the private sector to work with the states in making mitigation of energy-related impacts an integral part of any national energy plan.

It is the position of the National Governors' Association that a restructuring and reorganization of federal energy-related agencies should reflect the need for better coordination and utilization of impact assessment and mitigation programs. Specifically, the newly created Department of Energy (DOE) should have the capacity to identify and assure the reasonable mitigation of impact that is likely to be precipitated by federal energy programs and policies. The federal government should utilize existing agencies and programs, where possible, for the delivery of impact assistance, rather than create new agencies. However, in doing so, an interagency mechanism and the designation of a lead energy impact assistance agency must be forthcoming for the better coordination of these federal activities.

All levels of government, federal, state, and local, must share the responsibilities of assessing and mitigating the impacts of energy development. State and local governments offer the most reasonable level for the actual delivery of impact funds, regardless of whether those funds originated from federal, state, or local government. Residents of producing states and communities should not have to bear the costs of mitigating net adverse impacts. These impacts should be internalized to the extent practical and reflected in the ultimate product costs. Those net costs that cannot be internalized are recognized as a responsibility of the federal government. State and local governments must be in a position to understand the impacts of energy programs before they are initiated and to influence the resource commitment decisions. Working with the states, the federal government has the responsibility to assess fully and expeditiously the impacts of energy policies and programs before a decision to proceed is made. In those cases where impacts are a result of federal policies and programs, regardless of whether they occur on federal or private land, the federal government must assume the ultimate risk of providing impact mitigation. Federal assistance programs should be triggered automatically by the federal policy or programs that precipitated the impact.

The use of existing federal assistance programs to solve the new set of problems caused by accelerated energy development is of concern to the Governors. The better coordination of existing programs that are appropriate for use in energy impact situations is needed and would lead to a better utilization of federal funds. In the same manner, the lessening of restrictions that prevent states and local governments from using existing categorical programs for solving energy-related impacts would be beneficial. A substantial utilization of existing

federal programs will warrant an increase in funding levels within these programs to address the new costs of energy development.

Any new comprehensive federal impact assistance program must be designed in a manner that will allow maximum utilization by state and local governments. Such a program should emphasize automatic grants for planning, management, and infrastructure needs, along with other funding mechanisms. Federal loans and loan guarantees could be utilized if properly designed, but should not be the sole form of federal assistance. Loans and loan guarantee programs should take into account state constitution and usury law constraints. Federal impact assistance programs must identify actual needs and costs and not rely only on stringent formula allocations. Any comprehensive federal program should apply to the mitigation of energy impacts regardless of whether they occur as a result of development of public or private resources.

Adopted September 1977.

D. - 10

NATURAL GAS

The total resource of domestic fossil fuels is finite, and the total annual production of energy from these sources is limited. Natural gas is the most environmentally acceptable, readily usable, and least expensive fuel. This has led to the rapid exploitation of available supplies.

Since 1968, production of natural gas has exceeded additions to inventory. Future natural gas curtailments are expected to cause increased distortion and dislocation in the economy. Even with stringent conservation, discovery of new gas fields will be needed to provide lead-time while alternate energy resources are developed.

Federal price policies, in the face of mounting prices for rival fuels, have undervalued interstate gas with respect to other fuels. This results in lowered incentives for exploration, an artificially high demand, and few incentives for conservation.

The National Governors' Association supports the deregulation of new gas wellhead prices. Such deregulation should not affect contracts in force on the date of enactment of legislation, but the purchase of gas at the end of a contract should not be subject to federal wellhead price control. This phased process will serve to mitigate abrupt increases to existing customers. To determine the effects of deregulation, the federal government should provide for continued monitoring and evaluation of the performance of the natural gas industry and report its findings to Congress.

The deregulation of producers' prices for new natural gas would offer an incentive for exploration and would provide the nation's oil and gas operators with the ability to attract needed capital. Such deregulation would encourage sales in the interstate market and ease the specter of sharp curtailments in the many states relying on interstate supplies. Increased average prices should encourage conservation and the conversion to alternate energy sources.

The deregulation of natural gas will result in an increase in the price of new gas. These higher prices create the possibility of excessive profits. It is highly desirable that any excess profits be used to explore for, find, and develop new natural gas supplies.

If the price of new natural gas is deregulated, the Governors believe that Congress simultaneously should enact an effective excess profits tax which contains a plow-back provision that provides relief from such tax if excess earnings are dedicated to the exploration and development of new natural gas supplies.

To prevent accelerated depletion of remaining supplies of natural gas, which could result from deregulation, such action should be accompanied by legislative and executive commitments to determine national priorities for use of natural gas, specific programs designed to promote natural gas conservation, and a major effort to convert and phase out as rapidly as possible those existing natural gas facilities that do not represent the wisest and best use of natural gas under current circumstances.

A program should be developed that would commit new supplies of gas sold to interstate pipeline carriers in such a way that inequities among regions are reduced.

There is evidence of vertical and horizontal integration and interlocking relationships among natural gas producers and purchasing pipelines. There is also evidence of integrated and interlocking relationships among natural gas, petroleum, coal and uranium mining firms.

There is a strong concern that this may result in an anticompetitive aspect of the energy industry which could cause an artificial inflation of the price of natural gas and other energy supplies.

It is the position of the Governors that developments in the energy industry should be closely monitored to determine whether the letter and spirit of national antitrust laws are respected fully.

The Association urges prompt action by the Administration and Congress to facilitate the earliest availability of natural gas from the Arctic slope to markets in the Midwest, East, Middle South and Pacific Coast states. This resource, essential to the health of these sections of the United States, must not be withheld because of delays in administrative agency approval or unnecessarily extended court proceedings.

The Association supported neutral procedural legislation which would achieve the above goals by providing:

1. A limit to court challenges to orders allowing construction of the pipeline.
2. A March 1, 1977, deadline for a Federal Power Commission recommendation of a pipeline system.
3. An April 1, 1977, deadline for other affected federal agencies to file their reports.
4. A July 1, 1977, deadline for the President to issue a final decision.

5. The concurrent approval by both houses of Congress of the route selected by the President with congressional analysis and review of the environmental impact of the proposed route as a critical part of the process.*

Renumbered from D. - 9, September 1977.

D. - 11

UTILITY REGULATION

Regulation of utilities which produce and/or distribute electricity traditionally has been the province of state government. Complex, interrelated systems have been designed to encourage optimum production at the lowest reasonable price to consumers. At the same time, state agencies have tried to assure a rate of return that would not reduce the incentive of investors to maintain private ownership of a significant portion of this industry.

Events of the past few years have put a combination of special strains on both the utilities and the regulatory system. Inflation has boosted construction costs and the cost of credit. Fuel prices have risen erratically and rapidly. This has meant frequent applications for rate adjustments. Generators built for coal were converted to other fuels which had fewer environmental problems. Then they were encouraged to convert back as oil and gas became affected by price and availability. Finally, conservation and a weakening of the economy reduced sales, and overcapacity in many areas raised unit costs as operations fell below optimum levels.

The regulatory commissions were asked to respond to all these rapidly changing elements of cost and calculate a useful rate structure. Commission case loads spiraled and pressures mounted to make sure the utilities remained financially viable. Domestic fuel shortages evoked calls for revision of rate structures to achieve both conservation and equity.

What is clearly needed are guidelines which spell out various options to deal with each type of problem and the combinations of problems. Predictions of local requirements are more difficult because demand is subjected to structuring to meet national and subnational goals. Complex systems to conform supply capacity to shifting plans and to set rates to permit reasonable returns on equity require tailoring to meet the different challenges in each state.

The proposals to establish uniform federal standards regulating a few of the many variables do not answer the national problem. This is a time to strengthen the various state regulatory mechanisms rather than tamper with pieces of a complex system. Studies done with and by the regulatory agencies are needed urgently. Standardized accounting practices for utilities should be sought, but state authority to set standards should not be supplanted. Innovative modifications of rate structures should be encouraged and evaluated.

To some extent, federal policies and programs create strains and costs. Shifting between fuels is one obvious example. Where federal policies produce the problems, federal help should be available to pay for solving them.

* The legislation (S 3521, now PL 94-586), which the Association endorsed, extends the Federal Power Commission deadline to May 1, 1977, and the presidential deadline to September 1, 1977.

The NGA Energy Program should carry forward its work with the National Association of Regulatory Utility Commissioners, as well as with the federal and state regulatory commissions seeking to expand the range of alternatives that can be considered by the states. Each state can best judge how to meet the needs of its own citizens and can best determine the role of quasi-judicial agencies in the regulatory field. Information on options, not restriction of options, is what the nation needs. If solutions require mechanisms and coordination beyond the boundaries of one state, regional approaches will be more logical than national standards.

D. - 12

COAL

To reduce the nation's continued dependence on finite supplies of oil and natural gas and to limit the importation of oil, an energy program is being formulated that will cause coal to be a more significant energy source by the year 2000.

The development of a comprehensive coal program to stimulate both production and utilization must protect the physical, social, and economic environment of the producing region.

The Department of the Interior, in cooperation with the states, must act to protect the environment of coal-producing states, including subsurface as well as surface reclamation.

A commitment to total reclamation, as directed by state land use decisions, must be made. The quality of air and water must not be diminished because of mining activities. Toward that end, the perfection of coal desulfurization technologies is vital. The Energy Research and Development Administration should make coal desulfurization its first priority. Research on returning refuse to the subsurface should also be stepped up. State access to all exploratory drilling logs and soil analysis should be assured.

Coal conversion processes offer a near-term (five to ten years) solution to the availability problems of oil and natural gas. The federal government should sponsor extensive research and development programs to advance coal conversion technology. This must be paralleled by the federal financing of pilot conversion plants in all coal-producing regions. Tax credits and other considerations should be granted to industry and utilities which convert to coal, and to states lacking adequate facilities to transport coal.

Accelerated coal extraction activities will place unusual demands on state and local governments to serve the needs of the workers. Insofar as these increased demands are stimulated by out-of-state demands for energy from coal--either by direct transfer of coal or by transfer of electricity and/or gases derived from coal--the costs of those services should be borne proportionately by the ultimate user of the energy.

Surface owners must be adequately protected and fully compensated for hardships stemming from mineral development.

Renumbered from D. - 10, September 1977.

NUCLEAR LIGHT WATER REACTOR

The light water reactor provides practical, efficient, and safe nuclear power which is vitally needed to reduce our energy dependence. The light water reactor is a significant, contributing component to the energy production capability of the nation. It is also an internationally utilized and accepted resource for which there exists a highly competitive and growing market in reactors, fuels, and related equipment.

The LWR must clearly serve an increasingly important role in meeting the nation's energy needs as called for in the Administration's energy plan. To assure timely implementation and development of this power source, NGA urges that the President, Congress and the relevant federal agencies must:

1. Implement a clear, logical, simplified process for nuclear LWR licensing, siting, and approval through better coordination of state and federal roles and a unified federal siting authority.
2. Expedite the development process of standardized LWR nuclear plant designs to expedite the decision-making process.
3. Develop and establish safe and effective spent fuel storage technologies consistent with environmental needs and consistent with the nation's expected growing energy production and Defense Department needs.

Adopted September 1977.

BREEDER REACTOR

The breeder reactor can extract up to seventy times more energy from uranium resources than can the light water reactor. In order to provide a valid evaluation of the breeder reactor as a potential mechanism to decelerate the depletion of our energy resources, the National Governors' Association urges the President and Congress to continue to fund a viable research, development, and demonstration of the relevant technology.

Adopted September 1977.

NUCLEAR FUEL CYCLE

This nation is faced with the decision on whether to extract and utilize the extensive nuclear energy resources available in spent nuclear fuel from nuclear reactors, while, at the same time, controlling the proliferation of strategic nuclear materials throughout the world, or to eliminate this potential energy supply.

The Administration has reached a tentative decision on reprocessing spent fuel without utilizing the expertise of the nation's Governors. The President has agreed to an energy production conference with the Governors. The question of how to attain nuclear nonproliferation while benefiting from the potentially vast resources in spent nuclear fuel should be a major agenda item of that conference.

Adopted September 1977.

D. - 16

COASTAL ZONE MANAGEMENT

The coastal zone is one of the nation's most perplexing environmental management challenges. The thirty-one states which border the oceans and the Great Lakes contain 75 percent of the nation's population. Increasing population and economic development threaten the balance of natural, economic and aesthetic goals in the use of the invaluable and non-replaceable coastal resources.

Coastal states, because of the unique conditions along their shorelines, have advantages in coping with coastal zone planning and management that the federal government does not have. The federal government, however, should establish incentives and assistance to help the coastal states prepare plans and action.

To ensure the continued economic productivity of coastal resources, while maintaining an acceptable level of environmental quality, two actions are required. First, the administrative and legal framework should be recast to facilitate cooperative and coordinated activities affecting coastal resources. Second, additional knowledge of the nature of the coastal zone is necessary to help determine the multiple effects that different uses would have.

Under the Coastal Zone Management Act of 1972, the nation can develop a rational process for defining and ensuring the greatest benefit from natural and manmade coastal resources. To be effective, this process must keep local decisions in the hands of local government, except where overriding state and/or national interests are at stake, improve intergovernmental coordination in making decisions of greater than local impact, and collect and disseminate coastal resource information to improve decision making at all levels of government.

The Coastal Zone Management Act is not an opening for extended federal control. Federal agencies are directed to subordinate virtually all programs affecting coastal regions to state coastal management plans. Federal cooperation with the state planning process and outer continental shelf development is especially critical. The ultimate success of a coastal management program will depend on the effective cooperation of federal, state, regional, and local agencies. This requires a federal administrative framework that will encourage the states to establish effective coastal zone management programs. If state coastal zone programs are to be effective, it is essential that the federal consistency provision of the Coastal Zone Management Act be followed stringently by federal agencies and supported by the Office of Coastal Zone Management (OCZM). Regulations published by OCZM should reflect an intent to keep this vital provision intact.

Basic to coastal zone management programs are the funds necessary to plan and take action. The requirements for coastal zone management are needed so urgently that federal funds must continue to be made available to the states at a level that will not only provide incentives but also will allow an adequate program to be developed and implemented to the full extent intended by the act as amended, based on federal, state, and local participation.

The National Governors' Association supported the establishment of the Coastal States Organization (CSO) to represent the collective interests of the coastal states. The CSO has performed that task, especially in support of the Coastal Zone Management Act. However, many coastal and marine-related problems remain. The Association supports CSO in its efforts to focus on major coastal and marine-related issues such as coastal zone management, national ocean policy development, coastal energy resources and facilities, and other matters that the delegates of coastal states consider important. The Association urges the coastal states to continue to support CSO with adequate resources.

Revised September 1977.

D. - 17

ENERGY EMERGENCY PREPAREDNESS

Governors must have sufficient authority to act in the face of severe energy emergencies. The states should adopt energy emergency management plans including at least the following:

- (1) Emergency powers for the Governor.
- (2) Loadshedding plans.
- (3) Energy user priorities.
- (4) A petroleum allocation system.

The Department of Energy needs to establish a list of potential measures which could be implemented by the states.

Some energy emergencies may be of such a nature that state energy emergency authority may not be sufficient to deal with the crisis, and some states may not be able to enact legislation in a timely fashion. Therefore, to meet regional and national energy crises, national legislation should be enacted that will allow presidential delegation of emergency powers to a Governor, upon request of the Governor.

The Department of Energy should provide assistance to the states to develop and implement energy emergency plans. Such assistance should be incorporated into a comprehensive state energy management grant program.

The inability to transport fuel has been a major cause of fuel shortages. An information system should be developed by the Department of Energy to facilitate the delivery of fuels in times of severe weather or in other situations in which transportation difficulties contribute substantially to a fuel crisis. This system

should include information indicating the availability of truck transports and railroad cars and include plans for utilization of the Coast Guard's and United States Army Corps of Engineers' vessels to ensure passage of fuel-carrying ships on waterways. Furthermore, Interstate Commerce Commission regulations should be modified to permit states to obtain information on pipeline tenders of products shipped in interstate pipelines. Current rules prohibit this even with permission of the shipper.

