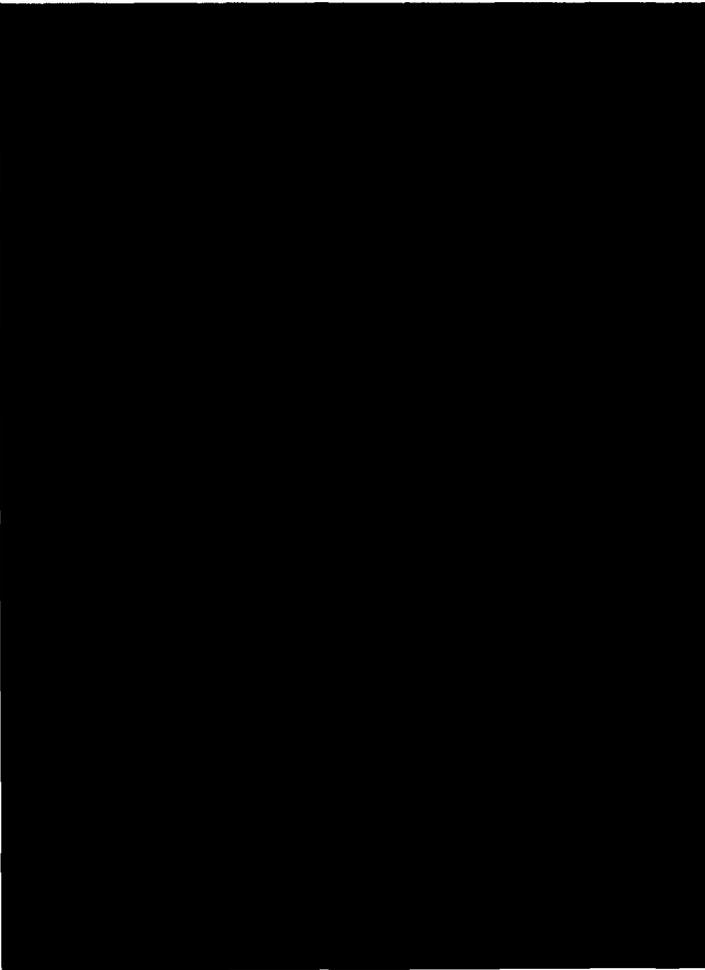

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Winter Meeting
National Governors' Conference
Opening and Closing Plenary Sessions
Washington D. C.
February 28-March 1, 1977



AGENDA

OPENING PLENARY SESSION - Monday, February 28, 1977

Welcoming remarks by Chairman Reubin O'D. Askew
Adoption of Rules of Procedure 1

Discussion: Energy Policy--State and Federal
Priorities for 1977

Moderator: Governor Julian M. Carroll,
Chairman, Committee on
Natural Resources and
Environmental Manage-
ment 6

Remarks: Senator Henry M. Jackson,
Chairman of the Senate
Committee on Energy and
Natural Resources 8

Discussion by the governors 18

Medicaid Reform: Proposals for a more efficient program

Moderator: Governor Richard Kneip
Chairman, Committee on Human
Resources. 46

Report: Governor George Busbee,
Chairman, Medicaid Reform Task
Force 47

Discussion by the governors and action on
policy position 62

CLOSING PLENARY SESSION, Tuesday, March 1, 1977 65

Summary reports by Standing Committee Chairmen

Committee on Community and Economic Development 67

Committee on Crime Reduction and Public Safety 69

Committee on Executive Management and Fiscal Affairs . . . 71

Committee on Human Resources 74

Committee on Natural Resources and Environmental
Management 79

Agenda (Continued)

Committee on Transportation, Commerce and
Technology 103

First Annual NGC Awards for Distinguished Service
to State Government

Remarks: Alan K. Campbell, Dean of the
Lyndon B. Johnson School of
Public Affairs, University of
Texas, and Chairman of the
Selection Committee for the
Awards Program 111

Presentation of the awards by Chairman Askew 113

P R O C E E D I N G S

(Whereupon, the Meeting was called to order at 9:40 o'clock, a.m., for the Opening Plenary Session, Monday, February 28, 1977, Governor Reubin O'D. Askew, Florida, Chairman.)

GOVERNOR ASKEW: I'd like for all the governors if you would take your seats please. We have a full agenda for the meeting, and I need your cooperation in staying on schedule. Those who are in conference with individual governors if you will defer so that we can have an orderly meeting, and free the governors so they can take their seats.

I now call to order the 1977 Winter Meeting of the National Governors' Conference. We have with us 51 governors of the states, commonwealths and territories, and I am told that this attendance is unprecedented.

You have before you the rules of the meeting last July, and the Executive Committee recommends that they be adopted without change as the rules for this meeting. May I have a motion.

GOVERNOR BOWEN: So moved.

GOVERNOR THOMPSON: Second.

GOVERNOR ASKEW: Any discussion? All those in favor of adopting the rules say aye.

(Chorus of ayes.)

GOVERNOR ASKEW: Opposed. None. The ayes have it and these, then, will be the rules of the meeting. Ed Rovner will

serve as the parliamentarian for our meeting.

More than 100 years ago, before the seeds of the American Revolution were sowed, a young resident of the Massachusetts State Colony spent her spare moments setting down on paper her thoughts about life, and that was still primitive territory. Ann Bradstreet, one of the first American poets, had this insight. It was called "The Challenge of Winter".

"If we had no winter, the spring
would not be so pleasant. If we did
not sometimes taste of adversity, pros-
perity would not be so welcome."

This has been truly a winter of hardship and discomfort in America, and the taste of adversity has lingered in every region of the country. Unprecedented cold accompanied by torrential snowfall has crippled some parts of the country, and its grip is only now beginning to loosen.

A severe drought in our western states promises problems that will be encountered for months to come. Energy shortages have renewed our concern about what the future will hold. Unemployment has grown in many areas. In short we, as governors, have had our hands full trying in our individual states and regions to cope with some very, very, serious problems.

But the record attendance at this conference is an indication of the work we have to do together is as important to the future of our states, our regions, as well as the country.

Our system of federalism encourages, in fact, it requires that we as governors share our perspective on critical issues and problems of the day with those responsible for setting national policy. In that sense, as representatives of the diverse states which comprise the United States, we are an integral element in the evolution of policy that affects us all.

It is in this spirit that I welcome you to the 1977 Winter Meeting of the National Governors' Conference. Personally I would like to express my appreciation to you for this privilege to serve as your Chairman. We are here to discuss a variety of issues and problems that confront us individually and collectively, and Washington is a fitting place for these discussions to take place.

This afternoon we will meet with our former colleague, President Carter and also Vice President Mondale, and the Cabinet, for a working session at the White House. We certainly appreciate this opportunity, and anticipate that it will be a part of a productive and cooperative relationship.

Our program includes various committee meetings with individual Cabinet officials and we will be privileged, as well, to have various meetings with the leadership of the Congress over the next two days.

We are grateful for the warm response we have received from both the Executive and Legislative Branches of our Government in cooperation with our program, and we are privileged to have

one of the most distinguished members of Congress this morning to begin our program. We are hopeful that this initiative in offering our views and concerns will be accepted as an indication of the national role we feel we should play in this partnership called federalism.

You now have before you the 1976 Annual Report of the National Governors' Conference describing what I feel is an outstanding record of achievement in this past year. A major accomplishment has been the establishment of a Hall of States, the permanent home of the National Governors' Conference, which is located just one block from this meeting.

This new Headquarters is a physical symbol of the important role the states have in our capitol city in Washington. We intend to assert ourselves in constructive ways while participating in the formulation of national policy that affect our states and our cities. The energy policy, welfare and Medicate reform, and other areas of concern, our views must be considered for any national policy on these or other issues to have any validity in our respective states.

In recent months attention has been focused on some of our respective regional concerns, and it is clear that we must be sensitive to what are, indeed, legitimate regional concerns. I might add what has pleased me has been the positive attitude toward constructive solutions to these problems that I noted recently.

We all have a vital interest in the welfare of each region in our country, the south, the north, the mid-west and the west, and we should look upon our respective regional interests and to recognize that we share some very important common concerns. The prosperity that exists in one region holds benefits for the other.

We, therefore, must address ourselves to our problems in a positive sense through careful thought and analysis and that is just exactly what we are doing.

Within the next month you will be receiving a copy of a National Governors' Conference paper on various concerns that have been noted from one region to another. The collection and analysis of the information in this paper relating to regional economic issues, and problems, is one way we can begin to share our own views in this area. But for now we are here to fulfill our role and assume our responsibilities in the federal partnership. We speak about views that are common in some instances and diverse in others, but in all cases sincere.

We seek to lend a hand in the difficult decision making that will shape the future of communities, our states and our nation, and we hope that in this way we can respond to the challenges of our time with actions that will improve the quality of life for all of our people.

Let this, then, be the tone that characterizes the efforts of this National Governors' Conference, and then we can

proceed with the business of this winter meeting and other problems we face in the months to come.

Our first order of business is to discuss the role of the states in the national energy picture. This afternoon at lunch our Committee on Natural Resources and Environmental Management will discuss the Administration's plans for reorganization with Interior Secretary Cecil Andrus and James Schlesinger. Later this afternoon when we all meet with the President energy will be one of the prime topics.

I would like to stress with you the importance of attendance at our committee meetings. I believe we have unprecedented response from both the Legislative and the Executive Branches of our Government in each substantive area in which each committee will be concerned. Our seriousness in participating in the work of the committees at this conference will determine, I believe, in the future to what extent we can have the type of response we desire, and we will have Cabinet members attending working sessions with us in our respective committees as well as some members of the Congress.

I have asked Governor Julian Carroll of Kentucky, who is Chairman of our Committee on Natural Resources and Environmental Management, to serve as moderator for this session and to introduce our distinguished guest. Julian, the floor is yours.

(Applause)

GOVERNOR CARROLL: Thank you, Mr. Chairman, governors,

obviously there is no subject that this conference could start with today, nor more important, than that of discussing our nation's energy problems. Jim Rhodes looked over and read my remarks awhile ago and he said to me--and Scoop I know you will appreciate this--he said, "Julian you should have bragged about him like that last year." Well certainly I did but maybe not in the right places at the right time. But certainly it is deserving, and I intend to do that this morning.

There is a time and there is a place for some real leadership in our energy field. All of us, of both political parties, have been waiting for its culmination now for a number of years and we are, indeed, fortunate that we have a capable leader in the energy field. One that is a strong spokesman for developing and implementing our energy policy.

Our first speaker this morning has assumed that responsibility of dealing with the complex details of actual alternative approaches to the myriad of concerns, and whether you agree or disagree with his judgment you must respect his judgment for the thoroughness and breadth of which he expresses himself.

We who served in the state houses around the country are fortunate that this man who has played so vital a role in shaping federal legislation has recognized the crucial importance of our states. He has been determined that the governors must, and have, a continuous effort to play a key role in the federal energy developmental, regulatory and conservation programs.

Previously, as Chairman of the Senate Committee on the Interior and now as our Chairman of the newly created Senate Committee on Energy and Natural Resources, he has consistently been a leader and a tireless worker. He is also, as you well know, a ranking democrat on the Armed Services Committee where he is no less an articulate spokesman.

After twelve years in the House of Representatives, he entered the Senate in 1952 and has remained there ever since with ever increasing majorities in his State of Washington.

He has served as Chairman of the Democratic National Committee, and serves on the Board of Advisors for the John F. Kennedy Institute of Politics.

It with great pleasure for me and for all the governors this morning, that we welcome and introduce to you Senator Henry Jackson of Washington State. Scoop.

(Applause)

SENATOR JACKSON: Thank you, Julian, for your generous remarks. Governor Askew, governors, ladies and gentlemen, as I speak here today many of your states are still recovering from the winter's gas shortages. Some of your states are suffering from the impact of higher fuel costs, and others are facing the prospect of brown-outs this summer; that is, some of us in the hydroelectric area of the Pacific Northwest.

The nation's energy crisis, which disappeared from the front page at the end of the oil embargo, has returned with a

vengeance. The problem is simple. We are running short of oil and gas which have fueled our economic growth for generations. As a result we are now forced to seek new ways to meet the nation's energy needs.

Someone asked me the other day when Congress was going to pass a bill creating a national energy policy. I am sure this question has never come up before. Every day, every day, we have calls for a national energy policy. The kind that is usually described as coherent, rational and responsible. You can't miss on those.

Let me emphasize, ladies and gentlemen, that a national energy policy cannot be created overnight by executive order or congressional fiat. There is no magic formula to end our energy ills. At a certain level of abstraction we can all agree on energy goals like conservation, or development of new energy resources, but the specifics of achieving these goals are not as easy. They involve hard choices and painful tradeoffs between competing interests. Between consumer and producer; between economic growth and energy restraint; between energy development and environmental protection.

The process of making hard choices on energy policy began in the Congress six years ago. As we think of the next moves on the energy front, it is worth noting some of the progress that we have made. Faced for the first time in our history with peacetime energy shortages Congress enacted an allocation system

to minimize their impact.

We authorized the development of contingency plans, including mandatory conservation and rationing to cope with severe shortages, and we created--lest the public forget--a strategic petroleum reserve to protect against future embargoes.

In an effort now to make better use of existing energy sources like coal, and develop renewable sources like solar energy, we launched a massive research and development program. After much debate we developed an oil pricing policy which provides for a higher domestic price, but we rejected the idea of giving the OPEC cartel a blank check to fix our domestic prices of oil--oil and gas produced here in the United States.