Supplying electricity to a region lacking fuel for electric generating stations from another region, "Coal by Wire," is a worthwhile procedure. However, the existing federal program for implementation of the "Coal by Wire" technique has serious implications. It is recommended that if one region is called upon to supply electricity or fuels to another that the supplying or lending region be compensated at a rate equivalent to the incremental costs that are incurred.

The state set-aside should be continued. The program should be sufficiently flexible and allow for the use of an adequate percentage of the base fuel allocation.

A central energy emergency management function should be established at the national level to provide the states with information in a timely manner as to the extent of fuel shortfalls and the location of possible supplies. The Administration should begin immediately to acquire and verify data and inform the states in an accurate and timely manner on the degree to which fuel shortfalls may be expected. Making this information available prior to an actual energy resource shortage will provide states with sufficient time to utilize their resources and implement curtailment measures in an effective manner.

Coupon rationing should be a last resort. The Administration and Governors should investigate the feasibility of state implementation of any federal rationing program if such a program ever becomes necessary.

If the Administration determines the need to invoke specific energy emergency measures on a national basis, the Governors should be consulted through the National Governors' Association and regional Governors' organizations prior to such action, in a time frame which enables them to respond effectively.

Adopted September 1977.

D. - 18

INDEPENDENCE OF RESEARCH

The nation's Governors endorse the establishment of the Energy Research and Development Administration as an excellent application of the general principle of separating regulatory functions from research, development, and promotional activities.

However, in stack-gas desulfurization research (scrubbers), this separation principle has not been implemented. Scrubbers may be an option for electric utilities to meet compliance schedules of sulfur oxide emissions (SOx) according to the primary health standards of the Clean Air Act of 1970.

The Environmental Protection Agency has the regulatory responsibility to enforce compliance of clean air standards and its policy favors the use of scrubbers. At the same time, EPA is conducting virtually all scrubber research and development both in the laboratory on a bench scale and (in collaboration with the Tennessee Valley Authority) on a pilot-plant scale.

ERDA, by contrast, is pursuing desulfurization of coal only through the mechanisms of gasification and liquefaction, and is not involved in research on cleaning the gases resulting from the combustion process. It would be appropriate for part of the EPA research to be transferred to ERDA, which could expand the program in cooperation with research programs currently under way in certain coal-producing states.

Renumbered from D. - 12, September 1977.

D. - 19

SPECIAL ENERGY PROJECT

A piecemeal approach to the energy crisis, based simply on conservation and penalties, will not suffice to serve the nation's pressing needs. A major effort must be undertaken to develop new sources of energy.

The National Governors' Association views the current energy shortage as a national emergency demanding immediate and extraordinary measures by Congress and the President to acquire a more adequate supply of energy.

The Association urges the establishment of a special energy project to marshal and utilize the nation's resources in the discovery and expanded production of all energy sources available to or controlled by the United States.

Renumbered from D. - 13, September 1977.

D. - 20

ENVIRONMENTAL EDUCATION AND MANAGEMENT

The success of any government program designed to protect and preserve the nation's rich natural resources ultimately rests on the active participation of an informed citizenry. The problems created by ever-increasing demands on the economic system, energy resources, food supplies, and natural resources may be solved only if each individual is prepared and willing to contribute to the solutions.

Even though state and federal laws designed to protect the environment are enforced rigorously and, in many cases, backed by serious penalties, these laws alone will not guarantee a clean environment. Local, state, and federal construction programs to provide the latest and most advanced pollution abatement technology in the world are not enough.

There is an urgent need to teach environmental awareness and population dynamics as a major basic requirement in primary, secondary, and higher education, and as an integral part of adult education. Curricula at all levels of

education need to be examined for their relevance to the rapidly changing conditions of the environment, natural resources, and population. Environmental education should be viewed as an essential component of a comprehensive attack on ecological problems, and should begin with the basic principles of ecology.

To ensure the most effective management of increasingly complex pollution abatement programs and systems, specialized training programs must be provided for the operators of these systems. The most sophisticated pollution control equipment can be only as effective as its human operators.

Environmental impact studies are necessary to ensure the preservation of environmental quality. The federal government requires the states to have a clearinghouse to handle environmental impact statements. The Governors call upon the federal government to adopt a clearinghouse to process the statements.

Furthermore, there should be an office at the regional level to handle routine impact studies, as well as expedite the processing of statements. If the responsibility cannot be delegated to the regional bodies, then the Council on Environmental Quality must develop the ability to handle impact studies in an expeditious manner to prevent unnecessary delays.

The National Governors' Association strongly urges that Congress again consider the Interstate Environment Compact, first introduced in the 93rd Congress and passed by the Senate. This compact would facilitate the establishment of "supplementary agreements" between states for the purpose of taking joint action to abate pollution problems that affect more than one state.

Renumbered from D. - 14, September 1977.

D. - 21

STATE LAND USE PLANNING

The issue of national and statewide land use planning and decision making must be faced in this decade. The proliferating transportation systems, large-scale industrial and economic growth, conflicts in emerging patterns of land use fragmentation of governmental land use planning powers, and the increased size, scale, and impact of private actions have created a situation in which land use management decisions are being made on the basis of expediency, tradition, short-term economic considerations, and other factors which are often unrelated to a sound land use policy.

Across the nation, public and private enterprise has had to delay, litigate, and cancel proposed utility, industrial, and commercial developments because of unresolved land use questions, thereby wasting human and economic resources and threatening public services. Often utilities and industrial and commercial facilities end up being located in areas of least public and political resistance, without regard to relevant environmental and economic considerations.

The substance and nature of a national land use policy should consider the needs and interests of state, regional, and local governments as well as those of the federal government. The long-range resolution of land use matters lies in the significantly increased participation of state government in land management policies and programs.

A national land use policy should be developed to serve as a guide in making national decisions that affect the pattern of environmental and industrial growth and development on federal lands, and as a framework for the development of interstate, state, and local land use policy.

This national policy should:

1. Foster the continued economic growth of all states and regions in a manner that is compatible with a quality environment and consistent with other public and private rights.
2. Favor patterns of land use planning, management, and development that offer alternative locations for specific activities and encourage the wise and balanced use of the nation's land and water resources.
3. Influence population distribution so that scenic, environmental, and cultural amenities are available to the people.
4. Contribute to revitalizing rural communities and encourage new communities that offer diverse opportunities and living styles.

Renumbered from D. - 15, September 1977.

D. - 22

OCEAN RESOURCES

The world's oceans represent an enormous supply of valuable living and non-living resources, including protein, raw mineral materials, and energy. Oceans are of great importance in world commerce, and that importance is likely to increase in future years.

At the same time, oceans are threatened with increasing pressures from pollution and resource exploitation. Coastal areas of the United States and other developed countries are under increasing pressure due to their desirability for commerce, industry, habitation, recreation, and transportation.

The utilization of ocean resources and the solution of ocean-related problems depend on developing oceanic knowledge and technology, resolving conflicts of national and international jurisdiction over the oceans, protecting the quality of the marine environment, and establishing a clear and comprehensive national ocean policy.

Renumbered from D. - 17, September 1977.

D. - 23

SAFE DRINKING WATER

The Federal Safe Drinking Water Act (PL 93-523) was enacted to supply safe drinking water throughout the country by establishing and enforcing national requirements applicable to all water systems that provide piped water for human

consumption to at least fifteen service connections or regularly serve at least twenty-five individuals.

Numerous public and private water systems will have to comply with the detailed national requirements for monitoring, record keeping and public notification of violations. However, many owners of these water systems are not aware that the national requirements must be met by July 1977. The Environmental Protection Agency should undertake a national public information program to advise public and private owners of water systems about the new requirements with which they must comply.

The National Governors' Association supports the intent of the act that states assume the primary enforcement responsibility. To carry out supervision of public water systems, the act authorized program grants for states at \$15 million for fiscal 1976 and \$25 million for fiscal 1977. Only a portion of the authorized levels, \$7.5 million for fiscal 1976 and \$15 million for fiscal 1977, was appropriated. These appropriations are inadequate for states to carry out fully the requirements of the act, in many cases providing only 25 to 50 percent of a state's costs.

Also, there is no authorization for state program grant funds beyond fiscal 1977. This makes it very difficult for states to develop phased program plans and budgets to implement the federal requirements.

The Association recommends that Congress authorize up to \$40 million annually for fiscal 1978, 1979, and 1980, and that the full authorization for state program grants be appropriated. Additionally, a construction grant program should be established to assist publicly owned water systems in implementing the act.

Congress should appoint a National Safe Drinking Water Review Commission, with adequate state and local government participation, to evaluate the social, economic, and technical impacts of the act and recommend changes by July 1979.

Renumbered from D. - 18, September 1977.

D. - 24

WATER POLLUTION CONTROL AND ABATEMENT

The National Governors' Association endorses the following national goals and policies as contained in the federal Water Pollution Control Act Amendments of 1972 (PL 92-500):

1. Where attainable, the interim goal of water quality which provides for the protection and propagation of fish, shellfish, and wildlife, and for recreation values should be achieved by 1983.
2. The cornerstone of an effective national water pollution control program must be based on the recognition, preservation, and protection of the states' responsibilities and rights to prevent, reduce, and eliminate pollution.
3. To the maximum extent possible, procedures utilized for implementing the national program should encourage the drastic minimization of paperwork.

The National Governors' Association encourages the prompt passage of amendments to the act, changes in the regulations and in administrative practices and policies of the United States Environmental Protection Agency (USEPA) so as to permit full implementation of the above policies. Specifically:

1. Amendments to Title I should authorize and implement a multi-year federal commitment to state program grant assistance with year-ahead appropriations at a funding level commensurate with national goals, policies, and priorities. Proportional reduction, rather than elimination, of program grants should be provided for those states whose contribution to the water pollution control program in any fiscal year may be below the FY 1971 level.

2. The Governors encourage the streamlining of program administration, delegation of authority and responsibility to the states to the fullest extent possible, decentralization of decision making within USEPA, and meaningful state participation in establishing program policy.

3. The Governors are concerned with the failure of constructed treatment facilities to achieve or demonstrate the environmental benefits for which such facilities were designed and constructed. Part of this problem is caused by faulty operation and maintenance of treatment facilities, which needs to be addressed, in some cases, by better enforcement techniques, but, primarily and in all cases, by better training techniques. Operator training activities must receive increased priority and attention in future state programs. To properly discharge this responsibility, increased flexibility in the structuring and allocation of resources in the Section 106 programs is needed, as is added flexibility in the administration of training programs authorized by the act. Section 109(b) should be amended to provide, at state discretion, for more than one training center in each state and an increase in the funds available to provide such training facilities. The programs for institutions of higher education should be strengthened and expanded to assure timely availability of properly trained professionals required to attain and maintain water pollution control objectives at the state and local levels.

Another part of the problem is failure to establish a "design feed-back" mechanism whereby design deficiencies that become apparent over the years can be corrected through modification of design requirements resulting in appropriate plant "hardware" with which the average operator can produce the required quality of effluent. Obviously, determination of such design requirements must be accomplished at the state government level, after full interchange of ideas between state, local, and federal agencies.

4. The Governors note substantial noncompliance by publicly owned treatment works with the mandated July 1, 1977, deadline for achievement of national minimum secondary treatment requirements. Congress should authorize case-by-case extensions to this deadline by either USEPA or states administering the National Pollution Discharge Elimination System permit program. The causes for delay in implementing these requirements are widely recognized and understood. Therefore, local governments that have acted in good faith should not be subject to enforcement actions or a challenge to their financial integrity. The requirement that local governments comply with the deadlines without adequate construction grant funds cannot be supported, except in unusual cases, particularly when the act precludes future reimbursement grants to such projects when future funds do become available.

5. Except for toxic pollutants, the imposition of more stringent effluent standards beyond those required to achieve "fishable, swimmable" water quality should be delayed pending detailed study of the effectiveness of non-point source controls, and the review and justification of the economic impact of technology-forcing effluent standards.

6. An appropriate focus of the program is control of the release of toxic pollutants and hazardous substances into our environment. An effective industrial pretreatment program for these incompatible pollutants is necessary. Pretreatment programs should be locally adopted, administered, and enforced. State and federal roles should (1) ensure that adequate programs are established, implemented, and enforced; (2) support local governments with technical service or enforcement, where requested or required to maintain the integrity of the nation's waters.

Safe ultimate disposal sites for toxic and hazardous residuals must be provided and properly managed and supervised, with each state assuming its proper responsibilities.

7. Title II should be amended as follows to reaffirm a continuing federal commitment to the construction grants program:

- Adequate multi-year authorizations should be consistent with the rate of progress desired and national fiscal constraints. An equitable allotment formula for distribution of the funds to the states must also be adopted and maintained on a multi-year basis;
- Year-ahead advance appropriations are encouraged to facilitate more effective long-range planning of needed facilities;
- Current eligibility and levels of funding support should be retained.

Nothing in Section 106 should limit a state's ability to list as top priority for federal funding projects to abate health and environmental hazards.

8. Deadlines should be extended one year for both designated and non-designated areawide agencies to complete the required initial planning under Section 208 of the act. All initial planning grants should be entirely federally funded. Financial sanctions against state and local governments should not be applied by USEPA until the effectiveness of the areawide planning program has been evaluated properly.

9. The act should be amended to require the full compliance by federal facilities with both substantive and procedural state pollution control requirements.

10. Regulations promulgated by USEPA and the U.S. Coast Guard for marine sanitation devices for fresh water vessel sewage discharge are inadequate. These regulations do not provide for adequately treated sewage. Therefore, Section 312 of the act should be amended to require that such devices provide containment for discharges to a shore facility or the same degree of treatment prescribed for publicly owned treatment works: secondary treatment as defined by the administrator under Section 301 of the act.

Adopted September 1977; replaces existing D. - 19 and D. - 20.

NAVIGABLE WATERS

The U.S. District Court (District of Columbia) has directed the Army Corps of Engineers to adhere to the definition of navigable waters contained in Section 502(7) of the Water Pollution Control Act Amendments (PL 92-500). The act's definition encompasses all waters of the United States including territorial seas. Such a definition radically expands federal jurisdiction over the nation's waters and threatens statutory and administrative procedures which have been developed and refined by the states for nearly a century. The encroachment of federal regulatory control over all bodies of water unnecessarily usurps the states' control and responsibility for management of natural resources.

The National Governors' Association urges Congress to enact legislation to limit the criteria of navigability to waterways that are currently capable of transporting commerce and asks the Corps of Engineers to delay further navigable determinations at this time.

Renumbered from D. - 21, September 1977.

FLOOD PLAIN MANAGEMENT

The National Governors' Association believes enactment of the Flood Disaster Protection Act (PL 93-234) is an excellent first step in implementing sensible flood plain management of the nation's streams, rivers, and coasts.

However, identification and mapping of special flood hazard areas by the Department of Housing and Urban Development have been hastily and inaccurately promulgated. This results in significant hardships for state and local governments that are attempting to comply with the act, and jeopardizes the National Flood Insurance Program.

The Association urges the Administration to develop a reasonable scientific system, which is acceptable to state and local governments, for identifying and mapping special flood hazard areas. The effective cutoff date for federal financial assistance should be extended to no less than two years from the date of accurate mapping of the special flood hazard areas.

The Association also urges the federal and state governments to prepare and implement flood plain management programs that will:

1. Minimize and prevent the loss of life and property, the disruption of commerce, and the impairment of the tax base.
2. Minimize the extraordinary public expenditures and demands on public service that result from flooding and the threat of flood damage.
3. Provide for adequate passage of floodwaters and prohibit uses which substantially increase flood stages.

4. Encourage public awareness of the nature and extent of flood hazard areas and make available to potential landowners and developers information concerning the wise use of the flood hazard area.

5. Provide information to local communities so that they can meet the requirements for land use and control measures set by the Federal Insurance Administration and be eligible for the National Flood Insurance Program.

6. Promote land uses that will preserve existing resource management activities and maximize resource management opportunities in flood hazard areas.

7. Protect necessary wetland areas such as swamps, bogs, and marshes to meet habitat requirements of wildlife located in flood hazard areas.

Renumbered from D. - 22, September 1977.

D. - 27

STREAM CHANNELIZATION

The Small Watershed Program administered by the U.S. Soil Conservation Service provides many benefits to the states, local governments, and private landowners. However, one aspect of the program, stream channelization, has caused significant problems. These problems stem primarily from the inherent conflicts between the environmental effects of channelization and states' responsibilities to protect fish, wildlife, and water quality.

The environmental effects of channelization (which is used primarily as a flood control measure) include increased downstream flooding, the destruction of prime game and fowl habitat as refuge areas are drained and cleared, the death of increasingly scarce bottomland hardwoods as water tables are lowered and root systems wither, and degradation of water quality from non-point source pollution both at the site of channelization and downstream.

In addition, national attitudes and approaches to water resource management, particularly flood control, have changed in recent years. Flood plain management and land use controls are now the most desirable methods of reducing flood problems, with structural and engineering approaches a last resort.

The National Governors' Association urges the Administration and Congress to study, redefine, and improve the role of the Soil Conservation Service in stream channelization, and to implement a two-step authorization procedure for small watershed projects.

Renumbered from D. - 23, September 1977.

D. - 28

NATIONAL WATER POLICY REVIEW

In response to President Carter's request for a review and reform of national water policy, it is the position of the National Governors' Association that:

1. The states have established systems of water laws to meet their individual economic and environmental needs, and unequivocally oppose any intrusion of the federal government into water resource areas traditionally managed by the individual states. Specifically, the states oppose any attempt by the federal government to usurp their role in allocating and adjudicating water rights.

2. The nation's Governors agree there is a need for clarification and improved coordination of federal water policy among federal agencies, as well as reforms that can be made on a state-by-state basis, but believe that these actions should take place without intrusion into the state's role in water administration.

3. Many of the options proposed in the option papers are unclear, while others are unrealistic and unworkable. There is need for further clarification, definition, and identification of the Administration's specific policy recommendations. Individual state responses to the option papers point out legitimate areas of concern over the various options that have been published. Consequently, the National Governors' Association urges that the Administration reflect those concerns in developing refined and specific policy recommendations for additional public review.

4. Upon completion of additional public scrutiny, the secretary of the interior should provide states an adequate opportunity to review and comment on all water policy recommendations the secretary intends to propose to the President.

5. The federal government has a traditional role of financing and funding water projects, and in providing technical assistance to states. The states oppose any significant change in these policies.

Adopted September 1977.

D. - 29

AMENDMENTS TO THE CLEAN AIR ACT

The 1970 amendments to the Clean Air Act reaffirmed that states have the primary responsibility for control and abatement of air pollution. This role must be continued and strengthened further if the states are to solve successfully the complex air-pollution problems that exist throughout the nation. The nation's Governors believe that Congress must pass comprehensive Clean Air Act Amendments legislation which includes the following provisions:

1. Congress--and not the courts--must establish national policy on the vitally important issue of prevention of significant deterioration. Any significant deterioration policy established by Congress must provide for protection of air quality over lands of prime national interest. On all other lands, the Governors must have the exclusive authority to designate air-quality classifications and the responsibility for implementing programs for the prevention of significant deterioration. As a component of any prevention of significant deterioration policy relating to new major emitting facilities, Congress should require the Environmental Protection Agency to determine the best available control technology, with state discretion, to establish more stringent requirements. The Environmental Protection Agency shall involve the states in best

available control technology development prior to publication in the Federal Register of proposed rulemaking. Further, EPA shall review best available control technology regularly--with full opportunity for state participation--to incorporate subsequent improvements in control technology.

2. Accommodating growth in the nation's non-attainment areas, while at the same time maintaining a vigorous program to attain ambient standards, is one of the most challenging demands of the Clean Air Act. This can be accommodated within the current provisions of the Clean Air Act, provided the deadlines for meeting ambient air-quality standards in non-attainment areas are extended beyond July 1977.

A revision to a state implementation plan that allows a new or modified air pollution source in a non-attainment area must be approved by the administrator, provided such revision insures orderly and significant progress toward overall emission reductions. A national policy that limits expansion to existing facilities in non-attainment areas may be detrimental to the economic well-being of many areas of the nation. In addition, EPA's new "off-set" policy has certain flaws which may reduce its effectiveness. States should have the flexibility to select the strategy most appropriate to their circumstances, including but not limited to those above, in seeking to reduce pollution in areas not attaining national standards. If the sources of emission causing or contributing to a non-attainment problem are outside the jurisdiction of the affected area, EPA must require the necessary emission reductions in the source areas so as to effect achievement and maintenance of the air quality standards in the affected receptor area.

3. More time and additional federal funding are needed to solve the transportation-related pollution problems that exist in our cities. A federally funded planning effort and reasonable deadline extensions must be granted by Congress to insure that this complex problem is solved in a rational and coordinated manner.

4. The automobile industry should be required to meet existing emission standards as expeditiously as is practical. Vehicle warranties on emissions-related components should be of sufficient duration so as to not impose burdensome costs and responsibilities on motorists for maintenance and repairs. Further, any decision to postpone current statutory auto-emission standards should be accompanied by a concurrent postponement of deadlines for meeting ambient standards in order to avoid increasing the restrictiveness of state implementation plans.

5. Federal facilities must be required to comply with all state and local substantive and procedural requirements on control and abatement of air pollution.

6. The EPA administrator should be required to notify a state before contacting an air-pollution source within that state concerning an implementation plan deficiency. States should be provided a reasonable opportunity to correct any deficiencies prior to any federal action.

7. Upon petition of a state, or upon his own motion after consultation with a state, the administrator should be permitted to alter the boundaries of air-quality control regions to provide greater flexibility in developing control strategies tailored to local problems.

8. If a National Commission on Air Quality is established to review implementation of the 1977 Amendments to the Clean Air Act and recommend to the Congress future changes in the law, the commission should have representation from the public, the nation's Governors, and members of the congressional committees that have jurisdiction over Clean Air Act matters.

9. The law should be amended to prevent state agencies from losing federal program funds by providing for a waiver of the "maintenance-of-effort" provision where state funds are reduced as a result of an overall or "across-the-board" state budget reduction.

The 95th Congress should move swiftly to pass the 1977 Amendments to the Clean Air Act. Clear direction from Congress is necessary for the states to carry out their proper roles in air-pollution control without having to face continuing litigation based on uncertainties as to congressional intent.

Renumbered from D. - 24, September 1977.

D. - 30

RECREATION PLANNING

Meeting the nation's recreational needs increasingly has depended on government action as the quantity and quality of natural resources have diminished. The states have developed plans to deal with recreational needs and problems unique to their areas. While significant progress has been made, the National Governors' Association supports the following actions to ensure successful implementation:

1. Increased and timely funding for acquisition and development of outdoor recreational facilities authorized under the Land and Water Conservation Fund Act of 1965. The act should be amended to allow the federal government to fund the operation and maintenance of outdoor recreation facilities, and to allow states to use up to 25 percent of their annual apportionment to enclose outdoor facilities for year-round use.*

2. Evaluation of states' obligation performance every three years from the date funds were actually received.

3. Improved intergovernmental coordination, with early and full state involvement in the development of the 1978 revision of the National Outdoor Recreation Plan. The revised edition of the plan should present a composite of federal, state, local, and private evaluations and recommendations for the highest and best use of recreational resources, management, and protection alternatives and funding possibilities.

4. A more equitable distribution of designated wilderness areas among the states. Additionally, other methods and criteria that encourage the multiple use of urban and rural public lands need to be developed.

* Amendments (PL 94-422) to the act authorize increased funding to \$600 million in fiscal 1978, \$750 million in fiscal 1979 and \$900 million annually through fiscal 1989. States may use 10 percent of their funds to enclose outdoor facilities.

5. Federal assistance to the states to enable them to assess urban recreational needs. In view of transportation constraints imposed by the energy crisis, the Association urges Congress to establish and ensure implementation of a rational, comprehensive policy on critical urban recreational needs as identified by the states.

Renumbered from D. - 25, September 1977.

D. - 31

FORESTRY

Expected shortages of wood products combined with increasing public demands for the recreational, environmental, and wildlife benefits of the nation's forests have led to inevitable conflicts in the management and use of forest lands. The National Governors' Association strongly endorses the balanced utilization of public forest lands as required by the Multiple Use Act of 1960.

In response to criticism of the Forest Service for over-emphasis on timber harvesting to the detriment or exclusion of other forest uses, Congress enacted the Forest and Rangeland Renewable Resources Planning Act of 1974. This act required the Forest Service to ensure the wise use of national forests and initiated a procedure to develop both short- and long-term policies and programs. This process should be encouraged and the necessary programs initiated and funded. All timber harvest should be based on long-range plans that consider the multiple-use concept of sound forest management.

In carrying out these and other legislative mandates relating to national forests, the Association urges that all plans and management programs be linked directly to the funding and allocation of adequate personnel to ensure implementation.

States and other interested parties should be allowed to participate at the earliest stages of the planning process and to comment on plans and revisions by requiring submission through the A-95 review process. Public participation, including public hearings, must be made an integral part of the planning process.

Private lands will play a major role in providing forest products. The Association endorses federal programs to improve reforestation and management practices. In addition, millions of tons of fiber products now are incinerated or buried in landfills daily. Federal and state governments must emphasize the research, development, and implementation of efficient recycling and utilization systems for fiber products.

Renumbered from D. - 26, September 1977.

D. - 32

WILDLIFE MANAGEMENT

The national economic impact of wildlife activities approached \$10 billion in 1974 and has shown substantial annual increases as revealed by recurring national surveys. Clearly the concept of wildlife management in its broadest interpretation has achieved prominence.

Poor farming and grazing practices, unlimited timber harvests, increasing hydro-power requirements, water pollution, nonexistent or unenforced fish and game laws, fires, and other factors have caused gross destruction and depletion of wildlife habitat. The results are clearly visible in the reduced numbers, and occasional elimination, of some species.

This situation is being reversed. There is general public acceptance of sound wildlife management principles, which include conservation education, habitat management, controlled wildlife harvesting, applied research, and law enforcement. State and federal cooperative agreements are being established to fund and coordinate state and local efforts to halt the steady decline of certain species and to restore such populations to safe levels. Non-game species of wildlife also have benefited.

However, this is no time to relax surveillance and management of wildlife populations. Current threats to habitat are often insidious and subtle in their effects. Land drainage, expansion of cities, development of rural areas, use of pesticides, and the tendency toward overprotectionism have now been added to the more traditional dangers of mining, oil spills, and industrial pollution.

The National Governors' Association endorses the concept and science of wildlife management as an absolute requisite in the overall scheme of resource management at the national, state, regional, and local levels.

Renumbered from D. - 27, September 1977.

D. - 33

SURFACE MINING

The nation's Governors support the enactment of federal legislation that provides basic standards to insure environmental and socioeconomic protection in the surface mining of coal.

State government traditionally has possessed the knowledge and expertise to administer reclamation programs and, therefore, any federal act should acknowledge the responsibility of states to administer and enforce such laws. Individual states also should be allowed to promulgate stricter standards than those mandated by the federal government.

Any such federal legislation should require that the responsible federal agency consult with the states prior to the development of policy and programs affecting the states. To this end, states must be involved in regulations and state program criteria development prior to publication of such regulations in the Federal Register.

In addition, it must be recognized that accelerated surface mining, which is responsive to the national need to increase domestic energy production, will place a fiscal burden on state reclamation programs. Therefore, the federal government should make financial assistance available to states for the administration and enforcement of reclamation programs.

It is the expectation of the Governors that federal strip-mining legislation will not only protect our land but will provide a reasonable method of identifying lands that are the most suitable for mining and reclamation.

Renumbered from D. - 28, September 1977.

D. - 34

SOLID WASTE MANAGEMENT

Federal policy on solid waste management should establish national goals and provide assistance to state governments to attain these goals. Such goals should be to develop reliable, economic, solid waste management services; improve the environment; minimize the amount of solid waste; maximize the recovery of material and energy resources from solid waste; and dispose of potentially hazardous materials in a safe manner. Because of the states' unique responsibilities and powers, and because of their proximity to the problems of solid waste, state government must be the major focal point for planning and action in solid waste management. The Governor of each state should be responsible for the administration of all planning funds whether planning is undertaken at the state level or delegated to regional or local levels.

The implementation of federal policy best can be achieved by the establishment of minimum federal management standards for solid waste and hazardous wastes, which may be set by the states; the enforcement of such standards by the states, supported by adequate program grants; continued federal support, in partnership with the states, of solid waste management, manpower and technology development and technical assistance programs; the provision of incentives at all levels of government to broaden the markets for material and energy resources recovered from solid waste; and encouragement of private solid waste management and resource recovery industries.

Special emphasis should be placed on the development and implementation of incentives to reduce excess packaging and elimination of planned obsolescence of products. To help reduce the nation's dependence on foreign sources of energy, the potential of energy-producing resource recovery systems should be explored. The federal government should provide financial assistance for innovative resource recovery, source reduction, and energy-producing systems that demonstrate a reasonable likelihood of success.

The Interstate Commerce Commission's regulations and tariffs relating to the transportation of recyclable materials should be revised so that such materials have the tariff advantage over raw materials.

Renumbered from D. - 29, September 1977.

D. - 35

RADIOACTIVE WASTES

The increasing use of nuclear reactors in the production of electricity will result in an escalating inventory of high-level nuclear wastes. Because

the half-life of some of these materials exceeds tens of thousands of years, disposal sites in the conventional sense do not exist.

While the federal government has recognized its responsibility to develop disposal techniques and locate proper disposal sites, permanent disposal solutions still are lacking. An increased emphasis on developing permanent disposal technology is needed if future generations are to be spared the responsibility for the problems created by the current appetite for energy.

Renumbered from D. - 30, September 1977.

D. - 36

LANDSAT FOLLOW-ON PROGRAM

Timely decisions in the management of natural resources are becoming increasingly complex and difficult because of the growing competitive demand for resources, the dwindling availability of key resources, the increased rate of resource use, the expanding regional nature of decisions and resulting impacts, and the necessity to achieve a balance between economic well-being and environmental quality.

State, regional, and local resource managers are looking more and more to remote sensing techniques, and, in particular, to the Landsat program as an important new technology that can expand the current information base. Resource management decisions based on Landsat data have helped reduce the waste of funds and resources resulting from delays and litigation associated with unresolved land management issues.

The National Governors' Association supports the Landsat Follow-on Program and would welcome imagery of greater resolution to assure continued and improved data for use in natural resources decisions by the states.

Renumbered from D. - 31, September 1977.

D. - 37

TOPOGRAPHIC MAPPING

The Topographic Division of the U.S. Geological Survey is considering a plan to convert the standard quadrangle map series to the metric system. Several states currently are only partially mapped at the standard 7.5 minute quadrangle scale of 1:24,000. A change to the metric system before completion of mapping at this scale will result in many adjoining maps with different scales.

This will inconvenience the map user and require conversion of many maps to compatible scales. Such conversion will waste much time and effort. The National Governors' Association recommends that mapping programs in the various states be completed at a single scale and as early as possible.

Renumbered from D. - 32, September 1977.