We authorized major efforts to stimulate and require more efficient use of energy in homes, in cars, and in industry. We created a new role for the states in energy conservation efforts. The impact of all these programs ranging from appliance labeling to building codes has yet to be felt by the country, but an important start has been made.

To a great extent the absence of a definitive energy policy today stems from a lack of concensus or public support for the action proposed.

Working with the Congress and the governors President Carter must now build that concensus, and mobilize public support for an agreed set of national energy goals. I am confident he can do this. Already his strong public statements about the

lasting nature of the energy shortage, and the critical need for conservation, have had a significant impact.

The task of building workable national energy programs cannot be achieved overnight. The need for a credible energy strategy can be met now. In my view such a strategy must be based on three basic propositions.

First, domestic production of oil and gas has peaked. We can never again rely on domestic supplies of these fuels to satisfy increasing percentages of our energy needs. In short, then, we must run in order to stand still as we open new reserves whether on the outer continental shelf or in Alaska.

Second, the development and use of new sources like geothermal and solar energy, and there is a long list of others, that while offering great promise cannot be expected to meet the substantial portions of our energy needs in the next ten to fifteen years.

The third proposition is we cannot assume that imported oil will be available to fill the gap between demand and domestic supply. Already our growing reliance on imports poses a serious threat to our economy and to our society.

Now in light of these three propositions the principal elements of a national energy policy become clear. First, we must buy time and that is what it is. By time to develop new energy sources by using our fossil fuel resources as wisely and effectively as possible. The wasteful use of natural gas under

boilers, for example, must be phased out on an urgent basis.

Second, we must give priority to the exploration of the public land and the outer continental shelf for new supplies of oil and gas, and we must expedite the development of sound transportation systems which involves, may I say, international relations especially with Canada to bring these supplies to market, particularly from Alaska.

Third, we must create a national coal use program with the sense of mission and commitment that produced our space achievements, and to utilize our vast coal resources in environmentally acceptable ways.

For example the glamorous thing, of course, is to talk about solar energy, hydrogen, and all these esoteric things. But you give a commitment to the research people to do something that appears to be relatively simple and it is not accomplished. Three years ago I said, look, ERDA sounds great. Mr. Seamans you put twelve men on the moon I want you to simply take the SO₂ out of coal; take the sulfur out of coal. We are still working on it.

It is just like I think all of us in public life would like to give the Nobel prize to someone who can come up with a foolproof microphone system that will always work, simple and uncomplicated. We don't seem to get around to doing that job and I want to say to the governors, to each of you, that I am determined that we go all out to get the SO₂ out of coal

because the facts are that it is the key alternative to the burning of fuel under boilers.

Just analyze for a moment the problem in clear terms, if I can. Until this winter's shortage we were consuming 17 million barrels of oil a day. 40% of the 17 million barrels per day was gasoline. The rest basically is in immobile uses under boilers of various forms whether it is industry or utilities.

Now how do you really move in on that large chunk. We know what we have to do in the long range with gasoline and that is to set some tougher requirements in terms--in terms--of mileage. I don't buy the voluntary approach. It is good for a bad winter, but who are you kidding. It is good for the period of concern, but what we really need to do is to tackle both of these fronts to get the gas mileages so that we can get a better return next year. 18 miles per gallon minimum on a unit basis, then 19 and 20.

The Japanese have done a lot better than we have. The Germans have done a lot better in the automobile area. I just feel very deeply that we have to move and move strongly, and the other side of the coin of the 17 million barrels relates to the boiler fuel.

We must standardize our nuclear power reactors to provide maximum safeguards. I think we can draw a lesson from an uncontroversial figure, Admiral Rickover. Admiral Rickover made a decision over 20 years ago in which he decided not to try

Every new thing coming along, but to standardize his reactors, and all of those 123-odd naval reactors have had a fantastic record of safety, and I believe that if we standardize nuclear power reaction and that we don't go off in every direction that we have the built in redundancy that will provide safeguards that can give us some reliable power, and the same applies to nuclear waste.

It can be controlled but we shouldn't make wild statements that we can control it indefinitely, and then get into court and then we are in trouble. We don't have to claim that to do the job.

The fourth thing we must develop a massive conservation effort that strikes at every wasteful use of energy in homes, cars, industry and government. We must tighten our auto efficiency standards. I have mentioned we must mandate energy saving building codes. We must give the states increasing support and authority to develop state-wide conservation programs. We must provide greater incentives for conservation and greater penalties for waste.

Ladies and gentlemen, simply stated, it is much cheaper to save a barrel of oil than to produce a barrel of oil. Conservation is a critical part of this.

Fifth, we must seek to establish relationships abroad that will assure the availability of foreign oil during our period of heavy dependence on imports.

Sixth, and finally, we must pursue aggressively an energy research and development program that will meet the national energy needs from new sources as soon as possible.

Now may I say that in all of this effort in my view the states--and I don't say it because you are here--but I have been fighting for this ever since we started on the program some six years ago. The states must play a major role. Already the states are deeply involved in energy issues ranging from fuel allocation to power plant siting. Many states have taken the lead, in fact, in energy conservation.

From my experience on the Hill I am convinced that greater involvement of state governments in the energy planning process is critical.

Now all too often the federal government has sought to make energy decisions on vital issues like outer continental shelf leasing without adequate state participation. Some of you from the coastal states, and along the Gulf, are aware of that. We now find that the states are making decisions in such areas as energy facility siting with major impact on the national energy policy.

These decisions, whether by the states or federal government, must reflect--in my view--a broad range of interest. They must balance environmental concerns with developmental requirements. They must reflect a careful allocation of national, regional, and state costs and benefits.

At present we have no adequate set of institutional arrangements for a coordinated federal/state response to energy issues and I want to say, Governor Carroll and Governor Askew, we want your input. We need your experience in this regard, because we will be taking up or introducing tomorrow the new Department of Energy, and I think it is important to have your inputs; to know what your experience is, and to set up the mechanism--the institutional arrangement--whereby something can be done.

Now as you know in many cases state interests and national programs, or policies, have been accommodated only through the force of public opinion, congressional intervention, or legal obstruction of specific proposals, when more traditional approaches to the accommodation of state interests fail. Also proposals for federal presumption are often advanced.

You may recall that the Ford administration proposed a presumption policy along with a case by case resolution. Neither of these approaches--federal presumption or case by case resolution--in my judgment is satisfactory. Both create uncertainty, invite conflict, and impede orderly and logical planning at the federal and state level. Neither directly addresses the difficult question of how best to resolve energy, natural resource, and environmental controversies which place national requirements in conflict with the economic, social, and environmental objectives of the individual states.

Some of us in Congress have worked hard to bring the states more into the energy planning process. Now the regional advisory councils proposed in the outer continental shelf bill we are talking about, once again reflect the effort. We have also sought to involve the states more directly in the energy policy through some such mechanisms as state conservation programs.

In almost every major energy bill considered by my Committee we have tried to provide for vital state concerns. The creation of a Department of Energy offers a new opportunity to establish a better federal/state relationship on energy issues.

Such a department, in my judgment, will provide a focal point for resolving competing federal/state interests. It should also provide a place where states can participate much more in the energy planning process, and I emphasize the planning process, so that you can anticipate what the future role of your state will play in these programs.

When Congress receives the Administration proposal for the new department tomorrow I will urge that we consider creating specific mechanisms for the states participation in the Department of Energy. I will also urge, as I did a moment ago, the National Governors' Conference to make specific recommendations to Congress about the President's plan, and may I say that the mood in this country and the mood in the Congress is to move on energy, and all of us who have been in politics know that timing is of great importance.

We are going to pass in the month of March a bill providing for the new Department of Energy. We are beginning this week, starting tomorrow, a full month of hearings on major energy legislation covering surface mining regulations; outer continental shelf leasing; energy research and development, and coal utilization.

We may have changed the name of our Committee but not our interest in having your judgment and expertise brought to bear on our energy agenda.

The national energy policy hammered out in Washington must not be just a federal policy, but a policy which spans and includes the interests of the states; of industry and of the American people. That is the only kind of policy that will meet the national energy needs in the future. Thank you.

(Applause)

GOVERNOR CARROLL: Thank you very much, Senator Jackson, for a very sensible but certainly an all-inclusive discussion of the problems for the development of an energy policy for our nation.

Senator Jackson now is going to remain for your questions and your statements until about 11:00 o'clock, at which time he must go back to the Hill for the purpose of a hearing. His general counsel for the Committee will remain with us for a longer period of time, and certainly we appreciate that. Mike Harvey is here this morning and will remain with us.

At this time we are just going to go right to the floor for your comments or your suggestions, or your questions, for Senator Jackson. Governor Straub.

GOVERNOR STRAUB: Senator Jackson, one of the areas of responsibility that it is recommended to transfer to this new Department of Energy are the four Electrical Regional Marketing Agencies. As you know, as you well appreciate, this includes Bonneville. I am very concerned with having Bonneville transferred out of Interior, because I am concerned about having the power from Bonneville pooled into a national pool, and the rates melded with the national average, and I'd be very interested in your thoughts and your concerns about where you think the interests of the Northwest lie in regard to the Bonneville Power Agency.

SENATOR JACKSON: Governor Straub, I can say very frankly that the fact that all of the Federal Marketing Agencies will be brought together in the Department of Energy will not have any impact in terms of an effort to try to average out, so to speak, the power needs and rates throughout the rest of the country.

As you know all of these marketing agencies, all four of them, are now in the Department of the Interior which has both resources, that is, power and the basic natural resources, and we have not had that problem. I don't see it occurring in the Department of Energy.

What we have to do, Governor, is face the fact that

we have been talking about this for so long. We have over fifty-two federal agencies involved in energy. Now we did the unthinkable in the Senate. We ended up with the movement of the energy authority out of the five or six committees into one committee, which I don't object to, and the Committee on Interior disappeared. It is now the Committee on Energy and Natural Resources.

I think you would prefer, ladies and gentlemen, to come before Congress and appear before one committee at a time rather than five.

Now the House has a real problem in this regard, so I don't see how we can have a development of energy unless we have energy in this department. I want to assure you that those safeguards will be there. It takes a special statute to do this, and I think there will be a little fight.

GOVERNOR CARROLL: Governor Thompson.

GOVERNOR THOMPSON: Senator Jackson, I share your impatience with the ability of science to take sulfur out of coal. As you know Illinois has the largest coal reserves in the nation, perhaps in the world. We also, unfortunately, have high sulfur coal.

There was at least one and perhaps two federally supported demonstration projects that were scheduled for construction in Illinois looking toward the liquefaction and gasification of coal as well as the problem of the removal of high sulfur

content.

We have been told in the past several weeks that federal funds which were originally committed to those projects may not be there in the next fiscal year, and we look upon that as a retreat on the part of the federal government from its original commitment. Is there any hope that the Congress, or the new Department of Energy, can reassess that situation and tell us in Illinois whether or not we are going to go forward on that project?

SENATOR JACKSON: Governor, let me say this. I led the fight in the Senate to get some guaranteed loans in partnership between the federal government and industry to build these large demonstration plants. It passed overwhelmingly and went over to the House, and the two groups got together and we had one group saying it was socialism, socializing business, and on the other hand we had the other extreme that government should not be involved in this at all.

Now there is a problem, and I believe very deeply that we are not going to get the necessary capital and you have to build--I am talking about the large plants because they are part and parcel of the same--you have to build a large demonstration plant to do the job, and that type plant costs a billion dollars.

Now what company is going to put up a billion dollars knowing that they are not going to get any return at all for ten years. We have been, you know, caught right in between. Now we

are going to go ahead with the small demonstration plants, that is not the difficulty, but we need your help. I think this ought to cross party lines here. But if anyone in this room can tell me how you are going to build these large alternative support facilities I'd like to know. That is a major problem facing the nation.

Now to give you some inputs here I foresee in the next ten to fifteen years a need to invest about one trillion dollars in energy facilities. The energy business is already very capital sensitive, and whenever you talk about these new planned alternative sources that will be environmentally acceptable you are talking of investments into the billions of dollars, and I foresee a need for the government to have a joint venture with industry and move these programs that are on a large scale.

We have no other choice. It there is an alternative I'd like to know what it is. I think that the expertise of industry and government brought together can do the job. We are going to give coal, as you gathered from my remarks, the highest priority. We are the Saudi Arabia of coal. They have some 300 billion barrels of oil but over here we have--in the non-communist world--we have 57% of all the coal resources of the non-communist world.

GOVERNOR CARROLL: Governor Rhodes.

GOVERNOR RHODES: I'd like the record to show we are a coal producing state. There is almost a breakthrough with

Battelle Institute who is doing research and development on fluidized beds, and I think with your help we can probably get into operation within the next six months burning coal in fluidized beds, and I have two sheets here which I will give you before you leave. It is on research on fluidized beds.

I have another suggestion. We read so much about EXXON has \$3 billion to invest in exploring, and because of the tax structure they have to have \$6 billion in profit, and to have an average of 10% profit they have to have \$60 billion worth of new business.

We have 130 rigs on the outer continental shelf costing five to fifty million, why can't we issue--the same as we did during the war--issue liberty bonds or war bonds and start out with 200 billion tax free and then lease the rigs to these people where it becomes an expense instead of a capital improvement, and I think this is what you are going to have to get toward.

Because I think the country is broke, and I think most of the corporate structures are broke. I think you made a very good suggestion which is very fundamental that the government is going to have to move in on the finances.