OIL TANKER SAFETY AND ENVIRONMENTAL PROTECTION STANDARDS

The United States is increasingly dependent upon oil transported from foreign and domestic sources through an ever larger fleet of oil tankers. Beginning in late 1977, large quantities of crude oil from Alaska's north slope will be transported via tanker to the West Coast and through the Panama Canal to the Gulf Coast states. Development of the offshore oil resources of the United States will cause increased tanker traffic along the coastal areas of the country. In addition, 1976 was the worst year in peacetime history for oil tank vessel losses, for oil pollution from tanker accidents, and for the largest single oil pollution incident off the coast of the United States. Each year, over 1 million tons of oil are lost through routine tank cleaning and deballasting operations; additionally, one-quarter million tons are lost through tanker accidents. The worldwide safety record of oil tankers steadily is worsening, while at the same time, other transportation mode safety records, particularly those of the air transport industry, are improving steadily.

Until now, the international maritime consultative organization of the United Nations has failed to institute necessary requirements for tank vessel safety and operation. The United States has full authority to unilaterally restrict vessels using its waters to those of safe design and operation, if international agreement fails to ensure this on a worldwide basis. Since a substantial portion of this oil pollution, loss of valuable shipping capability, loss of life, and waste of valuable fossil fuel resources can be prevented by utilizing advanced technology and operating practices commonly in use by the shipping industry, it is imperative that protective actions be taken immediately to lessen risks that now are recognized to be intolerable. The requirement for the use of this new technology would increase the cost of fuel to the consumer by an insignificant amount. Actions taken must include a national program for the funding of oil-spill cleanup or for the recovery of losses by persons damaged by oil spills.

The National Governors' Association supports rigorous standards for the construction and operation of oil tankers and for the training and licensing of their officers, crews, and pilots. The Governors advocate specifically that the Congress and the Administration give serious consideration to the following:

1. Requirements be implemented for the retrofitting of segregated ballast tank capability in existing oil tankers (above 40,000 DWT) and the prohibition of introduction of water into the cargo tanks of such vessels for normal ballast purposes.
2. All newly constructed tankers (above 40,000 DWT) be fitted with a double bottom or double hull along the entire cargo-carrying length of the vessel.
3. All tank vessels be equipped with redundant radars, at least one of which is equipped with a collision avoidance system, and also be equipped with Loran-C navigational systems where that service is available.
4. All tank vessels (above 40,000 DWT) be fitted with cargo tank atmosphere inerting systems to prevent the formation of explosive or flammable mixtures.

5. A national system of tank vessel surveillance, using radar, satellite surveillance, Loran-C retransmitters, or a combination of these systems, be instituted so that the exact position of all such vessels in U.S. waters is known.

6. Rigorous requirements for officers, crews, and pilot training be instituted, including periodic testing by bridge and engine room simulators, and the restriction of pilots to vessel types and tonnages for which they have direct experience.

7. The Congress of the United States enact legislation providing for sufficient funding for oil-spill cleanup and for the rapid recovery of damages by those suffering losses as a result of spills.

8. Any vessels flying foreign flags must meet the same safety standards as U.S. ships.

Renumbered from D. - 33, September 1977.

D. - 39

ENERGY REORGANIZATION

Currently, the responsibility for energy research, planning, development, decision making, management, and impact mitigation is assumed by numerous federal agencies.

Such dispersal of functions has resulted in administrative confusion and overlapping functions among federal agencies, and a failure to resolve interagency conflicts. This structural defect has presented a major impediment to the formation of a national energy policy and to the meaningful participation of the states in national energy matters. This condition has exacerbated the dependency on foreign oil sources.

The National Governors' Association, at its 1977 Winter Meeting, commended President Carter for pursuing energy reorganization and pledged the support and continued participation of the nation's Governors in preparing a plan to consolidate, centralize, and rationalize energy research, planning, development, decision making, management, and impact mitigation programs.

Adopted March 1977; renumbered from D. - 34, September 1977.

Community and Economic Development

E.-1

GENERAL PRINCIPLES

In the national effort to meet rural and urban development needs, the states should play a full and meaningful role in the formulation, implementation, and coordination of community development policies and programs.

The National Governors' Association strongly believes that the development of state policy management and coordination capacities will help strengthen the state-regional-local partnership and, consequently, the development of coordinated urban and rural development objectives. If national resources are to be used wisely in these endeavors, federal financial resources for community development should be distributed to the states in the form of broad block grants. States should supplement such block grants by providing capable direction, management, and technical assistance to local and regional grant recipients.

The Association also recognizes the need for the development of a mechanism in each state through which alternative goals, objectives, and programs can be developed to guide the distribution of state block grant funds. The progress of each state in achieving such goals and objectives through block grant programs should be evaluated annually.

During most of its 200-year history, this nation has devoted much of its interest and most of its public and private resources to new growth and development. As this nation enters the third century of its existence, the Association calls for a renewed focus on the quality of life in America and an expanded commitment to conservation of natural, man-made, and human resources.

In cooperation with state and local units of government, Congress and the Administration should begin to refocus on existing federal policies and programs concerning urban and rural development, giving increased emphasis to the stabilization, preservation, and rehabilitation of urban and rural communities.

E.-2

NATIONAL ECONOMIC DEVELOPMENT

In support of the goal of balanced growth and economic development, the National Governors' Association strongly urges the Administration and Congress to approve legislation authorizing special investment tax credits for job-creating industries in non-metropolitan and economically depressed areas on the fringe of metropolitan areas. States, in cooperation with local governments, should play active roles in such a program, primarily in the designation of areas eligible for such tax credits.

Implementation of existing Title V regional commission programs and future block grant economic adjustment programs should adhere to the following guidelines:

1. There should be maximum flexibility in the planning and program activities of state, multistate and substate entities, including provisions for development projects involving states not within the same multistate entity.
2. Available resources should be concentrated on selected priority goals and areas as designated by state and local authorities.
3. To the extent possible, federal regional administrative and program boundaries should be consistent with multistate and substate arrangements which have been established by states.

Legislation is necessary to assist in the sound and orderly growth of communities affected by coal, shale, offshore oil, and other energy development activities. This legislation should authorize direct and adequate financial assistance to such communities to offset the inordinate increases in the costs of local services resulting from federal energy decisions. Such a program is vitally needed to accelerate national energy production consistent with sound community growth and environmental quality.

Legislation also is needed for the restoration of the economic health of communities affected by federal decisions to close or realign military installations. There is a need to target a reasonable amount of federal financial assistance, determined as a percentage of the dollars projected for savings, to those communities whose social and economic bases will require severe adjustment as a result of a federal decision.

This legislation should provide for the funds to be distributed in the form of grants with the approval of community applications for projects that provide productive jobs and require updated comprehensive planning by the community to insure local accountability. Such a program is critical to communities affected by efforts to rebuild a productive economy.

There also is a need to amend the Federal Property Disposal Act in order that it be modernized in recognition of the need for states and communities to receive title to excess real property for purposes of providing new job opportunities where military base closures have caused unemployment.

No single approach will solve the dual problems of unemployment and increasing inflation. Consequently, the Association urges the Administration and Congress to adopt a coordinated strategy for continuing the attack on unemployment and inflation by using a mixture of public and private programs.

Improving conditions and incentives for private business and industry should be a high national priority in a program for returning workers to their former jobs and creating more employment opportunities. Toward this end, regulations that have adverse effects on increasing employment should be reviewed immediately and, where necessary, modified.

In terms of subsidized public service jobs, the federal government should be viewed only as an employer of last resort. In line with this concept, the Association urges the following steps:

1. Continued appropriations for public service jobs under the Emergency Jobs Program, with emphasis on selecting the locations and types of jobs based on the severity of unemployment problems and productivity.

2. Relaxation of regulations governing the jobs programs, allowing a portion of the funds to be used to retain current public service employees who might otherwise have to be laid off.

3. Modifications of regulations so that funds for public service jobs and public works projects may be mixed within the same program or project. This mix, to be determined by state and local governments, will provide the flexibility needed to focus on specific types of unemployment problems.

To mitigate the effects of joblessness in the short term, unemployment compensation programs should be funded responsibly to ensure that qualified unemployed workers receive adequate compensation payments. The existing federal-state partnership in this program should be maintained without the imposition of unnecessary federal standards.

Revised September 1977.

E.-3

NATIONAL ECONOMIC DEVELOPMENT PROGRAM CONSOLIDATION

In assessing the progress made and in seeking consensus on the future directions our nation ought to seek in attaining the goal of balanced national growth and sound economic development, the nation's Governors have assessed the various economic development and public works resources, programs, and mechanisms at the federal, state, and local levels.

In the past two decades numerous federal programs have been established to solve the economic problems of this nation. From the Appalachian Regional Development Act and the Public Works and Economic Development Act of 1965 to the local public works legislation of 1977, a vast series of mandates have fallen on the states and local government.

Most of the federal approaches to public works and economic development have been categorical in nature, and within their sphere of influence, many of these programs have been successful. However, these acts and their resultant programs, whether categorized as "long-term economic development programs" or "reactive public works programs," have created large federal bureaucracies, tend to ignore the existence of each other, and mandate numerous duplicative "delivery mechanisms."

Comprehensive planning for economic development has not received the emphasis it should and excessive categorical regulation makes it difficult, if not impossible, to plan comprehensively at the state or local level with federal funds. Categorical funding mechanisms are particularly inappropriate for

many of our urban and rural areas, where the complexity of economic problems calls for strong initiatives to build the economic development capacity of local governments and for flexible federal and state development financing tools.

At the state level, federal economic development resources available to Governors are limited, despite state governments being in the best position to formulate statewide economic development policies and assist their local governments to improve the state of their economies. State governments have the legal authority to influence the rate of growth, the place of growth, and the type of growth. They can do this in a comprehensive manner which does not pit one jurisdiction against another but takes into account the needs and welfare of the state as a whole.

In terms of economic stimulation, the main sources of "pure" funding for economic development come from the Title V and Appalachian Regional Commission programs designed for "depressed areas or regions of the country." Demand for these funds has been so great due to changing social, physical and economic conditions in the nation that nearly all the states soon will be covered by these programs.

Local units of government also lack the resources for long-range economic development planning and program implementation. This lack of available resources at the state and local levels has taught local governments increasingly to seek direct federal aid. Competition between state and local governments for limited direct federal aid has been a frequent occurrence. Often there is minimal coordination and cooperation between states and localities on economic development priorities and projects. Examples can be found in the local public works program where attempts to lower the unemployment rate and provide meaningful public works projects resulted in confusion and inefficient uses of limited federal resources. This process has created a federal wedge between local and state governments.

It is clear that a congressional reevaluation of our national economic development and public works efforts should be undertaken. The National Governors' Association commends Congress and the President for their respective mandate and leadership in assembling the upcoming White House Conference on Balanced National Growth and Economic Development.

In concert with the states and local governments, the Governors urge the President and the Congress to undertake development of a streamlined national economic development program. Such a program should embrace the following principles:

1. Existing federal economic development and public works programs should be consolidated where possible. Any new, permanent, federally funded public works initiative, as well as future countercyclical public works efforts, should be part of an expanded federal economic development effort that provides a comprehensive, flexible funding source for state and community economic development purposes.
2. A simplified delivery mechanism should be developed which would incorporate planning processes and ensure efficient and expeditious disbursement of long-term economic development funding, as well as "prime the pump"

public works expenditures.

3. State and local planning and working relationships should be reinforced and competition for federal funding among states and local governments should be eliminated.

4. New economic development (and public works) activities should be funded only subsequent to development of a city-area-wide-state planning process that assesses the economic picture of the city, area, and state, and lays out annual and multi-year plans for the economic development of the city, area, and state.

5. Special planning considerations should be given to urban areas over 50,000 population. Planning for most other communities should be accomplished on a regional basis, with regional planning boundaries drawn on a cooperative basis by state and local governments.

6. Public works and other flexible economic financing assistance should be targeted to those cities, areas, and states with the most distress.

7. Funds consolidated into any new federal economic development program should be disbursed at the state level on a project-by-project basis by the Governor in accordance with local priorities.

8. States should be encouraged to work cooperatively with local governments to identify local, area, and statewide economic needs and problems, and to remove legal and regulatory obstacles to governmental intervention designed to strengthen local, area, and state economies.

9. In their statewide economic development planning and programming efforts, states should give particular emphasis to the problems of depressed and declining urban and rural areas, and to the growing fiscal and economic disparities between central city and suburban areas.

10. Technical assistance and training to increase the capacity of state and local governments to undertake new economic development activities should be included as a program component.

11. States should be encouraged to join together to work on a regional problem basis rather than through artificial regional boundaries.

12. The federal presence in state and local decision making should be diminished.

13. Consistent with the President's wishes on federal reorganization, any reduction in the number of federal employees brought about by economic development program consolidation should come about through attrition.

The National Governors' Association Committee on Community and Economic Development is directed to establish a working group of state and local officials to draft legislation to implement this policy.

Adopted September 1977.

NATIONAL AGRICULTURAL DEVELOPMENT

The health of America's vast food-producing capacity is so vital to the nation's defense and economic future that plans must be made now for its well-being. The National Governors' Association supports a philosophy of ever-increasing production to meet ever-increasing domestic and international food demands.

A national food policy should be developed to ensure that the nation can feed itself and meet its responsibilities to other people in the world. Such a policy should reflect the importance of providing a quality environment consistent with a growing population. This policy should focus attention on improving agricultural production capabilities, transportation, foreign market development, agricultural processing near the production source, and efforts aimed at developing rural America.

The proper role of the federal government is to establish goals for U.S. agriculture policy and monitor progress toward these goals. The planning of specific programs to meet these specific goals might be done by an appointed body, representing all those concerned in agricultural production, distribution, and domestic consumption. These goals must include a concept of stability and equality of resource earnings for agriculture compatible with other sectors of the economy.

Rapidly increasing production costs, caused in part by increased costs of energy, threaten the future supply of reasonably priced food and fiber. The Association urges the federal government, in cooperation with the states, to ensure that the agriculture industry will receive priority in any energy distribution plan.

The Association again urges suspension of imports of those agricultural products for which domestic producers receive less than their costs of production. The Association recommends farm legislation that will raise low target prices and loan rates on grains, develop export markets, and strengthen price supports for dairy products. The Association further urges the elimination of precipitous government interference with agricultural exports and price freezes aimed solely at agricultural products.

The Association vigorously urges the Environmental Protection Agency to reevaluate immediately rules and regulations concerning predator control. Current regulations, which could be used to require training and licensing of all farmers who apply pesticides in predator control programs, would place an unwarranted burden on the nation's farmers and ranchers.

The Association believes that a need exists for additional, fully funded research aimed at the regulatory control of insects and plant pathogens to protect the agricultural and horticultural industries of the United States.

The increasingly frequent bans and restrictions placed on important pesticides are creating problems for agriculture and horticulture. Additional federal funding of practical research on alternative methods of controlling insects and plant pathogens is essential to offset such bans and prevent loss

to the total U.S. economy.

A strong farm program is a necessary element for a growing national economy and a vital step toward providing reasonable food prices for consumers, while assuring a fair return for all agricultural producers.

To provide adequate protection for the family-sized farm and the maintenance of its landownership base, the Association endorses changes in the outmoded federal estate tax provisions by increasing exemptions from the current level of \$60,000 to \$200,000.

Revised September 1977; replaces existing E.-3.

E.-5

PROTECTION OF THE NATION'S AGRICULTURAL INTERESTS AND FINANCIAL STABILITY

For years, the nation's agricultural interests and financial stability have been ignored. Our farmers and ranchers have suffered from the dual forces of high inflation on the products they buy and a disastrous decline of prices for the products they sell. Interference by the federal government at inappropriate times with inappropriate actions and the failure to take constructive steps, when prudent, have thrown American agriculture into a financial disaster of major proportions.

Some progress has been made, at the Governors' requests, by the new Administration. The White House extended for two months, from April 1 to May 30, 1977, the loan availability time for wheat sign-up. The Administration also agreed to a reduction of the down payment and an increase in loan limits for on-farm grain storage facilities.

We were successful in making the President aware of the "credit crunch" in rural areas. As a result of Governors' actions, the President, on March 29, 1977, directed the secretary of agriculture to launch an immediate in-depth review of financial conditions in the nine states where the economic plight of cattlemen and farmers was most pronounced at that time. Since the initiation of the study, additional states have been affected seriously.

The Administration's failure to provide constructive action to generate more immediate farm income for agriculture is of deep concern to all agricultural states and their Governors.

The President and the secretary of agriculture have the power to raise loan rates on agricultural products. Yet, for the current as well as previous crop years, that rate for wheat, for example, has remained at approximately 45 percent of parity, at least \$1 per bushel below the minimum cost of production. The Administration's refusal to act is leading to bankruptcy for a large number of American farmers.

The National Governors' Association recommends:

1. At a minimum, that Congress pass and the Administration implement a program that meets the pricing conditions set forth in the Senate bill.

2. That the secretary of agriculture not employ the planned technique of offering farmers the "new" farm bill on a "take it or leave it" basis for the 1978 and subsequent crop years. The secretary of agriculture has indicated that the new farm bill, with its unsatisfactory support levels, will be used to force reductions in planted acres without any additional consideration to the producer.

3. That national policy reject the false concept that it is practical or possible in America to increase substantially the amount of totally grass-fed beef. We again call for reduction of foreign meat imports until domestic producers realize at least their production costs and a change in the current import formula which is unfair to our farmers and ranchers.

4. That a presidential task force be appointed to review the long-term stability and health of America's vast food-producing industry. A prime consideration must be to ensure continued opportunity for young people to enter agriculture and, above all, the economic survival of the family-sized farm, the backbone of rural America.

5. That more emphasis must be placed on the promotion of export sales, increased domestic consumption, and additional funding for research for new and alternative uses for agricultural products.

6. That President Carter and Ambassador Strauss be urged to initiate discussions with all countries to relax their import quotas on beef and other agricultural exports.

7. That all agencies of the federal government related to agriculture, commerce, rural economic development, and energy be urged to adopt immediately a more positive approach to the program instituted in Nebraska for converting agricultural products to ethanol alcohol, which, when blended with gasoline on the basis of 10 percent ethanol and 90 percent gasoline, produces a product called Gasohol.

Extensive market testing in Nebraska and elsewhere has established, beyond any question of doubt, the operational feasibility of Gasohol as fully workable in automobiles, trucks, and farm equipment without any engine modification.

We appreciate the most recent efforts by the Energy Research and Development Administration and the Old West Regional Commission, who have provided up to \$60,000 to the Nebraska-led efforts to establish the economic feasibility of Gasohol.

We are now within striking distance of proving the economic feasibility of Gasohol as compared, on the basis of price, with straight gasoline. We recognize that some state and national subsidy may be in order now to assist in moving Gasohol from a sound concept to a reality.

We believe the multi-million dollars of investment necessary from private sources for the construction of Gasohol plants can be a reality in the near future, with the positive assistance of government and its agencies.

With the cooperative efforts of all, the use of Gasohol to help solve this nation's energy problems, satisfy at least a portion of our gasoline needs,

and simultaneously provide a new use for our agricultural products can be made a reality.

Adopted September 1977.

E.- 6

URBAN AND RURAL COMMUNITY DEVELOPMENT

As part of a national community development policy, the Administration should design programs to enhance the economic and physical viability of both urban and rural communities. Such a policy should consolidate existing community development programs administered by the Departments of Health, Education and Welfare, Housing and Urban Development, Agriculture, and Commerce, and should expand cooperation with state community development programs. This consolidation of federal programs should not result in decreased funding for community development.

A national policy should recognize that the county governing, planning, and development entities, coordinated by state planning agencies, are integral parts of most state and federal programs for rural areas.

Rational community development policies cannot become a reality unless states provide the vital link between various community development and planning programs. Congress and the Administration should adopt a program which provides broad block grants to the states for community development, comprehensive planning, and management activities. These grants should allow the states to develop and operate their own systems for setting and implementing community development priorities. Federal funding should cover long-range community development, planning, and management activities, with sufficient flexibility to achieve state and area priorities. Federal funding for rural community development, planning, and management should reflect the high costs of space, sparse population, and the general diseconomies inherent in rural town and county governments.

The Association urges increased funding of rural community development in areas with clear development potential. Several states should be designated as pilot projects for the purpose of coordinating rural development services.

Congressional mandates and federal requirements for states to concentrate the use of rural development funds on housing and land use planning should be eliminated because such mandates and requirements discourage state initiative and flexibility.

An increasing effort must be made at the national and state levels to make rural America more attractive to prospective employers and workers by improving the quality of rural services and facilities. The Rural Development Act (PL 92-419) should be amended to recognize state governments as the central policy makers in their states for all community development activities covered by the act. The National Governors' Association urges Congress to appropriate all funds authorized for full implementation of the Rural Development Act.

Economic delivery of health services is a particularly critical problem in rural areas because of sparse population, low incomes, and insufficient medical facilities. The Association believes that the states and substate units must be given greater latitude and support in the development of health systems

agencies and emergency medical service systems to meet the needs of various states. The Association generally supports consolidation of categorical health care programs into a block grant.

Viable rural development is based on a coordinated program of research and education that suggests new and more effective ways to use existing human, natural, and institutional resources. Land grant universities have been conducting rural education and research programs on a limited basis for many years. These institutions have the capacity to expand research and educational programs in support of rural development. Increased federal financial support, coupled with more direct involvement of state governments in setting priorities, would allow these universities to accelerate and expand their work on revitalizing rural services and facilities.

One of the critical problems confronting the nation's urban and rural communities is the need for decent, safe, and sanitary housing, located in a suitable environment with adequate facilities. In many areas an insufficient supply of adequate housing is frustrating economic growth and community development. Resolving the housing problem will require maximum use of the technical and financial resources of the private sector, as well as increased intergovernmental action.

The Association recommends the establishment of a federal housing block grant program, giving the states the broadest possible discretion in allocating funds among state and local housing programs. In addition, a transitional federal housing administrative structure should be retained to assist states that are developing their own delivery capabilities. Federal and state housing assistance programs and tax policies should give increased priority to the rehabilitation of the existing housing supply.

Renumbered from E.- 4, September 1977.

E.-7

STRONG STATE ROLE IN COMMUNITY AND ECONOMIC DEVELOPMENT

The policy positions of the National Governors' Association have recognized the need for a national community development policy and increased cooperation between the Departments of Housing and Urban Development, Agriculture, and Commerce and the states in the administration of community and economic development programs.

The National Governors' Association believes that two important steps in this direction are federal recognition of the roles that states can play in community and economic development programs and federal support for existing state programs that help to fulfill federal objectives in these areas.

Therefore, be it resolved that the National Governors' Association urges the Administration and Congress to support:

1. Renewal of the Housing and Community Development Act of 1974, with a larger role for the states in community development in general, and in particular, an entitlement for states; a role for states in the administration of, and provision of technical assistance for, the community development block grant program; and a set-aside for tribal governments.

2. Continued assistance to state planning and management programs under the comprehensive planning and management assistance program (701) at an increased funding level, with greater emphasis on the policy and management planning objectives of the program.

3. Significantly increased funding for the Section 8 program through a FY '77 supplemental appropriation and a sufficient FY '78 appropriation, including recognition, in the form of a specific and sufficient set-aside of funds, of the major and continuing role played by state housing finance agencies.

4. An increased role for states in priority setting and coordination of programs for public works, economic development, rural development, and community development.

5. State participation in the planning and execution of the White House Conference on Balanced Growth and Economic Development. Essential building blocks to the White House conference are state and/or regional conferences on growth problems and processes.

6. The continuation and strengthening of supplemental grant authority of Section 509 (PL 89-136) for Title V Regional Commissions to fund public facility projects. Such grants have supported regional strategies for economic development by the construction of industrial sites, technical education centers, and other facilities that result in permanent new jobs.

Renumbered from E.-5, September 1977.

E.-8

NATIONAL DEVELOPMENT POLICY AND SMALL CITIES

Current federal growth and development policies do not recognize adequately the needs of the nation's smaller cities. We believe that the problems and opportunities presented by small cities, especially those under 100,000 population, should be addressed in national balanced growth policy.

Small cities have enjoyed a resurgence since 1970. This fact is reflected in the impressive population growth rates in and around such units between 1970 and 1975. Examination of the most recent population statistics suggests that population clusters that make up small cities, in both rural and metropolitan regions, are the fastest growing areas in most states throughout the nation. This is the first tangible evidence that a substantial number of people who would prefer to live in small cities are now migrating to these areas.

Small cities are important in both state and national development strategies for the balancing of population, public services, and job opportunities across a state. Small cities already have the core public facilities and services, along with an available labor force, which make them an ideal base for further development.

Failure to recognize the growth trends of small cities will have negative consequences for the success of a national balanced growth policy. Population clustering in and around these units has increased the demand for the kinds of public services typically associated with increased density and urbanization. This impact of urbanization, coupled with the realities of continued energy scarcity, suggests a need for state governments to direct job development efforts to these areas. It also is imperative that the states provide categorical financial assistance as well as technical assistance to such areas, and that the federal government continue to provide general revenue sharing assistance to local governments for necessary public services and infrastructure.

The problems of large central cities and lagging regions deserve the renewed attention which has been directed to them. However, these concerns alone cannot genuinely serve as the basis for a new national development policy.

The National Governors' Association calls upon its members and the federal government to promote further investigation of small cities' growth and their place in a balanced growth policy. The Association urges its members to include a focus on small cities in their individual statewide conferences on balanced growth. The Association recommends that the federal government incorporate states' concerns on the future of small cities into presentations at the President's Conference on National Balanced Growth Policy in January 1978.

. Adopted September 1977.

Transportation, Commerce, and Technology

F.- 1

TRANSPORTATION POLICY DIRECTIONS

The National Governors' Association pledges its continued support for the development of an integrated national transportation policy to guide in the accomplishment of national goals. The Governors feel that an active dialogue with the U.S. Department of Transportation will lead to the further development of a transportation policy that can be used for setting continuing priorities in the nation's transportation program.

The Governors feel that they are in a unique position to provide leadership and critical analysis in the development of transportation. We call upon all federal agencies, including the Department of Transportation, to permit the states to assist in the development of regulations through the National Governors' Association so that early input of each state's special situation can be accomplished.

The Governors endorse the concept of a federal/state partnership for the development of transportation programs. The states accept their role and will work in partnership with the federal government in developing the transportation systems that are in the national interest.

A. Transportation Planning

1. The nation's transportation program should foster the development, coordination, operation and maintenance of transportation systems and services that provide the optimum capability for the movement of people and goods in the most efficient, convenient, safe, and reliable manner. Transportation, in addition to the basic task of moving people and goods, should serve the objectives of economic development, allow for wise utilization of resources, provide for social and environmental enhancement, foster the preservation of private and public investment, contribute to national security, and serve the individual's need for effective mobility. The nation's transportation program also must support other stated or implied federal, state, and local policies, goals, and objectives, such as those concerning resource development, economic growth, land use, energy conservation, and environmental enhancement.

2. The Governors call upon the states to develop administrative and legal structures equal to the challenge of providing the comprehensive, integrated transportation systems required by the citizens of the states. Many states, responding to the need for a central agency, have created departments of transportation to coordinate all modal programs. Such departments foster the development of transportation services that are integrated with comprehensive planning, more effectively define the decision-making responsibilities of each level of government, and can assist in providing dependable, equitable, and adequate transportation policies.

3. The Governors believe the existing modal agencies within the U.S. Department of Transportation should not be separated, and proposals to remove the Federal Aviation Administration or the maritime activities should not be approved. The streamlining of departmental operations through internal organizational changes, however, may be appropriate. Any such organizational changes should provide for uniform procedures and for decision-making processes for administrative efficiency. Field organizations should provide a single place for state access and, to the maximum extent possible, activities should be delegated to the states to expedite decision-making processes.

4. The Governors support the concept that federal transportation programs be coordinated fully. To this end, all transportation programs of the federal government should be developed according to transportation policies developed through the cooperation of state and federal agencies interested in transportation. The projects of agencies outside the U.S. Department of Transportation, such as the Corps of Engineers, that provide transportation services should be coordinated with the Department of Transportation and the states.

5. The Governors recognize the federal role of ensuring a national integrated transportation network which satisfies the needs for common welfare and defense. These national systems should be identified and developed with the full recognition that, because of their nationwide importance, they should incorporate federal involvement and the greatest degree of financial participation. For transportation systems of less than national significance, the federal government should provide technical and financial assistance to the states and work with the states in the formulation of regulations and guidelines for a uniform transportation network.

6. The states are constitutionally responsible and equipped to determine and fulfill their general transportation needs. Through cooperative action with local governments, states should establish the transport facilities and service priorities of its citizens. All transportation funds, except for directly administered federal programs, should flow to the states, with the states having the authority and flexibility to transfer funds among various transportation programs to meet priority transportation needs of the state and its units of local government.

7. The Governors call for all transportation planning to be coordinated by the states so that the needs of all urbanized areas can be addressed. The states are the appropriate level of government to provide for the coordination and control of transportation programs. The metropolitan planning organizations should provide local comprehensive planning input from which coordinated statewide transportation plans will be developed. The programming of projects to address transportation needs and implement federal and state programs is the responsibility of the state.

B. Transportation Finance

1. The Governors continually have endorsed energy conservation in order to reduce this nation's dependence upon foreign oil products. We urge that, in pursuing the policy of energy conservation, the dependence of transportation on petroleum fuels and the difficulty of shifting to other fuels be considered. Strategies for shifting to other energy resources should be expedited for those activities not requiring petroleum, so that in the near term such liquid fuels will be available for transportation.

2. All states have felt the impact of declining motor fuel tax collections, despite increasing vehicle travel, and therefore urge a reevaluation of transportation funding mechanisms so that the commerce of the nation can continue to move. With a national policy of energy conservation, it will be necessary to hold the state and federal transportation programs harmless from this impact. A portion of the revenue generated by any energy conservation taxes is necessary to ensure transportation services and should be channeled into transportation, with supplemental funds added as necessary, to meet the urgent and immediate needs of an adequate, comprehensive, integrated transportation system. State pre-emption of energy taxes for transportation purposes should be considered in the development of energy conservation programs. For example, consideration should be given to either exempting or rebating those portions of energy taxes that would cause an increase in the cost of non-fuel petroleum products such as liquid asphalt.

3. The Governor, as elected chief executive, is best able to determine the transportation needs and priorities of the state. Congress should distribute all transportation funds to the states so that these funds can be administered in a more orderly and accountable manner.

4. The Governors are concerned particularly about the long-term financing of the nation's transportation needs. Transportation improvements involve multi-year contracts. Therefore, federal aid must be predictably consistent so that program goals can be accomplished. Authorization periods of at least four years should be established to ensure that future funding will be sufficient and match requirements can be anticipated. To accomplish this, the Governors support trust funding for transportation programs, based on dedicated revenue sources. Dedicated funds are necessary to provide for contract authority, allowing long-term transportation financing which is consistent and continuing. It is recognized that public transportation needs cannot be financially supported fully from user taxes, and therefore need an additional source of dedicated funds. A user-funded trust fund provides the most equitable means of financing transportation improvements, and trust funds allow a user to identify the cost and benefits derived from the transportation programs. The Governors support a federal funding structure that recognizes the higher level of federal interest in systems that serve interstate commerce and national defense, or addresses problems of national concern on a modal basis, and that provides for a lesser degree of federal program involvement for those systems that address state and local needs. The allocation of funds should be made to the states with minimal categorical restrictions, consistent with federal goals.