SENATOR JACKSON: There isn't any question that what we are talking about here is an investment in oil producing facilities. It is not just appropriating money and getting nothing back. We are talking about, and Governor Straub mentioned Bonneville out in the Pacific Northwest which has paid for itself

over and over again in power availability which came about by proper management and there is another factor of conservation together with science and technology. During the oil embargo we were able--I might point out--to ship to California during the period of January, February and March of 1974 an oil equivalent to Governor Brown of 40 million barrels of oil. How did we do it, another element of conservation, that I just bring up at this point.

The Battelle Memorial Institute is one of the finest in the nation. I am quite familiar with their work in Columbus, Ohio, and there are other facilities around the country, but another example of what science and technology can do is we had a power shortage and we handled it through a direct current line, the only one outside of Sweden and the Soviet Union, that runs all the way from Dells, Oregon, down to Los Angeles and we during that period had a surplus of water with heavy rains--which we wish we had now--and we were able instead of having that water go over the tops of the dams that it went through the penstocks and delivered the power, and science and technology made it possible through research to send that power without line loss on a direct current, as distinguished from an alternating current system. The line loss, as you know, is just enormous for every 50 to 100 miles on an AC line.

Therefore, we have in ERDA provisions for a substantial research and development requirement to identify areas where we

can save money. Can I give you one illustration. The original generators at Grand Coulee generated 180,000 kilowatts. Thanks to science and technology with government and industry working together we are taking the same amount of water, and we are producing 700,000 kilowatts. Now that is conservation. I prefer instead of conservation, which we say over and over again and it is getting worn out, why don't we refer to it as efficiency. The more efficient use of energy, and we can go on and on.

But the Battelle Memorial Institute is doing a great job. I feel quite hopeful about the cleaning process that you referred to. But we still have not done the job that we must do to have coal burned under boilers so it will come out clean, and there is no reason why all of our principal boiler fuel should not be coal, and to a certain extent nuclear where we have the kind of nuclear plant that can be judged to be safe.

GOVERNOR CARROLL: Governor Byrne.

GOVERNOR BYRNE: Senator, could you tell us if there are proposals pending with respect to the regulation or control of the price of natural gas or oil; what the Administration's position is on such proposals, and what the prognosis is in that area?

SENATOR JACKSON: Governor Byrne, there are a whole bunch of proposals. Governor Edwards, I think, can probably give us a better rundown on the natural gas side. As you know the big fight is, indeed, over the deregulation of gas. Now I think that

we are at a point where, candidly, deregulation of the price of natural gas simply puts the price of natural gas at the OPEC level.

Bear in mind that the price of oil, if we had no regulations of domestically produced oil, would go up to the OPEC level. Now I get a little tired of people constantly saying that let's turn it over to the free market. What free market? OPEC controls 80% of all the oil produced in the world, outside of the communist bloc, 80%.

Now are we going to allow our economy to face one inflationary wave after another? I say no, and I think the Saudis deserve some credit. They recognize that and today they again came out with a statement saying that is wrong. You will destroy the western economy and the free enterprise system in this country. So I feel very strongly that price adjustments, yes, and we tried to do that on oil. We adjusted the prices upward. They are up substantially.

I want to say that the price will not, at this point, bring increased production. I think what the industry needs is a decision one way or the other on this particular subject, so that they don't hold back and they are holding back. But the amount that is held back is not the amount of gas, frankly, that will solve our problems.

GOVERNOR CARROLL: Governor Hunt.

GOVERNOR HUNT: The states and the federal government

need to work together in this effort, particularly in the field of conservation. Given all of your background in knowing what is involved in coming forward with a federal policy, what would you suggest to us that we ought to have in our state policies and programs, not just the one single idea; could you sort of give us the areas in which you think the states ought to be moving ahead so that we have policies that are complimentary to what will be done at the national level?

SENATOR JACKSON: In the bill that we passed in December of 1975, which provides for conservation and pricing policy, we authorized bloc grants to the states to aid the states on a voluntary basis in working out their own conservation programs. It is my view that the states have the institutions in being. If we should have to go to rationing, and we recognize that is a possibility, the states can handle it a lot better. The states can handle a lot better the matter of dealing with the building codes. They can handle a lot better in dealing with industry, and I would go a step further and provide incentives to the states.

What I am encouraging is to use the existing state institutions and not create another federal bureaucracy; bringing in people from the outside who do not know--as you know--the areas of conservation that can be brought about, and this is where I think the committee here that Governor Carroll heads--the Committee on Natural Resources and Environmental Management--can play a very important part.

I think what you should try to do is identify on a broad basis a concensus as to certain areas where you can agree, and then make the start to get a beginning at least in conservation.

I wanted to point out the money was not appropriated because the previous Administration had not asked for the funds. Governor Apodaca.

GOVERNOR APODACA: Senator, I am not sure I agree with your assessment on deregulation. I can imagine we could debate on this extensively all day. Are you suggesting, in order to be consistent with the deregulation of natural gas that we also look at coal and uranium as the obvious potential energy sources, and that the federal government or the states should start looking for a deregulation in the price of uranium and coal as well?

SENATOR JACKSON: No, we have no control over coal and uranium. They pretty much follow the price of oil. All I am saying is I start from the fundamental premise that if you deregulate the price of oil produced in the United States you then raise the price of that oil up to the world market price. It goes up automatically every time OPEC goes up.

Should we allow OPEC to determine what the price level should be of oil produced in the United States? I say no, and they control it. There is no denial of that I don't think.

GOVERNOR APODACA: Are we to assume that some time in the future?

SENATOR JACKSON: We actually have to rely on a number

of resources for energy rather than just one commodity. So that if we look twenty or thirty years ahead we can conclude that oil and gas would not necessarily be establishing the price of energy fuel.

GOVERNOR APODACA: It seems to me that it is somewhat inconsistent to say we should regulate oil and gas but, on the other hand, not regulate uranium and coal. It does not seem to be consistent.

SENATOR JACKSON: You regulate it by the fact that coal and uranium in the marketplace follows the price of oil. Now those are basic economic facts and the price of coal has gone up with the price of oil. If you take the lid off they go up even higher. That is why I think we have to have a pricing policy as long as OPEC has a pricing policy. I can't see how we should permit them to determine what the price of our energy resources should be. That is all I am saying, and the facts are that we have a finite resource that we are dealing with in oil and gas. Coal is enormous but as far as gas is concerned we get all sorts of different figures.

But one figure that exists today is the demand last year for natural gas was 20 trillion cubic feet. For industry 17 trillion cubic feet, and we have by conservative estimates 220 trillion cubic feet. But then the U. S. geologic survey says it is up to 800. But whatever it is it is finite. It is limited, and all I am suggesting is that we buy time in these

finite areas of oil and gas to develop alternative sources, and the key alternative is coal as I view it. Governor Milliken.

GOVERNOR MILLIKEN: In your remarks you have suggested that solar energy is one of the more esoteric approaches to energy generation. What in your judgment is the potential of solar energy research in this country?

SENATOR JACKSON: I think it is long term, Governor. The opportunity, of course, relates to the stationary use of energy. You can't, as I have tried to explain to people, it is not the only one and we get into the phenomena especially on the campus where solar has become the sweetheart and the solution to all energy problems. It is a very important source that I want to push hard while we are trying to develop our finite resources.

But the facts are, as I said in my remarks, it is fifteen years before we can start to see the beginning of an effective application of solar energy.

Now simply stated here is where we are. Our finite resources are oil and gas. Then there is coal and geothermal, and there is also in a very difficult environmental area oil shale. In the infinite area is fusion. We have been on that for 25 years, some feel we are going to make a breakthrough. Hydrogen offers the greatest opportunity, but currently it costs more in energy to produce the hydrogen than you can get for it. But hydrogen is a liquid, of course, that could be a substitute for gasoline. It offers great promise if we can get the breakthrough

and then solar energy. Those are the three key areas of an infinite resource that can be developed. Governor O'Callaghan.

GOVERNOR O'CALLAGHAN: Senator, when we deal with these resources I think that both the Congress of the United States and the states, themselves, have to become less partisan in the way they approach things. When the Solar Energy Research Institute was first merged, and legislation was prepared, people immediately began to use political power as to where the research institute should go.

We hear people today in our different states talk about our coal, our oil, our gas. I don't hear anybody talking about our nuclear waste, and I think that we all have to work together on this because we are all responsible. I know that in my state we do have a place for nuclear waste. We do control, we do work on it. It is your nuclear waste but we are willing to help you with it, but at the same time I look at it as a national problem and I think that all of us had better look at it as a national and non-partisan problem that we have to work together on.

SENATOR JACKSON: May I say, Governor O'Callaghan, that the mistake was made by the Nuclear Regulatory Commission. They were coming in with proposals which could attempt to guarantee the storage of nuclear wastes effectively over a very long period of time. I don't think, scientifically, one can come to that conclusion.

Science is a matter of prediction and we know from our

experience at Hanford that those large vats have been able to contain nuclear waste for 30 years, then they ran into trouble. I think they ought to be honest and say that you can contain nuclear waste for about thirty years. We can improve on that but with monitoring devices, and with new engineering approaches it may go well beyond thirty years.

But the law doesn't require that we have a nuclear waste containment capability that goes on forever. The facts are that we are going to have to rebuild these facilities from time to time, and I think the people in charge simply ought to state the fact, the truth, and that can be done. Governor Ray.

GOVERNOR RAY (Washington): I'd like to comment on that. As a former Chairman of the Atomic Energy Commission, we tried very hard to state this fact. We did state the fact over and over again. Our problem is the facts don't get communicated. There is no way we can force our free press to report all the facts as stated, and I think this is something that as governors we have to be very conscious of.

Thirty years ago when atomic wastes were first developed they were in liquid form, and that is the best the technology could do. But technology has moved far from that now, and liquid waste--it is true--can only be contained up to a certain length of time within tanks. But these wastes have been in the process of being solidified since 1965, and solid wastes don't leak. It is much easier to contain solid wastes than

liquid waste.

I would just like to point out that the technology problem is nowhere near as difficult as the opponents of nuclear power would like us all to believe. The Earth is radioactive. It is a very fine container for radioactivity, and when we have that kind of wastes we must remember they decay all the time at a very rapid rate, and surely after a long period of time there will be a decreasing radioactivity just as there is in the Earth itself but nobody ever says how much. The level becomes very low, and it is not a complex topic. I think it is one in which communication of the facts is not clearly so exciting as communication of charges and accusations, and that is one of our problems in the nuclear area.

I'd like also to say one further thing, science is not magic; science does work hard to improve processes and the technology for removing sulfur from coal has also developed both in terms of removing the sulfur before it is burned and removing it from the smoke after it is burned. But the fact is that when you do have that you have very large amounts of dry sulphur powder as slurry and, environmentally speaking, this becomes a problem as to where do you put it and until those kinds of problems are resolved then we have to put it in the context of we all believe deeply and recognize the balance and tradeoff between environmental concerns and economic necessity.

But until we make use of a process in a fairly large scale it doesn't get improved and the cost won't come down, and

if we are prevented from using the processes by environmental concerns we will get nowhere. We are very accustomed, and necessarily so, to producing environmental impact statements and I support this fervently. But we must be careful, because we also have to recognize we need jobs and we need the energy and economic concerns as well and there is no requirement, yet, for any economic impact statements and I think that should take at least as much importance as the environmental impact statements.

Moreover the way our environment laws are written on the national scale there is no statute of limitations, and no matter how far along a project may be it is possible for the environmental opposition to stop it even after it has been approved, even after it has gone through all of the hearings and all of the statements, even after it has been begun, even after sometimes millions of dollars are spent on that, and I believe that the time has come when we have to face up to the fact that we must have a better balance between the economic requirements and the environmental ones.

(Applause)

SENATOR JACKSON: Governor Ray, I am glad you brought up the solidification of waste. The big liquid waste area, of course, is at Hanford in connection with the weapons program and at Savannah River and I wanted to ask do we now require a solidification of the nuclear wastes coming from our power plants

as distinguished from the operation?

GOVERNOR RAY (Washington): There is such a policy established by the AEC, and I am sure it has carried over into the waste management section of ERDA. I would point out there is no already processed waste from nuclear power plants in storage anywhere. The law requires, the policy requires, that the spent fuel rods be kept in full storage for five to ten years before processing, and the main bottleneck in the waste management situation right now is the reprocessing capacity which also is being held up by environmental concerns.

SENATOR JACKSON: Right. Governor Thompson, then Governor Mandel and Governor Boren.

GOVERNOR THOMPSON: Senator Jackson, in your excellent remarks I did not notice that you had very much to say about nuclear energy, and I understand that it is now taking us from 10 to 11 years to build a nuclear plant if we can actually build it and the foreign countries, some of them, are being able to build safe nuclear plants in a period of five or six years.

My question, sir, is do you see this Administration supporting, encouraging, and expediting the development of nuclear energy?

SENATOR JACKSON: May I just say this, Governor Thompson, President Carter has indicated that his policy will be to utilize nuclear energy as a move of last resort. That he wants to emphasize coal as an alternative source. I believe I said in my

remarks that in the area of nuclear power what I would like to see is an agreed upon standardized reactor instead of having several different designs where you run into a lot of trouble. That we follow the experience of Admiral Rickover in the Naval Reactors Program where they have 123 naval reactors operating without--knock on wood--without a single incident and the environment has been excellent in terms of avoidance of radioactivity.

I believe that standardization is the approach that we should follow, and it is one that we will want to look at seriously in my Committee on Energy and Natural Resources.

We want to utilize nuclear power, but I do believe that the need here is to have thorough ongoing safeguards, or what the scientists call built in redundancy, so that if one thing goes wrong something else will deal with it. I think that is a sensible approach.