5. The Governors support a consistent federal participation ratio based upon the level of federal interest in the system. Transferability of up to 10 percent of funds among systems of national significance and second-level systems should be permitted at the option of the states. Within each mode, second-level program funds should be transferable to meet the needs of the state.

6. The Governors commend the Congress in calling for the establishment of a commission to make a full and complete investigation and study of the transportation needs and of the resources, requirements, and policies of the United States to meet such needs. The Governors endorse the objectives of the National Transportation Policy Study Commission, as set forth in Section 154

of the 1976 Federal-Aid Highway Act, and encourage all parties to move forward with this study. The Governors pledge their support to the commission in its work, and request that the states be included in the efforts. The continuation of the functional capability of the nation's highway systems must receive high priority, and sufficient funds must be dedicated to insure the continued integrity of this system. The commission is encouraged to consider the following:

a. the transportation funding system should assist in making transportation programs supportive of national, state, and local economic and social goals;

b. the transportation funding system should assure appropriate federal financial support, while allowing maximum flexibility for each state to plan, design, construct, and operate transportation facilities that meet their priorities;

c. the transportation funding system should encourage a reduction in the promulgation and use of regulations; and

d. the transportation funding system must provide consistent and continuous levels of funding so that appropriate levels of transportation service can be provided by each mode.

C. Operation

1. The Governors pledge their continued cooperation in providing appropriate environmental assessments on transportation construction. A strengthened A-95 process provides the Governors with a stronger role in the evaluation, analysis, and implementation of all transportation projects, to avoid duplication and waste as well as environmental damage.

2. The Governors call for the federal government to provide effective minimum standards to protect the basic health and safety of every citizen, while leaving state governments free to deal with the problems that have reached extraordinary severity or to respond to citizen demands for a higher level of environmental quality than that which would be appropriate nationwide.

3. The Governors call upon the federal government to join with the states in an effort to measure pollution and to apply innovative technology in discovering new sources of energy and new techniques of reducing pollution and disposing of wastes produced by our transportation system.

4. The Governors feel that more specific guidance, clarification, and clear expression of congressional intent are needed to avoid duplication of effort in implementing NEPA, the Clean Air Act of 1970, Section 4(f) of the Transportation Act of 1966, Section 402 and Section 404 (PL 92-500) concerning the Corps of Engineers, the Historic Preservation Act, Endangered Species Act of 1973, and other environmentally oriented federal legislation. An economical and progressive step to assist in achieving a realistic balance between progress and environmental protection would result from the clarification of this process. In lieu of federal requirements, the states should be allowed to develop standards responsive to their needs and in conformance to national

minimum standards. States that have enacted standards equivalent to the federal standards should be responsible for the administration of environmental protection.

5. The Governors pledge increased emphasis on the design of highways and other transportation systems so that these facilities complement rather than conflict with the total environment, in both its natural and man-made aspects, while providing essential transportation services for the economic health of all states. Further, programs for the preservation and development of historic and scenic vistas along transportation corridors should be encouraged by the reward of additional federal financial assistance for increased state and local action, rather than by the current threat contained in the highway funding legislation. The Association opposes any federal penalties on the states when they choose not to participate in federal programs.

D. Regulation

1. The Governors support the basic premise that a representative government has the responsibility to assure that public needs are met by at least one mode of transportation service. To attain this objective, transportation regulation may be justified if free market conditions cannot provide reasonable and adequate service at economical prices.

2. The Governors note with considerable concern instances of unbalanced and discriminatory freight rate practices present in the rail and trucking industry. These practices result in otherwise avoidable inequities and indicate a pressing and immediate need for change. The National Governors' Association urges the formation of a national commission to investigate the broad range of state and federal regulatory practices. The Governors support the concept of the "zone of reasonableness" method of rate setting, which is designed to both protect the carriers and foster competition.

Revised September 1977.

F.- 2

HIGHWAY TRANSPORTATION

The Governors are greatly concerned that the proposed national energy conservation program will have a devastating effect on the states' receipts of highway user revenues. These funds represent the overwhelming majority of each state's total highway budget, and any reduction will seriously jeopardize the entire highway maintenance and construction program. It should be realized that adequately maintained and improved highways are in themselves energy efficient, safe, and will significantly contribute to fuel savings. In view of the enormous needs that have been documented for the highway system all across the nation, and recognizing the states' financial limitations, the National Governors' Association strongly recommends that a significant portion of any additional federal energy fuel taxes be returned to the states in an amount sufficient to insure the preservation of existing highway facilities, as well as the continuation of needed new improvements.

The National Governors' Association strongly supports continued development and improvement of the nation's streets and highways. This network is essential to our transportation system, which is critical to maintaining the vitality of our economy. The Governors urge that the program continue as a partnership between state and federal government because support and coordination are needed at all levels of government if the effort is to be effective.

Over the past several decades, federal transportation agencies, in partnership with the states, have taken a leadership role, and have helped provide dollars to build a first-class transportation system for the people of the United States. The construction and maintenance of an excellent road system, capped off by the interstate system, also provided a needed stimulus to our economy. This record is enviable by any standards.

Our transportation successes at the state and national level, coupled with shrinking fiscal resources to maintain and improve the systems at hand, have brought us to the point of a new challenge. We need to turn our resources and attention to making the most efficient use of existing transportation systems, and we need to have Federal Highway Administration programs which place renewed emphasis on the primary, urban, and secondary systems of federal-aid highways.

A. Planning

1. Congress and the Administration should continue to thoroughly review with the nation's Governors the various transportation programs, to determine the appropriate roles for state and federal government in the development and maintenance of a comprehensive and integrated transportation system, and to seek the elimination of duplication of effort and overlap of responsibility.

2. The National Governors' Association supports continuation of federal funding for advance acquisition of rights-of-way as an excellent measure of economy and planning.

B. Finance

1. Congressional and Administration attention should be focused on reducing the complexity of federal aid and increasing the flexibility of the states to administer the program and to expend the funds on state-determined needs for new construction, reconstruction, and safety projects. Continuing study of existing categorical programs should be made to reduce them to no more than four categories: interstate, urban, rural, and safety. Primary authority for coordination, planning, and flexible distribution of trust funds within the states should continue to be at the state government level.

2. The National Governors' Association urges the Congress to provide substantial additional funding for the federal-aid systems at no delay to the completion of the existing interstate system. The National Governors' Association takes the position that highway programs promptly should take into account the regional and statewide significance of the federal-aid primary, urban, and secondary systems, and should plan for their continued improvement, rehabilitation, and serviceability.

3. The Federal Highway Trust Fund should be extended to assure completion of the interstate system, and to provide for its reconstruction and rehabilitation. Emphasis should be given to the economic necessity for completing the present interstate network. The possible benefits to be realized through the sale of bonds to provide for early interstate completion should be studied. Since many states have or are now using bond funds to provide their citizens with the mobility and safety of a completed interstate system, Congress and the Administration are urged to consider legislative changes that would provide for federal aid participation in the bond administration and interest costs.

4. The Governors are concerned that substantial interstate funds already appropriated are not being effectively utilized. For various reasons some states are unable to use their interstate appropriations while other states have obligated their available funds and sold bonds to expedite interstate construction. The Governors strongly recommend that Congress and the Administration consider action that would provide additional funds to those states that can advance completion of the interstate system while at the same time protecting the vested interests of those states which are currently unable to use their current appropriations.

5. Any modifications to the Highway Trust Fund must consider the highway needs of the nation, the tax base required to support those needs, and the impact modifications would have on the various states. Serious consideration should be given to a formula that would provide that each state receive not less than 80 percent of tax payments it makes into the Highway Trust Fund. The remaining 20 percent would be allocated in a manner to ensure a comprehensive, integrated highway system.

6. The National Governors' Association is opposed to any diversion of the present Highway Trust Fund revenues to the general fund. The nation's current highway needs far exceed our financial capabilities. The Governors support greater flexibility at the state level in the uses of highway program appropriations, with each state receiving its fair share of funding to be used as its own transportation priorities dictate, including reconstruction, rehabilitation, and safety projects.

7. Although no highway trust funds currently are being impounded, the Congress has imposed an obligational limitation of highway trust funds, thus perpetuating the practice of impoundment. Therefore, we urge the Congress to remove the obligational authority limitations from the appropriations for the Department of Transportation, and allow the states to make use of all past and present Highway Trust Fund authorizations within the limits of cash available in the Highway Trust Fund. Obligational authority should be provided as far ahead as possible to permit the states to adequately plan and effectively implement their highway programs.

8. Gasoline and other motor fuel taxes should not be forced to bear the full burden of the energy conservation effort to the detriment of the overall highway program or the individual state's ability to use fuel taxes to finance construction and maintenance of its highway system. Should Congress establish any additional user taxes, the funds should be directed to the states, or pre-emption, to the same degree, should be allowed to offset any reduction in highway funds caused by such a program.

9. The Governors view with alarm the condition of many of the bridges in our highway system. It is an established fact that there are almost 40,000 old, inadequate, and unsafe bridges in our federal aid system, which are in critical need of replacement. The funds required to correct this deficiency are approximately \$12.4 billion, with the currently available amount being only \$180 million annually. There is a similar number of deficient bridges costing a similar amount of money off the federal aid system. The Association strongly recommends that substantial, additional federal funding and emphasis be provided to correct this deplorable condition.

C. Operation

1. The use of certification acceptance by several states has proven to be of benefit, and the changes in the 1976 Federal-Aid Highway Act provide for greater use of certified acceptance procedures. Therefore, the Governors urge the Federal Highway Administration to develop the program to the full intent of Congress and provide the benefits of the much simplified procedures. The reductions in FHWA manpower, which can result, could benefit the other modal administrations of the Department of Transportation.

D. Regulation

1. Although the fuel shortage has diminished, the trucking industry remains affected by economic and productivity impacts resulting from high fuel costs, disparate tax and licensing structures, size and weight regulations, and similar problems.

2. The Governors realize the nationwide dependence upon the trucking industry to furnish essential transportation services. In order that this may be continued in a more effective and efficient manner, we again recommend that Congress and the Interstate Commerce Commission investigate the obstacles facing the trucking industry.

3. We recommend that states consider legislation to permit uniform axle, tandem, and gross weights, consistent with federal regulations, and also give consideration to joining the international registration plan to enable the efficient flow of interstate commerce.

4. The Governors recognize the advantages of the nonresident violators compact and the benefits such an agreement could afford their citizens when traveling in other signatory states. In view of this, the Governors recommend that each state give proper consideration to joining this compact.

E. Safety

1. The Governors recommend that the National Highway Traffic Safety Administration and the Federal Highway Administration administer the Highway Safety Program in a unified manner, as a single program. The two administrations should move toward a programmed approach for highway safety funds by adopting flexibility in administering the Highway Safety Program. The federal aid requirements should be simplified, and states should be permitted to focus federal highway safety resources on the most pressing problems in each state.

2. The Governors commend the Congress for repealing the 10 percent

penalty clause in the Highway Safety Act and applaud the more realistic, flexible provisions contained in the 1976 act. However, the Governors are concerned over the trend of state legislative bodies to repeal existing state safety legislation because of the flexibility extended by Congress, and the Governors pledge their leadership and support to strengthen the safety programs of their states.

3. There should be greater coordination of research conducted by the National Highway Traffic Safety Administration, the Federal Highway Administration, the states, and private industry. The NHTSA should act as a clearinghouse and source for an exchange of information, and should provide this information to the states. The National Governors' Association recommends that studies related to decreased highway-related accidents, deaths, property damage, and the lowered speed limits be reviewed and expanded.

4. The Governors recognize that more than 50 percent of the highway fatalities are alcohol-related and recommend the early implementation of countermeasures in all states, including use of the implied consent law. The Governors also recognize that states must play a vital role, and urge that necessary resources be made available to the Governor to implement the countermeasures.

5. The Governors view with alarm any proposal to interfere with state enforcement of traffic speed limits. The presumptions implied by Department of Transportation regulations that Governors would default in their constitutional responsibility to see that the laws are faithfully executed, and that their performance in this regard should be monitored, are totally unacceptable. Any contribution to the national objectives of energy conservation and highway safety are but incidental when compared to the abdication of traditional state police power under coercive threat of highway fund withdrawal. The Governors pledge in good faith to support the 55 mile per hour national speed limit, and certification by the Governors that their speed control programs are fully operative should be sufficient to satisfy the intent of Congress.

6. School bus safety is of vital concern to Congress and the Governors. However, the requirements of 23 USC 406 are too rigid, and force the Governors to expend funds in a narrowly defined area of school bus safety. The Governors recommend that Congress repeal 23 USC 406 and fund school bus safety through 23 USC 402, as are all other safety standards.

7. The National Highway Traffic Safety Administration and the Federal Highway Administration have issued orders requiring states to absorb the planning and administration costs of the Highway Safety Program. The Governors oppose this action and urge NHTSA and FHWA to reverse their decision. Failing such action by these federal agencies, the Governors request congressional action to secure continuing funding from the federal level.

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F.- 3

AIR TRANSPORTATION

Because aviation is a critical component of a balanced state transportation system, the Governors have a major interest in policies and programs which

affect the pattern of development of airport and airway facilities. The Governors endorse current Department of Transportation philosophy, which would transfer selected general aviation programs from federal to state administration, and encourage closer federal-state cooperation in developing the national aviation system. The importance of aviation to industrial and community development, the need to plan airport facilities as components of the state transportation system, the fully documented fact that states can implement general aviation airport development programs in a more cost-effective manner, all are convincing reasons for a strong state role. The Governors applaud the four-state demonstration program now under way as a constructive step in the right direction, and urge Congress to transfer the administration of funds and programs involving general aviation, commuter, reliever, and smaller air carrier-served airports to qualified and willing states as soon as possible when the demonstration program is successfully completed. The Governors urge all states desiring this transfer of responsibility to assess their qualifications and strengthen their state aviation agencies, if necessary, so that the transfer can be handled easily and without complications. The Governors note that forty-six states currently provide state funds for airport development, and urge all states to broaden their financial and technical assistance to airport sponsors, to strengthen their ability to fulfill their responsibilities for the development of air transportation.

A. Planning

1. All airport facilities development should continue to be guided by periodically updated state and national airport system plans. Local and regional airport plans should be considered as integral elements in the over-all state plans. The National Airport Systems Plan must reflect essential elements of component state plans.

2. The Governors call for a continuous, adequately funded, planning grant program to the states to aid them in carrying out essential, continuous, and comprehensive air transportation systems planning in the context of state-wide, multi-modal transportation systems plans.

B. Finance

1. The Governors stress the need for flexibility in the distribution of federal airport development funds so that areas of desirable future potential growth may be assisted. Distribution of funds primarily on the basis of passenger enplanements leaves only limited discretionary funds to respond to developing needs in growth areas with low levels of enplanements. The apportionment formula also should be changed by Congress to correct problems created by recent court decisions affecting entitlement funds carried over from one fiscal year to the next, which has the effect of reducing the availability of discretionary funds because of annual limits on expenditures. The Governors propose that a minimum four-year apportionment be instituted by the Congress in order that stability to the programs can be achieved.

2. The Governors endorse the principle of user financing to support the Airport Development Aid Program. We feel that the existing taxes should continue with a proportionate share of the revenues returned to the states in the form of block grants coincidental with federal transfer of administrative responsibility for the airport development program to the states.

C. Operation

1. The Governors urge all states to make every effort to encourage effective local airport zoning laws to achieve land use that is compatible with airport and aircraft operations. The National Governors' Association applauds, and supports in principle, the U.S. Department of Transportation National Noise Policy designed to further reduce aircraft noise and the initiative taken by several states to control and mitigate aircraft noise. Continued research on noise abatement by the U.S. Department of Transportation is encouraged.

2. The Governors endorse the policy of joint use of military airport facilities by civil aircraft wherever feasible and urge that this policy be implemented expeditiously at the highest federal level.