GOVERNOR MANDEL: Senator, I would like to throw out a thought for your Committee to consider in the way of problems that we face in forming some state policy to coordinate with the federal policy. This may be a little matter, but it is one of great significance as far as I am concerned.

During the recent emergency, and the recent problems, trying to work out a state plan we can't get all of our suppliers--major suppliers--into one room together to try to work out a plan, because they are fearful of violating the anti-trust laws, and when you try to sit down with the whole group you can't deal with

them together.

Now whether they feel that this is a real problem, or whether it is a defensive problem for them, but whenever we try to get them all together to work out some state policy we have to deal with them on a one to one basis, because they tell us that they can't get in the room together because they will be facing an anti-trust suit. I think it is ridiculous but it is still there, and this has been going on for the last year--three years--with regard to all of our energy problems. We can't get the suppliers into one room together to know what the real situation in the state is.

I think your Committee could look at that to see whether we could work out some mechanism so that we can at least talk to these people.

SENATOR JACKSON: I was asking my lawyer here, Mike Harvey, he is the Chief Counsel. That question was raised when they were appearing before the Committee and it is absurd. I think, very clearly, that when they are speaking and conferring in connection with a governmental request that they are clear as far as the anti-trust laws are concerned. Counsel tells me that we have been explicit in that regard on natural gas--have we not--and on oil, too.

I will ask that this matter be gone into so that there can't be any possible ambiguity as far as that kind of objection is concerned. It makes no sense.

GOVERNOR MANDEL: I wish someone would tell them that is a fact, so we can get them together and try to work out some policy for our state.

SENATOR JACKSON: I will ask Mr. Harvey to follow up on this so that we can let you know what the law is now, and so that if there is a problem on that bring them over. It is not far from Annapolis to Washington. Governor Bowen.

GOVERNOR BOREN: Senator Jackson, the National Petroleum Council recently released a report which indicates that we could divide all of the oil discovered in this country from the beginning of exploration into two. Half of it is now subjected to being produced from a technical and economic point of view but is not yet recoverable. The other half is now technically and economically recoverable and 19% of it has been pumped. But the interesting thing is that half of the oil in this country has been discovered, we know where it is; we know where these reserves are, but we have not been able to pump for technical and economic reasons.

Of course, this brings me to the secondary and Tertiary recovery which is an immense possible source of oil in the short term to help the short term problem. In the current energy program do you see anything being done to put more emphasis on technological research in this area, and also perhaps in the area of economic incentives. Because this is a very capital intensive area.

SENATOR JACKSON: You have made a very good point. We do have in the ERDA legislation, which we will be taking up, a section that deals with the technological aspects of coming up with new methods by which we can bring about secondary and Tertiary recovery.

Currently, as you know, the cost per barrel in certain areas is just unbelievable and the only way that can be handled is by blending it in with all the other costs. I do feel that there is a very large area. Our current reserves run about 35 billion barrels, and we consume about 6.2 billion barrels a year or 17 million barrels a day.

It has been estimated that if you take a look at--as you pointed out--at the oil that is in place and that is what you are referring to, right? It is well over--it runs from 100 to 200 billion barrels. So that with Americas normal advantage in the areas of science and technology I think the opportunity is there, and we ought to exploit it, and we have come a long way already in that regard, and I would hope that we will push even harder as well for other alternative fuels, coal and oil shale and so on.

GOVERNOR ~~BOREN~~ BOREN: Also the environmental costs have to be considered. This oil is in place, and wells have already been drilled, and I think if there is any possibility that the price of oil should escalate this becomes, of course, a more economically and reasonable thing compared with the price of imported oil, for

example.

Do you foresee the possibility of perhaps an investment tax credit or some other economic incentive along with the technical?

SENATOR JACKSON: I would prefer to approach this particular area of opportunity by special incentives, and special help, to get that oil out without doing violence to the price structure--the overall price structure. Governor Judge.

GOVERNOR JUDGE: Senator, you stated that energy decisions taken by each state must consider the regional and national interest, and I certainly concur with that statement. But I would like to suggest that that is not happening in your own State of Washington. We have a ridiculous situation where we have Alaskan oil that is shortly going to be available to this country, and there is no way to get it into the United States and one proposal is to build the northern tier pipeline from Washington through the State of Idaho, and Montana, and North Dakota and Minnesota, and to supply Chicago with Alaskan crude, and now we are told that because of environmental considerations that the people in Washington don't want to have super tankers coming into their ports.

But I'd like to point out that just last year the State of Montana approved two very controversial steam generating plants of 750 megawatts to supply the State of Washington with

electricity.

We are supplying the rest of this country with 25 million tons of coal each year at some cost to the environmental considerations of my state.

Now I agree that we should act together, but why should the people of Montana supply the State of Washington with electricity and then be told that we can't have oil because of some environmental considerations in Puget Sound.

I also would remind that governors that legislation is provided that Alaskan oil is to be equitably distributed among the states, so I would urge that you communicate that message to some of the people in the State of Washington who are now taking a very shallow view of Alaskan crude oil supplying the entire northern tier and in the mid-west.

SENATOR JACKSON: Governor Judge, do you think we ought to preempt states' rights in this area of siting facilities? This is part of the problem.

GOVERNOR JUDGE: Senator, I was the one that suggested 17 amendments last year to your synthetic fuels legislation to provide that states' rights be considered in terms of utility siting for air and water pollution, and standards for water use, and you were gracious enough to accept those amendments from the western states.

But, on the other hand, how long are we going to wait in this country when we have Alaskan oil available; are we going

to send it to Japan when we are out of oil because of environmental considerations in the Pacific Northwest and Puget Sound?

SENATOR JACKSON: I think you raise a very valid point. Being the author of the Alaskan pipeline legislation, let me point out we had in the report as it passed the fact that there would be a surplus of 400,000 barrels approximately of oil that would be surplus to the needs of the western states.

Now we left this to the Administration to come up with an alternative solution. We now find that surplus is around 700,000 barrels a day above and beyond Petroleum District Number 5 which is roughly all the key western states, and the result is that all the alternatives are turning out to be in trouble.

Japan, where we provide safeguards, you could ship to Japan and they in turn would ship comparable oil into the east coast and, obviously, that is fraught with all kinds of problems.

There is also, in British Columbia, environmental problems with Canada and also Port Angeles in Governor Ray's state. I believe the State Siting Council had previously approved that location did they not?

GOVERNOR RAY (Washington): The problem is this Governor does not. Having said that, we in the State of Washington are very sensitive about the problem not only in Montana, but in North Dakota, Minnesota and Ohio and there is no dearth of support for doing our part in being an offloading area. The problem is,

again, the environmentalists and the coming into the state of people who oppose the transportation of oil, and there is no statute of limitations.

We are perfectly willing to sit down and negotiate and discuss the finest possible safeguards there are, but there has to come a time when it can be said that is enough and come up with a law and stop everything. That is the question we really must face up to.

GOVERNOR CARROLL: We are going to take two more questions, and we will have to quite due to the time.

SENATOR JACKSON: Governor Judge, we will do our best to look at the alternatives and the objections but it makes it very, very, difficult when all the alternative options are being foreclosed on us. But we will find some way to solve it.

GOVERNOR GARRAHY: Senator, being from one of those states that perhaps is on the end of all the pipelines we have a large reliance--a tremendous reliance--on imported oil. I was interested in the comments about coal, and I think that perhaps we ought to develop and cleanse, of course, the coal resources in the country as quickly as possible.

Now it seems to me, and this is only an observation, that if coal is going to increase in price to about the equivalent of oil that there would have to be some incentives, of course, for those states who now rely on large imports of oil not to use oil and put it under those boilers as you suggest.

SENATOR JACKSON: We are mandating to convert from oil to coal subject to proper environmental safeguards and that is a big undertaking because, as I pointed out to you, 40% of that 17 million we consume every day is for gasoline automobiles, the other is for stationary uses under boilers--bit industrial and utility users--so that the faster you can move away from oil to coal the faster you will move in on those imports.

Thank you ladies and gentlemen, I thoroughly enjoyed this chance for an exchange of views and I want to say, Governor Carroll, that we sincerely welcome your opinions and input in connection with the legislation that we will be covering this year and it will be a heavy, heavy, agenda and we will be looking to Governor Carroll as Chairman of the Committee on Natural Resources and Environmental Management, and Governor Askew, for an ongoing dialogue and your inputs.

(Applause)

GOVERNOR CARROLL: Thank you very much. I want to apologize for the fact that we did run out of time. There were a number of other governors that wanted an opportunity to ask a question, or make a statement, but our time has gone. We are now infringing upon our friend from Georgia. But I want to make a couple of very quick points to you.

Your Committee on Natural Resources and Environmental Management starts at 12:00 o'clock, and we will have our good friend the Secretary of the Interior, Cecil Andrus, there at the

meeting and we will also have Dr. Jim Schlesinger who supposedly, of course, will head the new energy department. We will be talking about all of these subjects that you have been discussing this morning, so if you want an input at the level at which the policy is going to be recommended back to you we invite you, of course, to come to our Committee session.

I must quickly tell you that one of the major subjects that we will be discussing is, of course, the President's recommendation for the creation of the new Department of Energy and I will be testifying on the Hill along with other governors with respect to that new department.

I, again, thank our speaker this morning and I thank you for your excellent questions. Obviously we could have taken the whole conference and continued this discussion which we have done so sensibly, and even then obviously wouldn't have answered all the questions. We do appreciate your input, and appreciate the opportunity to discuss this very timely subject this morning and, Mr. Chairman, I thank you for the opportunity of discussing this subject with your members. Thank you.

(Applause)

GOVERNOR ASKEW: Thank you, Julian and Senator Jackson. We very much thank you for your appearance this morning and obviously for the tremendous leadership you have given in this whole field, and we commend you for that effort and will certainly continue working with you. I think this exchange obviously will

be a great help in framing national policy.

We have one half hour for our next session, we are a few minutes late and we are going to give a full half hour because it is critically important. I would ask all of those in the press if you might bear with us until we adjourn. There may be a little while in between, we keep losing governors for off the floor interviews, and we would hope that the governors would stay with us and then you might have some time prior the luncheon for interviews.

Now I'd like to move on to the next item. I know of few components of any state budget that grow as erratically and rapidly as Medicaid. Governor Richard Kneip, who chairs our Committee on Human Resources, will moderate our discussion of this problem. Dick, the floor is yours.

GOVERNOR KNEIP: Thank you, Mr. Chairman, and governors; if I might, in starting out, I'd like to remind the governors who are members of the Human Resources Committee of the noon meeting with Secretary Califano in his office, in his dining room, and the bus will leave from the front of this hotel at 11:45. So we'd certainly appreciate a good attendance at this particular meeting.

Most of you know at our summer meeting in Hershey, Pennsylvania, that great importance was tied to the question of Medicaid and Medicaid reform, and from that meeting Governor Busbee of Georgia was assigned the task of chairing the task

force on that particular question, and at this time he will give us an overview of that report as it has been circulated to the other governors of the country.

GOVERNOR BUSBEE: Thank you, Governor Kneip, now that we have solved all of the energy problems I would like to bring up Medicaid. At our annual meeting in Hershey last year, we passed a resolution which declared that Medicaid reform was "an item of highest priority" and promised that we would provide leadership in working with the Congress and HEW in developing proposed reforms.

Former Governor Cecil D. Andrus asked me to chair a special task force on Medicaid reform to carry out the mandate of this resolution. Eleven other states representing all regions of the country agreed to serve on this task force, and the member states were Colorado, Idaho, Louisiana, Maryland, Massachusetts, Minnesota, Missouri, Nevada, New Jersey, New York and Texas. These states represent Medicaid programs of various types and sizes.

From the first meeting of the governors' representatives comprising the task force on September 22 of last year in Atlanta, to my presentation of the recommendations to the NGC Human Resources Committee on January 21 of this year in Washington, the task force has been active in the pursuit of solutions to the Medicaid problems, and following the first meeting I mailed a full report of the proceedings to all governors.

After organizing subcommittees in the Atlanta meeting, the task force next met in Washington on November 18 and 19. The work and recommendations of the subcommittees on Finance, Organization and Administration, Delivery of Services, and Data and Systems were discussed and refined by the full task force at the Washington meeting.

On December 2 I mailed an executive summary of the proposed policies to all governors for review, and asked that each governor designate a personal representative to attend regional meetings held throughout the country in December on the proposed policies.

Ten regional meetings were held between December 10 and 18 to obtain comments and suggestions of governors not represented on the task force. On January 10 and 11 the full task force met again in Washington to modify the proposed recommendations based on input from the regional meetings. At this meeting the data and systems area was combined with organization and administration, and 21 policy recommendations were finalized for submission to the Human Resources Committee. During the entire period this effort included coordination and monitoring by members of my staff who are knowledgeable in the Medicaid program.

The full report of the task force includes the proposed NGC policy statement to be considered for adoption, followed by an executive summary which discusses in brief fashion each of the key points recommended in the overall policy statement, and

then that is followed by a detailed committee report which provides background material and alternative methods for implementation of the policy recommendations.

Some of the proposed recommendations are very specific while others tend to embrace more general principles. This is because we often found fifty different opinions on how governors ought to address a particular aspect of Medicaid reform. However it is my firm belief that if we can agree on principles such as directions in which we ought to move we will be in a much better position to initiate or react to specific proposals which support these principles.

But the first point that I would like to stress to you is that every governor, through his or her spokesperson, had input into the development of these policy proposals. We were not able to incorporate all of the specific suggestions into the policy proposals either because we could not gain a consensus among the states or because we did not have the time to fully address the impact on the federal and state governments of certain policy proposals.

The detailed report includes a number of suggestions which are worthy of further consideration. During this effort I have been extremely impressed with the knowledge and caliber of the people who were designated by their governors as representatives on the task force. We should all be grateful for the hard work and personal dedication of these task force members.

I have also had it reconfirmed that there is neither a single nor easy solution to the problems of Medicaid. While Medicaid may not be the predominant issue in each state, I can certainly assure you that it is one of the primary concerns of most states. I am still convinced that most of the goals and aspirations of the Medicaid program are worthy and admirable even though my experience with Medicaid in Georgia has been to face not only multi-million dollar cost overruns but also litigation, special interest pressures and demonstrations, concerns of the public regarding allegations of fraud and abuse, and the spiralling costs associated with Medicaid.

I am seriously concerned, however, that much of the focus is on cost containment while true reform in Medicaid must meet broader tests of quality and equity. It is important at both the federal and state levels to recognize the legitimate health care needs and services of the country's poor and to provide programs to meet those needs. Complete emphasis on the fiscal problems faced by states without appropriate emphasis on the legitimate needs of the poor and the government's obligation to provide for health care is an indefensible position for the government to take. The scarce Medicaid dollar has a long way which it must go and the waste caused by fraud, abuse, over-utilization, impractical regulations and inefficient administration at both the state and federal levels must be resolved in order to provide a meaningful level of health care to the poor of this

nation.

Any plan of national health insurance must assure that these basic concerns are reconciled lest they escalate a national program into overnight bankruptcy. I believe the policy recommendations formulated by the task force take these concerns into account and stress reform measures through addressing fiscal, programmatic, administrative, service delivery and public confidence concerns.

If the state and federal governments are to provide quality health care to the poor under the auspices of the Medicaid program, then both parties must face the issues objectively for many are indeed controversial. States must do a better job in administering Medicaid, but they also need the tools with which to do that better job. The federal government must be willing to do two things. One is to provide both resources and leadership and, second, assume a larger portion of the cost of care for the nation's elderly.

A more pronounced emphasis must be placed on fraud, abuse and overutilization by recipients and providers alike. Medicaid has oftentimes been described as "a hypochondriac's heaven and an unscrupulous health service provider's paradise."

In our positions as chief executives of our respective states, we must make our collective voice known to the Administration and to the Congress by expressing our willingness, and by using the benefit of our experience and knowledge to help resolve the

Medicaid problems.

Our states have witnessed first hand the explosive growth in Medicaid costs which have grown from \$4.7 billion in 1970 to \$14.7 billion in 1976. This represents an average yearly increase of more than 20%. The budget for fiscal year 1977 is \$18.0 billion and by fiscal year 1980 we are very likely to see expenditures in excess of \$27.8 billion for Medicaid.

In order for us as governors to express accountability to our states' citizens, these costs must be based on a design for a total health service program with appropriate flow of fiscal resources and necessary checks and balances to complement that design. Regretfully such has not been the case in Medicaid or Medicare, and it is not surprising that these past ten years have seen explosive costs not only in Medicaid and Medicare but in practically every segment of health care--whether government subsidized or privately funded.

The work of the task force is only a beginning to resolve the ills of Medicaid. Our efforts must continue to assure that changes are made. Likewise as governors we must commit our increased efforts and resources, as the federal government must, in the sound administration and financing of Medicaid. To evade this challenge and responsibility at this crucial point in our history will likely result in the same problems and failures of the past ten years continuing to plague the best interest of the citizens we serve.

Time will not permit me this morning to discuss each policy recommendation which we have before you, but I would like to highlight some aspects of the recommendations which are vital to Medicaid reform. All of the recommendations are, of course, important to the reform of Medicaid but the few I would like to summarize I deem to be imperative.

In the areas of organization and administration, financing and delivery of services we are recommending that the health care functions--and this is the first, we have 21 recommendations--of HEW should be consolidated into one major organizational entity which would report directly to the Secretary. Now Senator Jackson mentioned a moment ago that in the energy field we have 52 agencies dealing with energy.

At the present there are some 253 separate health programs which are administered largely by independent HEW divisions. The major responsibilities of this new organization are discussed in the report of the task force.

The highest priority should be given to the detection and investigation of providers and recipients who defraud, abuse and overutilize the Medicaid program, and appropriate punitive actions should be initiated in those cases. We are asking for the authority to impose additional sanctions such as co-payments, which are not prohibited for the mandatory categorical recipient; nonacceptance of providers who have a record anywhere in the country of gross abuse, overutilization and fraud; suspension or

termination of recipients and providers who are found to be guilty of misusing the program, and for a nation-wide information exchange so that states can catalog recipients or providers who have received such punitive action so as to prevent the same occurrence in another state.

We are asking that "framework policy and procedures" manuals be developed for use by Medicaid providers, not only to improve administration but also to aid in the detection of abusive practices. Appropriate resources must be allocated to provide training and orientation to providers and recipients on the proper use of the Medicaid program.

States should be allowed greater flexibility in reimbursement to Medicaid providers, with particular emphasis on prospective review and approval systems for hospitals and nursing homes. In this respect we are also asking that states be given authority to apply ceilings on reimbursement on Medicaid. This would have also been applied to other health care providers within the state as established by federal regulations in an effort to contain price increases which now exceed by five times the next highest level of inflation.

In these efforts we are asking that simplicity of reimbursement be provided, and that all payers of health care benefits be clearly delineated by HEW guidelines prior to any liability on Medicaid's part.

HEW should be required to assess the impact of proposed

regulations, reports and/or standards before such are implemented. Too often we are all caught in a position of reaction rather than sound planning simply because no assessment has been made regarding the fiscal impact, service delivery considerations, or lead time requirements.

I think that the ICF/MR regulations for the mentally retarded in nursing homes are a prime example of regulations having a monumental impact upon each state without comprehensive assessment by HEW of its impact.

Negative penalties should be replaced with positive incentives to assure sound, efficient and effective administration of Medicaid. Increased administrative funding should be made available, up to 90% federal participation, for states demonstrating acceptable levels of program performance in the areas of reimbursement, surveillance and utilization control, early screening programs, fraud determinations and other aspects related to administration.

The adoption of the Medicaid Management Information System, which we refer to as MMIS, is paramount in this regard. Of equal importance is the federal government's commitment to the development of common schemes of recording for all health insurers the unique data elements such as disease classification, procedure terminology and service units to make the MMIS more effective.

Medicaid systems, which are usually computerized in our

states must be able to communicate with other government programs, other insurers, and a multiplicity of different health care providers. It is essential, therefore, that commonality on data elements be achieved to assure adequacy of reimbursement, establishment of rates, and all the other functions associated with the sound administration of Medicaid.

In the area of co-insurance and deductibles under Medicare, for which Medicaid is responsible for persons eligible for both programs, we are asking that the Social Security Administration assume the cost and preferably the administration of this program. It makes little sense to maintain the costly duplicative administrative systems now in place when the SSA could make the Medicaid portion of the payment--usually 20% of the Medicare authorized rate of reimbursement--at the same time as the Medicare portion.

This would not only be more practical for providers, but also would serve free up state resources to perform more beneficial functions in other areas of Medicaid administration. Again, these considerations are greatly elaborated on in the policy recommendations.

In the report you will see that some refreshing alternatives for eligibility determination are presented for further consideration and study, but we are not asking as a part of this effort that the whole system be overhauled. It is important, however, that certain changes be made in the existing system.

There must be specific prohibitions in both the SSI--supplementary security income--and state eligibility determination processes against the divestiture of assets for purposes of obtaining Medicaid eligibility. We have experienced in our states, and the experience has been in all the other states, where people divest their assets in order to qualify for being eligible on a Medicare basis.

There should also be a national subrogation policy which provides for mandatory assignment of residual health care benefits which could be paid by a private insurer or payer other than Medicaid during the period the person is Medicaid eligible. It is an absolute administrative nightmare to attempt to identify such coverage or to properly credit such payments against potential Medicaid liabilities. This problem is greatly exacerbated by the fact that SSI and states are both making eligibility determinations. Eligibility determination is incidentally the most logical time to have such a subrogation procedure.

The federal formula used to compute the federal financial share has been used now for more than 10 years, and more than likely it does not represent an equitable distribution of federal funds. We are asking that this method be studied further to insure a more equitable distribution of federal funds among states, and also for institutional versus noninstitutional services offered under Medicaid.

States should be given latitude to impose restrictions

on the recipient's freedom of choice where it can be demonstrated that the same level of quality care can be purchased at lower cost from certain participating providers. States must also have the option to impose co-payments on mandatory services under Medicaid for the categorically eligible.

Now this brings up some flack. Let me say simply this that when you are talking about a person that can go and get Cadillac treatment at any time, anywhere, with no cost under Medicaid without any type restraint, I'd say to you that in our Medicare program, which is more efficient than Medicaid, that when you charge the blind, the aged, and the disabled of this country up to 20% for Medicare and you say that in a mandatory Medicaid program you can't have any co-payment, I say that is not consistent philosophy and we should face up to it even though it is controversial.

Such systems in the opinion of many experts can serve to deter overutilization on the part of recipients and providers. It is important to stress that co-payment systems must assure that the target population is the abuser and the over-utilizer and cannot be a means to save money at the risk of the legitimate health care needs of Medicare recipients. States must also be given the authority to institute family supplementation in nursing homes.

If you look at nursing homes, they consume 40% of all the Medicaid dollars. There is as much escalation as in any

portion of the Medicaid program, and this 40% expenditure only serves 5% of the eligible population.. I firmly believe, as I know many of you do, that the unchecked and inhumane housing of many of our nation's elderly in nursing homes is caused by such policies as those that prohibit family supplementation and, in fact, encourage family fragmentation by eliminating all barriers to consideration of alternatives.

As a part of more long range and comprehensive reforms, we are asking Congress along with HEW and the states to develop a national policy on the problems and health care needs of the elderly.

We believe, however, that HEW should seriously study and implement several alternative methods of family supplementation to accurately determine the effects on costs and recipients.

There are other recommendations which are vitally important to Medicaid reform and call for more express accountability including changes in the PSRO law and in the Health Planning Act, P.L. 93-641. But the measures I have outlined are absolutely paramount, and they demand your attention.

While I still have some time left, let me once again thank the governors and the members of the task force for their efforts. I would also like to say that in the policy statement that you have at the end on page 76, and I will go through it one more time, the policy statements are contained on pages 1 through 4, and then we have an analysis, an executive summary of

of policy positions, an executive summary, and following that we have an elaborate discussion of each one of the policies.

I wanted to call your attention on page 76 to the implementation of the policy statement, after all the effort that has gone into the number one need to have the states engage in Medicaid reform and it is laid on the shelf then we are going to have a lot of work done that will not serve the people as it could if implemented.

Mr. Chairman, if there are any questions I'd be glad to answer them. I have gone beyond my time.

GOVERNOR KNEIP: Thank you, George; you should note in your program that we'd like, if possible, to take a vote on the policy statement that is before you. It is under the yellow cover entitled "Human Resources Committee", and since we only have about ten minutes left for discussion on this issue I would further call for a motion to adopt the policy statement.

GOVERNOR DUKAKIS: So move.

GOVERNOR CAREY: Second. I want to express to Governor Busbee my keen admiration and appreciation of the fine work done by the task force. May I say that it is timely and, indeed, critical that we as governors express ourselves to the Administration and to the health community in the country because of the gravity of the problems we face in our several states.

My estimate of what was intended by the Congress to be a program to give basic health care to needy people is that it

has become a shambles. It is fiscally unmanageable. The recipients are not getting the kind of basic health care needs, the preventive medicine, that we can deliver to them under an effective cost controlled system.

But rather, by every evidence that we can bring forth in my state and by the studies of the Moss Committee in the Congress, the ones who are benefiting most from this system are those who should be charged with fraud and abuse of that system. But the program has become so completely involved in bureaucratic entanglement that cost control, containment management, and perspective rate settings in this program is unmanageable and, therefore, I strongly urge the governors that before you have the experience in your states that we have been encountering in our state that we plead urgently with the federal government to do by regulation, and the kind of permission we need for better administration in the states, for a containment on this program so that we can truly serve the recipients who are needy as the program was intended to serve those recipients by Congress.

But this is a time when we are straining to get through the bureaucratic entanglement that exists in many departments of the government with regard to this program. The needy are not being served and, indeed, what has happened is that even in the more prosperous counties of New York State a larger amount of money is now being spent on Medicaid programs; nursing homes that are involved in scandals, and rip-offs of the system. More money

is being spent in that than is actually being spent to feed needy people who need nourishment, and that is what is going on in the country.

Therefore, I strongly urge the adoption of the policy recommendations of the Busbee Subcommittee and I commend Governor Busbee and the staff for that fine job of a timely presentation.

GOVERNOR BUSBEE: Thank you, Governor Carey. I might say that we appreciate your fine cooperation. Any other questions?

GOVERNOR ASKEW: Let me, first of all, before we take a vote to commend Governor Busbee. I think this task force has done one of the most thorough jobs on any issue that has come before the National Governors' Conference in recent times, and while there has been some discussion that we are in effect saying that there would be some limitations on the poor in seeking some treatment the fact of the matter is that this program--if it is not brought into control--we are going to find ourselves suspending it completely before the end of the fiscal year with some regularity so that there will be no program.