D. Regulation

1. The Governors recognize the need for regulatory reform that will remove artificial and unnecessary regulations and economic constraints, thereby encouraging increased efficiency in the airline industry and better air transportation services at lower costs, while maintaining the current high level of safety. Yet reform must be reasonable and not bring about sudden change and instability to a successful industry. Congress is urged to pass reform legislation as quickly as possible so that airlines, labor, and banking institutions may set clear future objectives and the financing commitments for extensive new-generation equipment acquisitions may be made in a stable statutory climate. Consideration should be given to those states and territories outside the continental United States desiring to be included in regulatory reform legislation. The Governors are ready to lend their assistance and the wealth of knowledge and expertise available in their state aviation agencies toward successful passage of reform legislation.

2. The Governors are concerned seriously with the continuing loss of air service to small communities as certificated regional carriers are permitted to suspend or delete low-density or unprofitable communities. Air service to the majority of small communities can be provided in the most cost-effective, energy-efficient manner by commuter/feeder airlines operating as a fully recognized third level of the national air transportation system. Voluntary, modified certification by the Civil Aeronautics Board (CAB) for this third level of air carriers with appropriate route protection, joint fare privileges, guaranteed loans for modernizing equipment, and simplified reporting procedures are considered essential to the further development of the commuter airline industry. The Governors urge Congress to enact legislation to provide for this full recognition of selected commuter airlines as a federally certified, subsidy-eligible third level of the national air transportation system, and to direct the U.S. secretary of transportation and the CAB, in concert with the states, to proceed with necessary simplification of certification procedures, rules, and regulations to speed the provisions of these vital air services to small communities.

E. Safety

1. The Governors applaud the performance of the U.S. airline industry, which last year established the best safety record in its fifty-year history.

They are concerned, however, that while corporate and other professional general aviation pilots continue to achieve excellent safety records, the number of accidents involving other private aircraft has increased during the past two years.

2. The Governors urge the Federal Aviation Administration to resume its former active participation with state aviation agencies in co-sponsoring instructor pilot training clinics.

3. We recommend the development of a more cooperative relationship between the Federal Aviation Administration General Aviation District Offices (GADOs) and the state aviation agencies. Since it is the state -- and not the federal government -- that holds the necessary authority to remove obstructions to safe flight, such as tall towers and power lines located in or near approach and takeoff zones, it is imperative that the two levels of government coordinate their activities in this area.

4. Should Congress approve proposed airline regulatory reform legislation, we would expect that the FAA, together with the appropriate state agencies, would take all necessary precautions to assure the traveling public that all new air carrier entrants demonstrate compliance with applicable safety regulations.

5. Although safety is of paramount concern to all, we recommend benefit-cost analyses and public hearings be completed prior to the imposition of new mandatory safety equipment regulations on aircraft owners and operators.

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F.- 4

RAIL TRANSPORTATION

The National Governors' Association notes with concern the continuing and increasingly serious problems of the nation's railroads. The Governors have long believed that our nation's railroads are a major element in the American transportation system, providing special advantages for energy conservation, for environmental protection, and for the efficient movement of people and goods.

Railroads are a mainstay of the national economy. As such, the Governors are convinced that the nation's best interests demand positive actions by the federal government, in concert with the states, designed to enhance the widespread availability of adequate rail transportation nationally with appropriate international service connections. The high costs of operating on a run-down physical plant, and the resulting inadequate service, are contributing factors to both inflation and inefficient use of scarce resources. A revitalized national rail system is certainly a prime element of any program affecting the economy and balanced economic growth and achieving energy goals. States are urged to take appropriate statutory or institutional actions that are needed to effectively implement national railroad legislation.

A. Planning

1. The Association urges the secretary of transportation to pursue aggressively the National Rail Plan in cooperation with the states. The functional designation of the nation's railroads into at least two classifications is a first step toward a national rail plan. One classification should constitute an interstate and defense railroad network with requisite international connections. A second classification should include light- and medium-density rail lines and branch rail lines. The Governors call upon the secretary to use the expertise available in the states in the development of the two systems

2. Plans which are limited to reorganizing or restructuring rail carriers will have little, if any, success in improving service and profitability without programs to ensure the availability of finances for reconstruction and modernization, programs to reform existing regulatory policies, and programs to increase productivity of rail labor. The current high level of operating subsidies is viewed with concern by the Governors. Any proposed use of public funds should be considered with the objectives of subsidy reduction and eventual elimination, where possible.

3. The Association remains concerned over the future of rail passenger service, and continues to urge a reassessment of basic passenger needs and funding. The Governors note that deteriorated roadbeds, outdated passenger station accommodations, and inadequate interface with other modes of passenger service are significant factors hampering the efficient operation of rail passenger service. The Governors also note the benefits such service would receive from the creation of a rail trust fund to finance modernization of roadbeds, rail yards, and stations. The Governors are concerned with the fact that Amtrak subsidies have been increasing at an alarming rate without a readily discernible improvement in service. It is believed that the time has come to consider whether greater use of the private sector should be encouraged. We are hopeful that Amtrak will reevaluate its current approach to the problem of rail passenger service in the nation in consultation with state governments. The Governors strongly oppose Amtrak's recent unilateral announcement of service cutbacks without prior consultation with the affected states. Each Governor stands ready and eager to establish the necessary clear-cut lines of communication, and the Association strongly recommends that the federal government take the steps necessary to ensure full coordination with the states well in advance of any proposed changes. The Association calls for the creation of regional advisory councils to advise Amtrak officials on long-range goals and the adequacy of current service for public needs.

B. Finance

1. The National Governors' Association supports federal financing support of the railroads through the concept of a rail trust fund to be financed by appropriate user charges and/or general funds. A system classified as an interstate and national defense railroad network requires extensive federal involvement in concert with the states and a commensurate high level of federal financial participation. A second-level system, which would complement and support the interstate and national system, would involve a lesser federal involvement and a greater state and local effort. Accordingly, a lesser matching ratio would be appropriate. Federal funding support must be made available to the states for administration and distribution without categorical restrictions and for purchasing unused rail segments.

2. Virtually all the nation's railroads have deferred maintenance and capital improvement projects which they cannot finance from either internal cash or private borrowings. Government financial aid to railroads is required, but it should be provided in a manner which guarantees improvement in physical plant, service, and an appropriate level of preventive maintenance.

3. The Association supports the use of public service employment to rebuild the nation's neglected railroads. A rail reconstruction and modernization program could provide thousands of new jobs in the next several years to continue the force of economic recovery. The expertise of state governments should be employed to carry out this reconstruction and modernization program.

4. The Railroad Revitalization and Regulatory Reform Act of 1976 (PL 94-210) is an important step toward revitalizing our nation's railroads by providing regulatory reform and by authorizing financial assistance to the rail industry. The Federal Railroad Administration promulgated the rules and regulations on August 9, 1976, to implement the act. These regulations defined the guidelines for the states in their development of state rail plans. These plans need to be established prior to receiving funds for rail service assistance. Although the states promptly are adding staff for rail activities and are submitting applications for rail planning funds, there have been excessive delays associated with the implementation of any new program. The early implementation of the 4R Act was envisioned by Congress and, to this end, the states and FRA have proceeded with dispatch. There is, however, a need to reconsider the funding schedule for local rail service assistance and the obligation authority as set forth in Title VIII of the act.

The National Governors' Association calls for Congress to amend PL 94-210, Title VIII, Section 803, to (1) move forward by fifteen months the funding schedule to not only coincide with the new federal fiscal year but to recognize the time needed by the states, in concert with FRA, to develop their state rail plans; (2) allow in-kind benefits to be carried forward into succeeding fiscal years; and (3) allow the federal participation in line rehabilitation prior to issuance of the ICC certificate of abandonment.

C. Operation

1. A modern rail system will help the nation to achieve greater energy independence, since railroads are efficient users of energy and provide vital access to our vast coal reserves. A modern rail system, with appropriate interface to the nation's highway network, would relieve the pressure on that system currently being experienced in the movement of such heavy loads.

2. Congress should require higher operating standards from Amtrak, and should require the development and implementation of advanced rail technology similar to that currently being used in Europe and Asia, through increased efforts at the Federal Railroad Administration test facilities in Pueblo, Colorado. The trust fund for freight should solve the seriously deficient track problem, but Amtrak must also build up its schedules, reduce its unit costs, and provide a high service level for corridors which can support the service. The federal commitment to the Boston-Washington corridor should be strengthened and implemented promptly as this can be the nation's prime demonstration of the success of high-volume, high-speed, truly modern rail

passenger service. To do so, running times well under three hours are desirable between both New York and Boston and New York and Washington, D.C.

D. Regulation

1. The problems now confronting the rail industry point to the need for a thorough reevaluation of regulatory matters as they affect railroads and other modes of transportation. The Association urges Congress and appropriate federal regulatory agencies to continue the reevaluation begun by the Railroad Revitalization and Regulatory Reform Act with the objective of simplifying and expediting the entire regulatory process including modernizing rate structures. We also urge all state legislatures and regulatory agencies to begin a similar reevaluation.

2. The Association urges that a thorough reevaluation be given to increasing the productivity of rail labor through new work methods and appropriate work rule changes when needed.

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F.- 5

WATER TRANSPORTATION

Waterways have served as major transportation facilities since the first settlement of this country. Most of our large cities are located on navigable waterways and industrial expansion has traditionally followed the waterways of the nation. Coal and other minerals, agricultural products, and petrochemicals are among the many bulk materials transported on the waterways. Technological advances in vessels and material handling equipment permit direct international shipments between remote inland ports and the ports of the world. The energy efficiency of this mode of transportation dictates a need to include the inland waterways and the intracoastal canal system in the national transportation policy.

A. Planning

1. The National Governors' Association urges the U.S. Department of Transportation to create a marine transportation system in cooperation with the states and promote an awareness of the value of waterways for commercial and recreational use.

2. The Governors are cognizant of the scarcity of undeveloped waterfront properties, and will insure through the statewide land use planning process the availability of these properties for future development consistent with water transportation.

3. Design of new port facilities and reconstruction of existing installations must utilize intermodal transfer capabilities to the greatest extent possible.

4. Although the construction and management of multi-use water resources

projects may be the responsibility of other agencies, their transportation use should be a part of the U.S. Department of Transportation's overall national plan.

B. Finance

1. The National Governors' Association urges a comprehensive study of the present and future needs of the nation's public ports and waterways, along with an analysis of the financial requirements needed to meet these needs.

2. The Association views with interest pending legislative proposals dealing with water-transportation-related user fees. While an equitable charge or fee should be assessed to water transportation users for the operation and maintenance of navigation aids and channels, the Association feels that benefits such as power generation, recreation, flood control, et cetera, accruing to a state or region should be considered when determining the amount of charges or fees to be assigned to water transportation users. The Association feels strongly that the states should share equitably in the collected fees for the continued operation and maintenance of said state's water transportation system.

C. Operation

The Association recognizes the nationwide need for commercial navigation and recreational use of the inland waterway system. This system should be kept adequate to meet the needs of all users, from the viewpoint of both new construction and the operation and maintenance of existing facilities.

D. Regulation

The Governors support proposed federal legislation which would provide for federal grants to enable public ports to comply with federal regulations and standards relating to environmental protection, public health and safety, and port or cargo security.

E. Safety

The Association supports the U.S. Coast Guard's enforcement of the Boat Safety Act of 1971, the establishment of national uniform standards for safety in the manufacture and maintenance of boats and continued state licensing and regulation of boat operators and operations.

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F.- 6

URBAN AND RURAL PUBLIC TRANSPORTATION

States are employing broad and varied tools to aid public transportation systems. A majority of states have exercised their authority to form area-wide public transit districts and to grant them taxing authority and bonding powers. Several states are now providing direct capital grants for the

construction of mass transit facilities. Some states are involved in providing operating subsidies and many have used their powers of taxation and tax exemption to stimulate the development of transit service and rural transportation.

The Governors, in full realization that the 1977-78 year is a critical year for public transportation in our nation, propose the following policy guidelines for urban and rural transportation, recognizing and addressing the energy and fiscal constraints which are common to all Americans.

Each state has a definite and specific responsibility in planning and implementing urban and rural public transportation programs. Therefore, all transportation funds, except for directly administered federal programs, should flow to the states with the states having authority and flexibility to transfer.

A. Planning

1. The National Governors' Association calls for flexibility in the application of federal urban transportation programs, giving state and local governments the right to exercise their own prerogatives. The flexibility should be exercised in the context of a unified national transportation policy and federally assisted programs designed to help achieve well-defined national goals and objectives.

2. The Association recognizes that transportation planning is not complete without analysis of sources of funds from which programs are given life. It therefore endorses the continuation of the provisions of a public transportation program beyond the current 1980 termination date. Governors should continue to be provided with a significant and meaningful role in planning and developing their public transit systems. This role will help to ensure equitable treatment of the states' various political subdivisions, as well as put the states in a position to coordinate their transportation programs with an emphasis on the area of greatest need.

3. The Governors reassert the states' responsibility to provide strong incentives for local solutions to local transit problems, as well as their responsibility to resolve conflicts between political subdivisions.

4. Local participation is encouraged and expected in all phases of urban and rural transit project development to ensure that projects are responsive to, and compatible with, the needs of the local population from both an operational and fiscal aspect.

5. To deal effectively with the energy conservation programs proposed by the Administration, both urban core system and rural transportation needs must be addressed with equal fervor. We must start now to plan a rural public transportation system, however different it may be from the urban core system, that serves the distinct needs of our rural communities. A mixture of commuter and paratransit service seems to provide the most flexible and cost-effective approach.

6. The Governors urge the development of comprehensive planning policies to include major public and private developments such as hospitals, shopping

centers, industrial sites, and residential areas into the transportation network of the region,utilizing a balanced mix of transit needs.

7. The promotion of multi-modal policy at all levels of government which, improving coordination between modes, minimizes imbalance and enables each mode to realize its inherent advantages is endorsed by the Governors.

8. Given the constraints within which state governments must work, a dynamic transportation plan is necessary to ensure the compatibility of present and future systems, not only with the short-term changes in technology but also with the future long-term economic, social, environmental, and technological forecasts for the nation as a whole.

9. The Governors fully support the concept of providing public transportation facilities and services that can be utilized effectively by elderly and handicapped persons. We recognize that the semi-ambulatory handicapped require special efforts in planning and implementation of transportation projects to meet their needs.

B. Finance

1. The National Governors' Association supports the concept of federal urban transportation programs with an assured source of federal funds to enable long-term planning. This will lend continuity to program planning and implementation in the face of ever-increasing requirements for public involvement, comprehensive planning, analyses of alternatives, environmental concerns, and inter-agency coordination.

2. It is widely recognized that public transportation, a necessary component in the total transportation picture, cannot survive without governmental assistance for capital outlays and operating subsidies. A combined effort of federal, state, and local agencies is necessary to improve existing public transit service and establish new services wherever these are needed.

3. Federal support is paramount. Without federal funds for public transportation operating and capital assistance, the initiation or survival of vital transportation system elements would be endangered.

4. To further promote the development of efficient, adequate transportation services through existing programs such as UMTA Section 5, the Governors favor retention of the existing formula for allocation of these funds allowing maximum flexibility in determining their use. However, we strongly support efforts to continue the program with increased funding levels.

5. The National Governors' Association recommends that UMTA's provisions on funding for nonurbanized areas be amended to allow distribution of operating subsidies, as well as capital grants, in the same manner as the current Section 5 apportionments are proportioned to urbanized areas.

6. The Governors wish to express their concern over the negative impacts of the Department of Labor's interpretation of Section 13C of the Urban Mass Transportation Act. We do not feel that Congress intended to burden urban transit in the manner that is occurring as a result of the Department of Labor's interpretation of this section, and Congress and the secretary of labor should

review the provisions of Section 13C to assure that neither the urban transit programs of the nation nor the rights of organized labor will be adversely affected.