The important part of this is that we put the controls on that are necessary, so that we can give the services that are needed and deliver that which we say we must do. So you have heard the motion and the second, is there any further discussion? All those in favor of adoption of the policy statement on Medicaid will say aye.

(There was a chorus of ayes.)

GOVERNOR ASKEW: All opposed. Adopted unanimously.

Again I would--Governor Castro

GOVERNOR CASTRO: I want the record to reflect that Arizona abstains on this vote.

GOVERNOR ASKEW: Let the record reflect that Governor Castro abstained on the vote. Any other comments from any of the governors? Again I comment the committee, Governor Kneip, the task force, and Governor Busbee. We are about to recess until noon when each of you will join the standing committees for lunch. For those who have been attending if you will show us the respect and courtesy until we adjourn, and then you can depart so we will have some order in the remaining part of this session.

These Cabinet members have made this time available and, again, I do stress that it is very important for you to make the most of this opportunity. For many of us it will be a forerunner to our White House meeting.

Please plan to arrive at the White House at the southwest gate on Pennsylvania Avenue at 2:00 p.m., or very shortly thereafter so that our meeting can begin on time.

A bus will depart the hotel at 1:50 p.m. sharp and if you use other transportation again I would remind you to arrive at the White House at the southwest gate on Pennsylvania Avenue no later than 2:00 p.m. and please allow sufficient lead time. The bus will leave the White House for the hotel after the session. It will stop at the National Gallery where you can join your

spouses for the private showing of the King Tut exhibit. This evening we and our spouses will be the guests of the ambassadors of the European community and the head of the Delegation of the European Commission.

Your program indicates the schedule of breakfast sessions tomorrow morning, and then the resumption of the committee meetings. These are crucial meetings because we will not only have a chance for discussions with key federal officials, but we must refine the policy positions we will have before us tomorrow following the luncheon with the congressional leadership.

You will receive a pink covered group of policy resolutions which were not submitted by any standing committee. They will be distributed to you in case their sponsors choose to move to suspend the rules tomorrow to have them before us. Are there any announcements? There are no announcements, so then we will stand adjourned and, if you will, be sure to be on time to your committee meetings. We stand adjourned.

(Whereupon, the opening Plenary Session was adjourned at 11:40 o'clock, a.m., Monday, February 28, 1977.)

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P R O C E E D I N G S

(Whereupon, the Meeting was called to order at 2:45 o'clock, p.m., for the Closing Plenary Session, Tuesday, March 1, 1977, Governor Reubin O D. Askew, Florida, Chairman.)

GOVERNOR ASKEW: I would ask all of the governors to take their seats, and all those in attendance at the meeting if you would also have a seat, and we would appreciate your cooperation in terms of conversation in the back part. If you feel so inclined that you must converse, it would assist us if you might slip outside and do that.

Before I begin the closing Plenary Session I would like, first, to commend the governors on their attendance at our committee meetings. As you know I indicated to you that I thought that they would be very important, and we had either 100% attendance or very close to it in all of our committee meetings and I believe that that might set a record, and it is one that I would like to express my appreciation to you.

I would also like to introduce a special guest of ours, one who not so long ago was part of our ranks, a very distinguished former governor of Utah and former chairman of this conference, Cal Rampton.

(Applause)

GOVERNOR ASKEW: Cal, we are happy to have you with us. We come, now, to an important function of our meeting the adoption of our policy statements and what we will do in the next hour and

a half is to find the common ground, the widely shared judgments, we want the Administration and the Congress to consider when adopting social policy and programs.

Our committees have spent long hours and they have drawn on the expertise that resides in our state governments as well as outside. Now on these policy statements I recognize that we may have some differences about some phase or part of the policy statements but I would hope, however, that if you have differences that do not go to the entire thrust of the resolution that you might consider supporting the resolution with a statement of reservation.

Of course, if you feel strongly then of course that would dictate a negative vote. I propose to call the roll of the committees and to have each chairman indicate the policy recommendations as well as describe briefly the activities of that committee. You have before you a packet of resolutions offered by individual governors. They will be offered, one by one, as the committee which handled them makes its report. Consideration and adoption would follow for these only if three-fourths of those present vote to suspend the rules.

Ed Rovner can describe the parliamentary rules if there is any question that anyone may have. Irregular policy statements require a two-thirds vote for adoption as well as amendments thereto. I would like to urge the committee chairmen that they be as succinct as possible, which is a polite way of

saying brief, so that we can continue on without delay with our deliberations this afternoon.

The first committee is Community and Economic Development chaired by Governor William Milliken of Michigan. Bill, the podium is yours.

GOVERNOR MILLIKEN: Thank you very much, Governor Askew; my fellow governors, the Committee on Community and Economic Development has undergone some major changes during the last few months since the summer meeting. Among the changes a separate Subcommittee on Agriculture was established to focus attention more effectively on agriculture policy issues, and Governor Exon of Nebraska has accepted the position as chairman of that subcommittee.

The committee has concentrated its efforts during this session on the reauthorization of Title I of the Local Public Works Program, and I might add that we feel--based upon what we know and a report which I have just received recently from Governor Shapp--that a good deal of progress may be made in that connection, and I am encouraged by it.

A major focus of the committee during the course of our deliberations has been a discussion of the role of the state in community and economic development, and Governor Judge of Montana I will be appearing before Senate and House committees tomorrow morning to discuss the community development bloc grant legislation which is currently under discussion. There will also

be meetings with the Secretaries of Commerce, Agriculture, and Housing and Urban Development.

Secretary Kreps announced for the first time that a White House conference on balanced growth and economic development is being planned for early 1978 and she has invited the governors to assist her in the planning of state and regional conferences which would lead up to the White House conference, itself, early in '78. I have also been assured of her continued support for continuing financial support for Title V commissions.

Secretary Bergland, who met with us this morning, announced two major initiatives in the Department of Agriculture which include a change in the approach to rural development, including reorganization of rural programs along functional lines. A new focus on job production in rural areas, and creation of a rural development bank.

Number 2 a revamping of the Food Stamp Program, and on farm programs Secretary Bergland discussed some of the issues presented in the committee. Interim policy statements on the new farm legislation focusing in particular on farm rates.

Secretary Harris, this morning, announced the reorganization of the HUD Office of Legislative Affairs to include within it an Intergovernmental Relations Office. The Secretary discussed the role states can play in HUD programs focusing in particular on state housing, economy, financing and the state role in the 701 program.

The committee adopted two interim policy statements, one on the new Farm Bill and one to continue strong support for Title V commissions. The committee also authorized the staff to prepare a report for the summer meeting in Detroit on the state role in community development, and to make this subject a focus of that meeting.

Finally the committee adopted several amendments to the proposed policy statement. This policy statement addresses issues which are included in pending legislation. The focus is there is a stronger call for state involvement in community and in economic development.

Mr. Chairman, I move the adoption of the policy statement as amended by the committee.

GOVERNOR ASKEW: Is there a second?

GOVERNOR WALLACE: Second.

GOVERNOR ASKEW: Any discussion? All in favor of adopting of the policy statement say aye

(Chorus of ayes)

GOVERNOR ASKEW: All opposed? The ayes have it and it is adopted. The next committee is Crime Reduction and Public Safety. It has no resolutions for this meeting but I am sure its Chairman, Otis Bowen, will want to describe its activities. Governor Bowen.

GOVERNOR BOWEN: Thank you very much, Governor Askew. The Crime Reduction and Public Safety Committee has no resolution

to report to the National Governors' Conference. The committee's activities during the past six months have been based on existing NGC policy positions. Attorney Bell met with the Crime Reduction and Public Safety Committee on Monday, and pledged to work closely with the committee in an effort to reorganize LEAA.

He asked to meet again with the committee to solicit its specific recommendations on this subject. Judge Bell has met with several national organizations since becoming Attorney General, and is particularly anxious to involve the governors in the departmental deliberations.

In the meeting the Attorney General called for a national criminal justice policy, and pledged regular structured meetings between U. S. attorneys and state and local prosecutors. He indicated that federal investigators, including the FBI, will work more closely with state and local prosecutors in the development of cases. He promised conciliation rather than confrontation concerning federal suits against states and local correctional and mental health systems.

He noted an awareness of the tremendous need for new correctional facilities as well as the huge accompanying costs, and promised to do all he can to help obtain emergency public works funds to construct state and local correctional facilities.

The committee and the Attorney General agreed that crime reduction should be the touchstone of the LEAA program, and that an undue emphasis on innovation may lead to a proliferation

of marginal and ineffective programs and projects.

Finally, the Attorney General indicated that he has a strong aversion to excessive overhead in the program, and expressed a desire to reduce this figure in order to provide more direct funds for programs that are working. He sought the committee's advice on this subject, and indicated that it is one of his highest priorities in analyzing LEAA's future role.

The committee agreed to write Attorney General Bell formally accepting his invitation to begin arrangements. The committee will focus its attention on LEAA reorganization in an effort to develop a closer working relationship between governors and the Justice Department.

The committee next received a report from General Francis Greenleaf on National Guard matters and, finally, the committee heard from S. John Byington, Chairman of the Consumer Product Safety Commission, on the Commission's program and its effort to work closely with existing state agencies in enforcement efforts. Thus ends our brief report.

GOVERNOR ASKEW: That you very much, Governor. The next is the Committee on Executive Management and Fiscal Affairs whose Chairman is Governor Lucey of Wisconsin, and he is as active as anyone could be. Pat, you have a report, and some resolutions I believe as well.

GOVERNOR LUCEY: Thank you, Mr. Chairman; the Committee on Executive Management and Fiscal Affairs met both yesterday and

today. We heard from Congressman Giaimo from Connecticut who is the new Chairman of the House Budget Committee, and from our good friend Senator Muskie who is continuing as Chairman of the Senate Budget Committee. We also heard this morning from Bert Lance, Director of OMB, and also from the Director of the Congressional Budget Office.

The report from these individuals included an account of the Carter budget supplement to the Ford budget. A report on how the new congressional budget reforms are working out, and Miss Rivlin this morning gave us some insight into new developments that she is working on. I think the one that would be of greatest interest to all of the governors has to do with advanced funding, and she would like to sort of target a number of grants and aid programs, and try to persuade the Congress to give us the benefit of maybe a two year or three year lead time so that as we budget-- and particularly when matching funds are involved--we would know roughly what we could expect in terms of federal money, and your budget director will be contacted by Terry Smith and I suggest you might talk to him, too, because we told Miss Rivlin we'd report back to her, and suggest which particular programs we could be best served by if those were to be the ones that would be targeted for advanced funding.

The discussions with Mr. Lance were very open, and he assured us that he wanted to continue the communication and hoped that we would meet again in six months. He indicated that they

will begin almost immediately on implementing zero base budgeting for the 1979 fiscal year, and would hope to have a considerable degree of involvement by the governors in preparing the 1979 budget.

He also would like our help in cutting through the red tape and paperwork as that responsibility is turned over to OMB from the Commission on Paperwork, and would particularly like the help of the governors in their effort to bring about reorganization of the Executive Branch.

We have no resolutions to submit for your ratification. We did do a couple of things that fall in the category of editorializing. We updated our references to general revenue sharing making note of the fact that we now have it again, and we--set as the first priority--that section of the policy book over which this committee has some responsibility the need for advanced appropriations for intergovernmental programs. With that, that completes our report, Mr. Chairman.

GOVERNOR ASKEW: Thank you very much, Pat. We also have with us another former colleague of ours, the former distinguished Governor of Virginia, Lynwood Holton. Lyn would you stand up so that we might properly recognize you.

(Applause)

GOVERNOR ASKEW: Next is the Committee on Human Resources, chaired by Governor Richard Kneip of South Dakota. Dick.

GOVERNOR KNEIP: Thank you very much; fellow governors, I might just say in looking at the responsibility of this particular committee, and into the numerous areas of interest that the committee is well representative of the various parts of this country, and also the governors are good at attending meetings, and while we have just two policy statements today our area of interest, of course, leads not only to Medicaid reform, but welfare reform, manpower problems, health planning and education. It is a work-horse committee.

I am pleased to note that our policy statements come to you today with the unanimous consent of the committee, and I am hopeful in that sense that you, too, can concur. The two policy statements we are dealing with are under the yellow cover.

The one entitled Medicaid was dealt with yesterday. Some of the governors were not present for that meeting. But here, again, we have the unanimous consent to adopt the proposed policy statement. I will take first of all, Mr. Chairman, today the one listed under C-10 which is manpower, youth employment in particular, and I will give you a quick synopsis on this thing.

The extension of youth employment in the nation requires that action be taken soon. In 1975 the unemployment rate for youths between 16 and 19 was three times that for the general population, and between the ages of 20 and 24 the unemployment rate was twice the general rate. The problem is especially severe among youths in both the large cities and rural areas.

The National Governors' Conference does not have a policy on youth unemployment at present. There are already at least six bills in the Congress to deal with the problem. If the governors hope to have input, they need to adopt a position.

Quickly summarizing the statement we are asking that a new title should be established under CETA to deal with youth unemployment. We are asking that 20% of the funds for this title should go to governors to coordinate the programs for training and educating youth. In order to avoid overlap and duplication we are asking that the Job Corps Program be extended to 400 million; presently it is at 200 million.

To effect the most equitable distribution of funds, the formulas should be based 50% on the youth population of a prime sponsor's area, and 50% in the incidence of poverty in that area.

Mr. Chairman, I move adoption of the policy statement C-10 under manpower.

GOVERNOR CAREY: Second.

GOVERNOR ASKEW: The motion has been made and seconded. Is there any discussion. All those in favor of adoption of the policy statement say aye.

(Chorus of ayes)

GOVERNOR ASKEW: Opposed. The ayes have it and the policy statement is adopted.

GOVERNOR KNEIP: There is one last policy statement under unemployment compensation, and again I will give a quick

summary of the statement. The NGC urges that the Federal Supplemental benefits, FSB, be terminated. However a temporary extension should be authorized from March 31st to September '77 to allow for an orderly phase-down of the program.

Funding for the FSB program should be obtained from general revenues. Also an extended payback period at a reasonable rate, and keyed to when the state first borrowed funds for regular state programs. Also a cost equalization program, and there are some other items.

But, Mr. Chairman, I move the adoption of this policy statement.

GOVERNOR CAREY: Second.

GOVERNOR ASKEW: The motion has been made and seconded. Is there any discussion? All those in favor of the adoption of the policy statement say aye.

(Chorus of ayes)

GOVERNOR ASKEW: Opposed. The ayes have it and the policy statement is adopted.

GOVERNOR BOWEN: I'd like the record to show that I can agree with all of C-11 and the other general statements except the one supporting a cost equalization program. This would mean that Indiana, who has a low unemployment, would have their trust fund rated along with states with high unemployment. I want it shown that I oppose that.

GOVERNOR ASKEW: That objection will be noted. You

are opposing it or with a reservation?

GOVERNOR BOWEN: I am opposing that portion of it.

GOVERNOR ASKEW: Let the record so reflect.

GOVERNOR KNEIP: One last note, yesterday we noted the hard work done by Governor Busbee in his Medicare statement, the hard work of the task force, and we were appreciative of that. As one chairman of a committee of this kind I am also appreciative of the special input that was given to us by Governor Carey of New York in the whole question of welfare reform.

I think it might be appropriate, for just a couple of moments, to ask Governor Carey to give an overview of what our task force has been doing and how they are doing it. Thank you.

GOVERNOR ASKEW: Governor Carey, would you like to speak from there?

GOVERNOR CAREY: I will stay here to save time. Thank you Governor, and thank you Governor Kneip. You have been very generous in your commendation of the task force and has indicated that this task force really is a broad cross section of our country. Ten states have had staffs working very hard. States like Texas, Michigan, Washington, New York, and so forth, and we had the good fortune first to get a strong evidence of support from the Governors' Conference at Hershey with a resolution which called for movement on welfare reform on a comprehensive basis.

We took that resolution seriously and went to work. I think we can all way that we are seeing the benefits of our

efforts come to fruition, because the President has set a target date of May 1st. Now as to the preparation the Secretary of Health, Education and Welfare, Secretary Califano, will report on the legislation and the Secretary--with whom we met yesterday--indicated that he is looking for input from all of the governors on this matter, and has written to the governors and is anticipating replies, and our task force will be working on behalf of the Governors' Conference closely with the Secretary on the preparation of this legislation.

We met today with Representative James Corman of California, the Subcommittee Chairman of the Ways and Means Committee dealing with welfare reform. He indicates that, first of all, the committee is going ahead with hearings in short order on the current program, and some of the ideas that have surfaced before in a bill that was sponsored by former Representative Martha Griffiths, and the bill that was sponsored by one time chairman Al Ullman, and from that base they will be receiving the President's suggested legislation, and Chairman Corman said that the timetable will be such that with the business of the House he feels that there is a good potential for the passage of comprehensive welfare reform legislation in this session of the Congress.

We know that has happened before, but the legislation floundered in the Senate. I feel that if we keep up the momentum, and we keep showing evidence of concern that I detect in the country about the current condition of the welfare situation, that we can

come to a comprehensive system that would be better managed; better delivery of the services and funds to the needy who deserve them; that would eliminate some of the waste; eliminate some of the constraints that are placed upon state governments and local governments which try to manage this program more effectively.

I feel that 1977 can well be the year when the initiative of the Governors' Conference at Hershey coupled with an active and new coalition and one that is cooperative in the Congress, and an attentive man in the White House, can bring a better system of welfare to our country.

I feel the staff has done much to bring about the situation. I commend Governor Kneip for his leadership. Thank you.

GOVERNOR ASKEW: Thank you very much, Governor Carey. Next is the Committee on Natural Resources and Environmental Management which has had so large a part in our agenda. Julian Carroll, Governor of Kentucky, is in charge and I will call upon him now.

GOVERNOR CARROLL: Thank you very much, of necessity our report is a little bit more extensive than some of the other committees because of our jurisdiction. Since our last meeting in Hershey the committee has reorganized its approach to dealing with the broad range of national policy issues with which the states are confronted.

As a function of the committee's work program developed

by our Staff Advisory Committee, eight standing committees have been created under the concept and direction of lead governors to focus committee effort on a well defined range of policy issues which the committee has identified as particularly important.

Each subcommittee is close not only to the members of our committee but other governors around the country possessing particular expertise and interest in the subcommittee's work plans. I am particularly gratified by the positive response of the governors outside our committee to the invitations to become involved in these efforts, and I believe their commitment certainly gives us the key to success. Most of these subcommittees have had volunteer membership, up to eighteen and twenty members each.

To give you some idea of the magnitude of participation I will quickly give you the context of our reorganization committee so you can participate should you desire to do so.

First of all on air quality management which is led by Governor Jay Hammond of Alaska. This subcommittee has been very active in reviewing current legislative proposals to amend the Clean Air Act, and has developed a 17 state consensus policy recommendation on those issues of vital importance to the states.

The subcommittee on waste management, led by Governor Edwin Edwards of Louisiana, has been particularly successful in incorporating the NGC policy within the recently enacted Resource Conservation Recovery Act. Governor Edwards' subcommittee is currently working closely with the Environmental Protection Agency

to ensure that the statutory flexibility as guaranteed to the states under the new law does not compromise the development of implementing guidelines and regulations.

Governor Dolph Briscoe has agreed to lead our subcommittee on oil and gas matters which will focus, among other things, on the things which are critical needs to balance the nation's needs for increased energy supplies along with our commitment to the preservation of our environment.

Governor Dick Lamm is heading a subcommittee on energy impact assistance, which may not only examine the range of social and economic impact caused by accelerated energy development but just as importantly a focus on identifying government responsibility for ameliorating such impact. Dick has prepared an excellent paper on this subject which will be sent to all governors in the near future.

Governor Bob Straub has agreed to lead the subcommittee on energy facility siting, which will concentrate on state interests and concerns relative to the development of any national siting policy.

Governor Scott Matheson and Cal Rampton will lead our newly formed subcommittee on water improvement management which will have responsibility for both water quality and quantity and the policy issues in that regard.

Governor John Rockefeller, another new governor on our committee, has recently been asked by me to serve as lead governor

on another very critical energy and natural resource issue that of coal. We look forward to moving ahead aggressively over the next several months under Jay's leadership in that task force and, finally, we have continued with the former guidelines and with the ad hoc task force on energy conservation chaired by then Governor Anderson of Minnesota whom we now all know is in the United States Senate.

Governor Rudy Perpich has kindly agreed to continue in this lead role and is responsible for a standing committee on energy conservation. They have produced a very excellent report on the activities and status and concern that states have over the various energy conservation legislative enactments and with the resultant regulatory and program developments.

The committee has received a draft report and it will be making a wide circulation for informational purposes and may I say, additionally, that this morning we had extensive discussions that they may be organizing into task forces as well as regional conferences to talk about standard ways in which each of us in our various states can conserve energy.

The committee met yesterday with our former colleague, Cecil Andrus, the Secretary of the Interior and Presidential Energy Advisor Dr. James Schlesinger. The discussion centered on the proposed Department of Energy. The committee raised several questions on the reorganization proposal, and they were answered as frankly as could be expected given that the actual legislation

is embargoed until noon today.

Among the major issues discussed were the need for a strong energy conservation program coupled with responsible national energy resource development effort; administration of the energy resources; development of public lands, and the need for a comprehensive program to deal with the adverse socio-economic impact of rapid energy development.

The committee emphasized that the states must be heavily involved in the reorganization of federal energy functions, and the committee plans and hopes to be able to present testimony to the Congress on the President's reorganization plan.

The committee believes our initial meeting with Dr. Schlesinger and Secretary Andrus is an important first step on the road toward an acceptable workable national energy policy.

I might additionally add that our Staff Advisory Committee is going to be meeting next week and will review the legislation which has been, today, introduced and the governors themselves on our committee are going to consider testifying in one group concerning the creation of the Department of Energy in the federal government.

The committee met this morning with Dr. Douglas Costle, the Administrator-designate of the Environmental Protection Agency, and reviewed with him a number of our state concerns. He stressed a strong commitment to work with the governors's priority concerns and announced tentative budget decisions by the Administration to

request increases in fiscal 1978 state program grants. This is welcome news considering the current gap between the federal requirement and current levels of federal support for the state efforts.

Additionally Mr. Costle indicated his intention to consult with the governors on the selection of key OPA regional officials.

In this committee we are approaching our program systematically with full participation, and comprehensiveness is our key philosophy along with our reorganization with emphasis again on management. We will be exceedingly busy throughout the remainder of this year.

We hope to bring the environment; our natural resources and our energy issues to an equal and balanced status, and we are confident that we will receive your cooperation and involvement in order that we can take the best advantage of our unique opportunities to be a full partner with this new Administration and the new Congress.

We feel, indeed, that this will be a banner year for us, and we would like now to proceed with the proposed policy actions from our Committee on Natural Resources and Environmental Management and in order to make sure that I do not confuse you let me hold up three pieces of paper. Two of them are green, one of ~~them~~ is a simple white piece of paper that I have passed around to you, and these are things I asked the staff to do.

The first green sheet which has listed on it five different policy statements are those that were initially recommended to us by our Staff Advisory Committee. The second green simply has in it the amendments that our committee made to those that were suggested by our Staff Advisory Committee. The white sheet of paper that I held up a few seconds ago is a mistake that we made. It probably will not be the only mistake that is made at conferences such as this, but in our speed this morning we overlooked one of the recommendations of our Staff Advisory Committee in making an amendment to our oil tanker safety and environmental protection standards, and shortly I am going to call on Governor Hammond to explain that for you.

At this time, Mr. Chairman, I would like to proceed then with each of our five resolutions of policy and ask for the action of the conference with respect thereto. First of all on the policy of production and supply which is D.-6. I move for the adoption.

GOVERNOR ASKEW: Is there a second?

GOVERNOR GARRAHY: Second.

GOVERNOR ASKEW: The motion has been made and seconded, all in favor of the adoption of the policy statement on production and supply will signify by saying aye.

(Chorus of ayes)

GOVERNOR ASKEW: All opposed. The ayes have it, and the policy statement is adopted.

GOVERNOR CARROLL: The second policy statement is on the amendments to the Clean Air Act, and may I say here there was a superb job done by the staff and by the governors involved. Again I move its adoption.

GOVERNOR ASKEW: Is there a second?

GOVERNOR WALLACE: Second.

GOVERNOR ASKEW: The motion is seconded is there any discussion? Governor Shapp.

GOVERNOR SHAPP: I want to compliment the committee on coming to grips as they have with a very difficult assignment, and coming up with this clear statement as they have done.

GOVERNOR CARROLL: Thank you very much, Governor Shapp.

GOVERNOR SHAPP: And may I say to you that it probably one of the most specific recommendations that this conference has ever made in any resolution.

GOVERNOR CARROLL: In these motions I am incorporating the amendments made by the committee, and that is because they really constitute the committee's recommendation.

GOVERNOR ASKEW: Let the record reflect then on the adoption of the policy statement on production and supply that was adopted as modified by the committee, and the same thing would apply to the amendments to the Clean Air Act as modified by the committee. There is a motion and a second, is there any discussion? All in favor will signify by saying aye.

(Chorus of ayes)

GOVERNOR ASKEW: Opposed. The ayes have it and the policy statement is adopted. I would like for the record to reflect for me, personally, my reservation in Section 2 with regard to the "off-set" policy.

GOVERNOR CARROLL: The next policy statement is on surface mining which is D.-28 and I move the adoption.

GOVERNOR ASKEW: The motion has been made is there a second.

GOVERNOR SHAPP: Second.

GOVERNOR ASKEW: The motion has been seconded, is there any discussion? Governor Briscoe.

GOVERNOR BRISCOE: Mr. Chairman, I'd like to state my opposition in that this resolution is in support of the federal strip mining legislation which I personally oppose as unneeded. That is a field in which the states should exercise the necessary authority, the necessary judgment, and I do not think that there is any need for federal intervention. Therefore, I oppose the resolution.

GOVERNOR CARROLL: May I say for the committee that I come from the leading coal producing state in the nation, and as such I support the legislation even though it is going to put stringent requirements on us in the mining of coal--surface mining--of coal in Kentucky. We have some problems with the legislation, and I am going to personally testify on those problems tomorrow in the Congress.

It is my judgment that a bill is going to pass, and it is vital that we have an opportunity to be heard on that bill and the coal states want to be heard on that bill to make certain that we have a standard policy throughout all the coal states, so that some will not have lax laws and some have stringent laws and thus have competition between those who wish to really basically ignore good reclamation practices. Are there any other governors that wish to speak to the resolution?

GOVERNOR ASKEW: Is there any further discussion, then, on the policy statement as recommended by the Committee on Surface Mining? All of those in favor of the policy statement signify by saying aye.

(Chorus of ayes)

GOVERNOR ASKEW: Opposed. The ayes have it.

GOVERNOR BRISCOE: No.

GOVERNOR ASKEW: Would any of the governors like to be recorded specifically?