C. Operations

1. In an effort to maximize the conversion of auto drivers to public transportation users, the Governors recognize that public transportation facilities and equipment must be made sufficiently attractive. The lure of public transportation must reach and satisfy the varied perceived needs of prospective users through marketing and operational techniques such as implementation of express commuter lanes, promotion of carpools and vanpools, establishment and promotion of park-and-ride lots for carpooling and express bus services, modernization of existing bus fleets, and maintenance of a low-fare structure on current bus systems.

2. The Governors also urge state and local transit operators to perform regular surveys of population groups to keep informed of public needs and opinion in relation to their transit systems.

3. A strong effort by the states and local authorities who provide operating assistance should be made to implement service criteria that will lead to better on-time performance of the operating properties.

4. The Governors, in an effort to streamline transportation services in their states, call upon the U.S. Department of Transportation to coordinate with other federal agencies for the purpose of consolidating the scores of costly, inefficient special transit services being funded through hundreds of separate federal health and social service kinds of programs for particular client groups. Duplication of service is wasteful.

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F.- 7

PIPELINE TRANSPORTATION

The National Governors' Association calls for the development of a comprehensive national pipeline transportation program incorporating all forms of energy transportation that can be coordinated with other modes of transportation. This is essential because of the importance of pipelines in the transfer and supply of energy resources and the increasing need to substitute one energy form for another. The Governors urge that the program be developed as a partnership between state and federal government. In addition, the Governors urge the following:

1. A national pipeline transportation program should be developed that provides flexibility of delivery capacity between systems, is equitable between regions, and has the capability of integrating newly discovered or developed resources and systems into existing pipeline networks in an efficient manner.

2. Congressional and executive attention should focus on reorganizing and consolidating regulatory authority over all energy pipelines into a single federal agency so that a coordinated and efficient energy pipeline delivery system can be developed.

3. This national pipeline transportation program should provide for formal state participation and incorporate existing state policies and programs.

Governors pledge their support for, and cooperation in, efforts to establish a comprehensive national pipeline transportation program and resolution of pending pipeline transportation issues.

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F.- 8

TRAVEL AND TOURISM

The travel and tourism industry, with its many diverse components, has become an increasingly important element in the national economy. Last year, annual spending by travelers in the United States was approximately \$104 billion, which represents more than 6 percent of the gross national product. Tourism is among the top three industries in forty-six of the fifty states and the number one industry in the Virgin Islands.

The growth of the travel and tourism industry has been a direct result of many factors, among them the level of affluence of many Americans, the increased amount of free time now available to many citizens, and the rapid development of improved communication and transportation.

Entire cities, towns, counties, and regions of the nation now depend on the travel and tourism industry for their economic livelihood. National policy and governmental action which do not accept this fact unduly penalize an important segment of the national economy and jeopardize those states which rely heavily on this industry for jobs, income and economic stability.

Because of its accelerated growth, the travel and tourism industry requires a new level of attention and consideration within regional and national priorities.

A comprehensive travel and tourism policy should be adopted by the federal government to maximize the effectiveness of present resources. There are now more than fifty agencies engaged in at least 100 tourism programs. The National Governors' Association calls for the consolidation of all federal agencies dealing with tourism into one agency with the resources and the authority to develop and implement a national travel and tourism policy.

Federal fiscal policies should not discriminate against the recreation and leisure travel industry. Current policies discourage loans and creative development in these areas. The National Governors' Association urges that

the travel and tourism industry be treated equally with the other major industries regarding national fiscal policies.

The formulation of a comprehensive energy policy at the national level will undoubtedly affect the travel and tourism industry. In the past, severe restrictions on gasoline resources in travel and tourism areas have had serious economic effects. Should a shortage occur, the National Governors' Association urges that the travel and tourism industry be treated on equal footing with other industries regarding the allocation of resources.

International travel by American citizens is the fourth largest contributing factor to the imbalance of payments. Accelerated efforts should be made to expand the number of cities with regular and chartered international airline services for passengers and cargo. Only when direct, regular service between cities and overseas markets is improved can this nation realize its full potential.

Revised September 1977.

F.- 9

FOREIGN COMMERCE

The National Governors' Association proposes that the United States pursue a national policy for the aggressive expansion of world trade which will increase the U.S. share by at least 1 percent each year.

The Governors believe the Administration and Congress should continue to require U.S. foreign offices to emphasize commercial activities. The Administration and Congress should identify existing problems and seek out possible solutions to advance the commercial activities of foreign offices, which should be furnished more technical support and staff.

The Association urges the President to designate a single agency that would set foreign economic policy and to instruct other agencies to coordinate with that agency. The policy should cover the widening wealth gap between the developed and developing nations and the need for a reconciliation between this nation and the developing nations which depend on its economic wealth. The problems of free world commodity markets and the resulting price turbulence need to be solved quickly so that the market for U.S. suppliers is stabilized, customers are guaranteed a supply and, to the maximum extent possible, market forces determine prices.

F.-10

NO-FAULT INSURANCE

Historically, states have regulated the insurance industry. In response to an increasing need, forty-eight states have enacted auto insurance laws providing consumers protection against loss of coverage from insolvent

companies. State response to this problem demonstrated that auto insurance regulation need not pass to the federal level. The best possible solutions to the problems of auto insurance lie in continued state regulation and experimentation.

The National Governors' Association commends the Department of Transportation for its comprehensive report of June 1977, State No-Fault Automobile Insurance Experience, 1971-1977. Since 1971, sixteen states and the Commonwealth of Puerto Rico have adopted laws which, to varying degrees, restrict the motor vehicle accident victim's right to sue in tort and provide economic loss benefits, up to varied limits, to all victims regardless of fault. The Association notes with interest the basic conclusion of the Department of Transportation report of these state laws: "No-fault automobile insurance works."

The adoption of national no-fault standards is not an acceptable alternative to individual state action. Congress should take no action that would preempt state efforts to establish a no-fault auto insurance system.

The National Governors' Association urges those states that have not enacted no-fault legislation to continue to examine the available options and to achieve maximum interstate coordination in any actions they may take. The Association also urges each state to consider the model legislation drafted by the National Conference of Commissioners on Uniform State Laws and by the Council of State Governments.

Revised September 1977.

F.-11

CABLE TELEVISION

The National Governors' Association commends those states that have taken the lead role in guiding the development of the cable television industry to realize its full potential in rural and urban development and, at the same time, controlling its application to protect the public interest.

States should help to establish minimum requirements for the safety of cable system construction and implementation, and should ensure that cable systems do not abuse their natural monopoly positions.

The Association agrees with national goals for cable television and recognizes Federal Communications Commission involvement in cable television regulation. However, the Association opposes any federal regulatory intervention that usurps the rights of states.

The regulatory program adopted in individual states should be designed to reflect the particular circumstances and needs of those states. Such programs should avoid unnecessary duplication through an intelligent division of responsibility among federal, state, and local levels of government.

COMMUNICATIONS TECHNOLOGY

The National Governors' Association, in conjunction with the federal government, would like to implement as soon as possible a telecommunications system which would allow Governors to communicate more effectively and quickly with each other and with Congress and the Administration; ensure that each Governor has a common understanding of the facts and background on national issues; and eliminate time lost by Governors through unnecessary and costly travel.

Such a system would provide:

1. Audio service linking all Governors, the President, key cabinet officials and the congressional leadership.
2. A conference call capability for up to twenty-five people on the relatively short notice of one to four hours.
3. A rapid facsimile transmission capability which would send a page of written material from any point on the system to a distant point in no more than four minutes, and messages from one point on the system up to sixty points at the same time.
4. The capacity for the Governor to express a yes or no opinion which would be registered electronically at some central location.
5. An overall cost which is no more expensive than similar telephone facsimile transmission systems.

As a first step toward implementation of such a system, the Association requests that the President vest authority for the overall coordination of these activities into a single agency and that all Governors be allowed access to the Federal Telecommunications System.

The National Governors' Association suggests that the individual states consider the establishment of toll-free telephone systems to enable citizens to call the state with problems or complaints.

The National Governors' Association urges the Federal Communications Commission to exempt state and local government agencies from payment of filing and grant fees in any future schedule the FCC may establish.

The National Governors' Association supports the integration of all interstate telephone service rates into national rate patterns as soon as possible.

The National Governors' Association commends the Congress for undertaking a complete review of the Federal Communications Act of 1934, particularly as it relates to telecommunication services, and supports revision of the act to:

1. Give states the maximum authority possible in the regulation of

telecommunications services.

2. Permit state regulatory commissions to participate more effectively in the FCC's decision-making process.

3. Reaffirm the original purpose of the act in giving priority to the objective of providing universal telephone service on a basis which insures high-quality service at reasonable rates to the users of residential telephone service.

Revised September 1977; renumbered from F.-13.

F.-13

SCIENCE AND TECHNOLOGY

The United States has long led the world in the research and development of new technologies. The federal government has invested huge sums of public revenues in this scientific effort during the past few decades. For that reason the general public is entitled to receive maximum benefit from the practical application of government-financed discoveries in science and technology.

Currently, the fruits of civilian-oriented research and development provide important mechanisms for solving many problems of state and local governments. However, specific research and development should be focused on other problems of state and local governments.

At the same time significant state capabilities in the area of technology must be developed. These capabilities should be responsive to state and local government officials and directed toward resolving a broad range of problems.

As a major supporter of programs which generate new technologies, the federal government should understand that the success of its programs will depend to a large extent on close coordination with the states to identify and document the opportunities and problems created by new technologies.

To complement a federal technology information system, the states should become directly involved with the federal government in a long-term cooperative arrangement. Using the talents of competent personnel, the states could identify and define important problem areas which would benefit from the application of new technology, and relay specific or particular problems or needs back to the federal government, industry, and the academic research community.

In addition, federal, state, and local governments should cooperate to produce the large market required by certain types of technology. Needs based on standardized specifications from many jurisdictions would reduce unit costs and would make possible the development and manufacture of software and hardware systems particularly suited to the needs of government.

Renumbered from F.-14, September 1977.

INDUSTRY ORGANIZED-GOVERNMENT APPROVED TRADE MISSION PROGRAM

The states propose that the U.S. Department of Commerce establish a special classification for trade missions sponsored by state and local governments that permit participation by unrelated industries.

The objective of the industry organized-government approved (IOGA) trade mission program is to promote the export of U.S. produced goods and services. The Department of Commerce, in cooperation with the Department of State and foreign service staff abroad, provides advice and direction to mission organizers who usually are state or local governments, Chambers of Commerce, or trade associations. The program offers participants an opportunity to travel overseas under official status to make direct sales, appoint agents or distributors, and develop licensees. Mission members are business executives who pay their own expenses, and they must represent segments of a particular industry (vertically organized around the specific product or service theme). The Department of Commerce establishes other guidelines and limitations to assure sufficient time for planning and organization. These guidelines and limitations should be adhered to. The mission organizer is responsible for coordination with commerce officials and procurement of trip participants. Embassy staff overseas arrange appointments and trip coordination.

Mission organizers, however, often have experienced difficulty in meeting the requirement for participation by companies engaged in the related industry groups. This provision limits the number and types of industry which can use the program. In many cases, a state or group of states may not have a sufficient number of companies in a particular industry from which to draw participants.

The proposal to broaden the IOGA trade mission program by establishing a special category that eliminates the requirement for vertical industry participation would have several beneficial effects: participation in IOGA missions and related commerce programs will expand as the number of U.S. government sponsored missions increases, a wider variety of U.S. goods and services will be introduced abroad, and the U.S. share of international trade will increase. The favorable impact of this change will accrue to all U.S. industry, not merely certain segments.

Adopted September 1977; renumbered from F.-15

INTERNATIONAL BUSINESS LEGISLATION

The United States government and private industry carry the dual responsibility of conducting business equitably with their international customers and providing adequately for the nation's needs. However, the U.S. trends in both legislation and administration increasingly hinder and inhibit American businesses' ability to compete successfully abroad. At the same time, the governments of our major international competitors have aggressively taken

steps to aid and support their businesses in world trade.

It is the belief of the National Governors' Association that Congress should insure that American business can compete on an equal basis in international markets. As a first step in reaching this goal, we recommend the following:

1. Governmental incentives for encouraging additional exports should at least include tax deferral programs, such as the Domestic International Sale Corporation (DISC) provisions.

2. U.S. taxing policy should not desert the practice of deferring tax on unrepatriated foreign-source income.

3. Tax benefits for Americans living abroad need to be continued and enlarged so that American companies operating abroad can afford to hire and retain American citizens in their overseas jobs.

4. It is not an appropriate function of the Internal Revenue Code to deal with the subject of international boycotts since the Export Administration Amendments of 1977 significantly strengthened U.S. policy against complying with these boycotts. Action should be taken by Congress to remove the duplicative and possibly inappropriate sections from the Internal Revenue Code.

5. Immediate efforts should be made to clarify the term "sensitive payment" to help U.S. businessmen distinguish business commissions rightfully paid from improper bribes.

6. American businessmen in their commerce in foreign nations should be allowed an exemption from our antitrust legislation.

7. Congress should not take actions which would have the effect of arbitrarily halting the growth of foreign financial institutions in this country.

8. The Eximbank's charter should be extended, its statutory loan limit increased, and its independent status preserved.

Adopted September 1977; renumbered from F.-15

F.-16

TECHNOLOGY AND TRADE EXCHANGE

The states recommend that a clearinghouse be established to collect and disseminate information on joint venture and licensing opportunities and to match potential partners.

Small and medium-sized businesses often lack the resources (the technology or the capital necessary to market new products) to enable them to expand the sale of goods and services abroad. Companies abroad often are unaware of

new product development in the United States, particularly that discovered by small businesses.

The Department of Commerce and Small Business Administration joint program for export promotion (to assist and advise small business in finding markets abroad) is an excellent step. In developing a packaged program for technology exchange, several U.S. government programs, such as the agent/distributor and new product listing services, could be combined with a system designed to match new U.S. products with contacts overseas who can provide effective foreign marketing or licensing bases. The key to this system would be the feedback of specific contacts enabling the subscriber to evaluate the contacts provided. At the same time, foreign manufacturers may provide U.S. companies with opportunities to license new technology or to participate in joint venture proposals. A central clearinghouse would provide the most effective conduit for bringing together potential partners for licensing and joint venture in much the same way that the Department of Commerce's Trade Opportunities Program (TOPS) operates.

The states propose that a similar exchange be established to match non-exporting firms with export management companies (EMC) or similar trading organizations. An arrangement of this kind would relieve the small manufacturer of the responsibility for paperwork and overseas collection and, at the same time, provide a variety of goods and services to the EMC who may not be aware of the products available. The improved flow of information on the EMC would encourage smaller firms to enter export markets.

Adopted September 1977; renumbered from F.-17

F.-17

FOREIGN BUYERS PROGRAM

The states propose that the Department of Commerce's Foreign Buyers Program be reactivated and expanded.

Under the Foreign Buyers Program, domestic trade shows were organized where U.S. businesses displayed and exhibited their products and services. U.S. embassy personnel overseas provided an effective means of promoting these programs to buyers abroad. Many of the exhibitors were small- and medium-sized firms which used this as a major vehicle for overseas sales.

The Foreign Buyers Program offered a valuable and effective service to U.S. businesses interested in exporting. The Departments of Commerce and State together have the necessary facilities and services to promote, organize, and develop such programs more effectively than other agencies or enterprises. The states propose that the trade shows be organized around broad product or service themes, and include a travel program that offers foreign buyers an opportunity to visit industrial facilities and other appropriate business or government contacts. Such a program would be a stimulus to U.S. Travel Service objectives to stimulate foreign travel into the United States.

Adopted September 1977; renumbered from F.-18