GOVERNOR BRISCOE: I'd like to be.

GOVERNOR WALLACE: So would I.

GOVERNOR ASKEW: Let the record show that the motion was passed with the Governors from Texas and Alabama voting in the negative.

GOVERNOR CARROLL: The next policy statement is on oil tanker safety and environmental protection standards. This is the one that we made the mistake on in which our Staff Advisory

Committee made a recommendation and in our speed we overlooked it. I'd like to recognize, Mr. Chairman, the Governor from Alaska, Governor Hammond.

GOVERNOR HAMMOND: Mr. Chairman, the amendment that was offered by the staff is at the end of line 5 and you all have copies of it. It simply removes a colon and adds the words to read in total.

"The National Governors' Conference supports rigorous standards for the construction and operation of oil tankers and for the training and licensing of their officers, crews, and pilots."

There it should read specifically that Congress and the Administration give serious consideration to the following:

The Staff Advisory Committee had recommended this be incorporated in the proposal and it had been overlooked as you say, Mr. Chairman, this morning. I consulted with most of those governors who were primarily concerned with this proposal, and I found no opposition to it. I certainly have none, and urge the adoption of the recommendation as amended.

GOVERNOR ASKEW: Governor Hammond has moved for adoption of the amendment, is there a second to the amendment?

GOVERNOR SHAPP: Second.

GOVERNOR ASKEW: Is there any discussion as to the amendment? All those in favor of the adoption of the amendment

signify by saying aye.

(Chorus of ayes)

GOVERNOR ASKEW: All opposed. The ayes have it and the amendment is adopted. I believe Governor du Pont of Delaware wishes to be heard on the policy statement as amended.

GOVERNOR du PONT: I am not a member of the committee, and perhaps the committee has done a great deal of work that I am not aware of. But two of the recommendations, I think it is two of them, leave me a little bit uneasy in regard to the cost and the bureaucracy that is going to be established to carry them out.

First, of course, is the double bottom requirement which has been very controversial over the years, and I am not sure that we ought to be on record as advocating this. But of particular concern is Number 5, a national system of tank vessel surveillance so that we know where every tanker off our coast is.

I don't know if the committee has any idea what that might cost. That sounds to me like an extremely expensive operation for a very low return in terms of environmental safety.

GOVERNOR CARROLL: I might just point out one procedure that we have employed just for this amendment we recognize that there are various members of the committee that have various interests in each of these listed points, and that there certainly is not agreement on any one particular point, and that is why we have amended the policy statement with a preliminary statement

Congress and the Administration give serious consideration to the following. I just make that point, and then we will go from there. I believe the Governor from Pennsylvania wishes to comment further.

GOVERNOR SHAPP: Not on that point.

GOVERNOR ASKEW: Does anyone else wish to comment on the policy statement as amended? The discussion is open. Governor Shapp from the Commonwealth of Pennsylvania.

GOVERNOR SHAPP: On page 14 I would like to add one other section. I am very much concerned about vessels that operate under foreign flags, particularly those that operate under the Liberian and Panamanian flags. These ships come into our harbors, ply up and down the coast of the United States, and there has been a number of very serious accidents to these ships. They do not meet the same safety standards as American ships do and that ships of other nations do, and I would like to see an amendment that says that any vessel operating under a foreign flag must meet the exact same standards as those vessels that fly the American flag before they can enter our harbors.

We have had considerable trouble in many of our harbors, including the Philadelphia harbor, with these ships that do not meet the safety standards. I think we should plug that loophole.

GOVERNOR CARROLL: There is a motion to amend, is there a second?

GOVERNOR BRISCOE: Second.

GOVERNOR CARROLL: Governor, will you repeat that so

everybody can take it down and get it in the proper place. You are adding an additional paragraph are you not?

GOVERNOR SHAPP: Yes, paragraph 8.

GOVERNOR CARROLL: Speak right into the microphone, Senator--Governor.

GOVERNOR SHAPP: Thank you for the promotion, or demotion, whatever.

GOVERNOR CARROLL: I will let you decide.

GOVERNOR SHAPP: Paragraph 8. Any vessels operating under foreign flags must meet the same rigid safety standards as those vessels that fly the American flag.

GOVERNOR ASKEW: Is there a second?

GOVERNOR SNELLING: Second.

GOVERNOR LONGLEY: I wonder if it isn't in the navigation standards isn't the specific area of danger here.

GOVERNOR SHAPP: It is the fact that foreign ships don't necessarily meet the same safety standards.

GOVERNOR LONGLEY: We know that the American ship business is being strangled in America because of one person in Baltimore applying such rigid standards for ship building, and our ship builders--including Maine's ship builders--have been forced to fly foreign flags because of labor requirements that are being imposed and which have an adverse impact against even American labor.

If you are concerned with pollution, I would urge you

to use the terminology navigational standards.

GOVERNOR SHAPP: I am concerned with the structural qualities of these ships as well as the safety standards of these ships. There have been a number of accidents of Liberian ships where the ships, themselves, did not meet the same standards that American ships do and when they break up the devastation because of this is much greater than it would have been if they had an accident but were built in accordance with some of the more stricter American standards.

GOVERNOR LONGLEY: Governor Shapp, we both want the same thing. I am just concerned that we do nothing further to impact adversely against people willing to build ships and ply them under the American flag. We have already impacted very adversely. We are very much concerned with pollution off the coast of Maine, as well, but navigation is the problem.

GOVERNOR SHAPP: My concern as I say goes beyond yours, Jim. It is the idea of using foreign registry primarily for tax reasons, and many owners of ships transfer to Liberian or Panamanian flags because of the tax provisions that they can get by registering in these countries, and some of these ships just are not as safe as American ships, and so it is not just a case of navigation it is a case of meeting the standards for construction of ships as well if we are to protect our harbors and coastline from some horrible oil spills.

GOVERNOR SNELLING: I'd like to strongly support the

proposed amendment of the Governor of Pennsylvania. I think it is time, and that this is an excellent opportunity for us to recognize the very serious damage we do to our national economy when we adopt, over and over again, a double standard. One where we have in this country very high standards in recognition of the concerns of the environment and other important standards of safety and other qualifications, and then allow those who compete with us and who trade with us to operate under a less costly and less exacting set of standards.

Now this entire policy statement is one that is offered to the United States Congress for its consideration, and I think Governor Shapp perceived quite correctly that it is vital that if we ask the United States Congress to consider a set of standards that we ask them to consider a set of standard which will apply to the operations within these waters regardless of whether the vessels are American vessels or vessels of a foreign flag, and when and if the Congress adopts any such proposal it should be certain it adopts a proposal which effects all alike, including those who seek to trade and travel through our waters.

I think the motion is well conceived and I hope that it will pass.

GOVERNOR ASKEW: Governor du Pont.

GOVERNOR du PONT: I'd like to speak very strongly in opposition to the amendment that has just been offered. As a former member of both the Merchant Marine and International Relations

Committee of the House of Representatives, I can say that in one bold stroke we are destroying--if this amendment is passed, six international treaties that govern the question of safety at sea. It is not just a question of enforcing, as the Governor of Vermont just said, the standards that we would like to see in our own waters. It is a question of trying to work with the other maritime nations of the world to develop international treaties that will be effective to solve our problems without slamming the door on all international maritime trade in the United States.

If we take the position that we are going to require every ship that comes into our waters, regardless of international agreements, to meet some new standards set by the Congress you are going to find that American ships are going to be barred from other ports for similar reasons, perhaps having nothing to do with this position, but affecting us internationally and I think it is important for the National Governors' Conference to go on record that we do not wish to abrogate treaties having to do with international relations. I feel this would be a very serious mistake, and I hope that the amendment would be defeated.

GOVERNOR ASKEW: Governor Dukakis of Massachusetts.

GOVERNOR DUKAKIS: Mr. Chairman, as a Governor who was most directly affected and whose state was most directly affected by the breaking up of the ARGO MERCHANT, all I can say is that the reason for this resolution--and for what appears to be a great deal of effort on the part of the Congress and the Administration to get a handle on this issue--was because all of these

treaties and all of these international arrangements have utterly failed to guarantee the environmental protection and safety, and integrity, of our shores and I hope that no other governor around this table--no matter what international arrangements we worked out because it is obvious that they were utterly inadequate, utterly inadequate--has to go through what I and the State of Massachusetts had to go through when that piece of junk--and that is what it was--broke up a few miles off our shores and maybe, just maybe, if this country with the support of the Governors' Conference will take some bold action on the subject we will force the international maritime community to get serious about this issue, and not to develop the kinds of arrangements which quite obviously do not provide for safe passage but are lacking in environmental considerations.

We have now discovered, too, that they utterly fail to provide for serious liability against the tanker or the company--or whomever it is who is responsible for that voyage--and I left my State and the people of my State, and other coastal states, with virtually no compensation after the fact not to mention the inadequacy of safeguards ahead of the fact.

Therefore I would hope that we would not shilly-shally around on this issue, Mr. Chairman. It is serious. We have had a terrible winter, while we are on the subject, not only in my part of the country but elsewhere and I think it is time for the Governors' Conference to stand up on this and urge the Congress

to act this year.

GOVERNOR ASKEW: Governor Byrne.

GOVERNOR BYRNE: Mr. Chairman, I'd like to speak for New Jersey in support of Governor Shapp's amendment. We have had similar experiences, and we would much rather destroy six international treaties than to destroy the beaches of the State of New Jersey, or of Massachusetts, or of any other state that has been impacted by the type of tragedy which has been described by other governors.

GOVERNOR ASKEW: Governor Hammond.

GOVERNOR HAMMOND: Mr. Chairman, I'd like to speak on behalf of the amendment, however, I should point out that as it was contemplated this proposal did not apply to foreign vessels as well, but there is nothing in it that precludes such application. But I think the Governor's proposal amplifies that and I think it is appropriate.

GOVERNOR ASKEW: Inherent in this resolution is that it would, in effect, be to give serious consideration to each one of these items which includes the proposed amendment, and also inherent is that consideration must be given to an examination of any treaty commitments as they proceed to determine an effective date for implementing the provisions. Governor Snelling.

GOVERNOR SNELLING: Mr. Chairman, I do not read the proposed amendment by the Governor of Pennsylvania that way. As a matter of fact if it were to be read that way it would defeat

the intent of the sponsor and my own intent as a seconder. I think what both the Governor of Pennsylvania and myself are saying is that it is ridiculous for us to establish, or to recommend, a national policy that applies only to a relatively small percentage of those who would be using the waters of the United States.

I'd like to suggest to the governors who do not have waterfronts, ocean fronts, a shoreline, that a very significant philosophy is involved here which goes far beyond the question at hand. The question is can the United States continue to allow itself the luxury of establishing policies of environmental protection, and in many other areas, which are to be followed only by American firms, or whether we are willing to accept the responsibility and understanding that any time we ask those who do business with the United States that they, too, follow a set of policies which are in the international interest in seeking environmental protection?

The point is that we must require similar adherence to the same rules by those who would do business with this country, and I submit we ought to establish the fact indicating this conference's determination in this regard, so that when the Congress considers each of the other recommendations that they be considered in light of the importance of establishing a policy that applies not only to American vessels but to the vessels of other nations as well.

GOVERNOR ASKEW: As a practical matter if the United States has a treaty then, obviously, to achieve this you negotiate a new treaty and, if you recall, I said the date for implementation and didn't go to whether or not they would do it, and that is my only point. Obviously if they had to consider it they would consider any treaty commitments and how quickly they could adjust. Governor Carey.

GOVERNOR CAREY: Mr. Chairman, I wish to concur in the amendment offered by the Governor of Pennsylvania and point out that these treaties that have been referred to may well be in the process of being renegotiated because our country has now adopted, in concurrence with the other members of the Law of the Sea Conference, the 200 mile limit and these treaties were written before that. Therefore, all have to be renegotiated under that circumstance and I see no great difficulty in dealing with the maritime community in the world because the lives of seamen are at stake just as much as is the protection of our coastline and I would put this, frankly, on the same basis as foreign produced automobiles, trucks and buses and so forth.

They want to serve our market, and they somehow manage to meet our safety standards. We are an attractive market, we are the world's greatest importer of items of all kinds and we must anticipate that exotic and sophisticated new bulk carriers with liquified natural gas will be coming through our ports in our country and unless they are built to the standards we have in

this country we will have hazards that we have never had before. So I recommend strongly that we support it.

GOVERNOR ASKEW: Governor Straub.

GOVERNOR STRAUB: Mr. Chairman, I want to speak in support of the amendment of the Governor of Pennsylvania. It is very obvious that the registration under Liberian nationality is a dodge not only for financial reasons, but also for safety reasons as well. We, in Oregon, have an increasing flow of ship traffic passed to take--or will be--to take Alaskan oil down to California, and I would not like to see the Oregon coast despoiled as was done in Massachusetts by the breaking up of one of these junkers from Liberia and, therefore, I strongly support the amendment of the Governor of Pennsylvania.

GOVERNOR ASKEW: Thank you very much. Governors, I understand really from Governor Hammond that the amendment offered by the Governor of Pennsylvania is consistent with what he understood was the thrust of the initial resolution. That, in effect, he is clearly specifying that it is intended to cover those ships with Liberian registration, or others who do not meet the safety standards of the United States. Is that correct?

GOVERNOR HAMMOND: That is correct.

GOVERNOR LONGLEY: I support the objective; the concern I have attempted to express is the concern that would address the broad application of the amendment to working conditions which would be unenforcible under maritime law. I support the environmental

controls, I support the safety approach. But I am unalterably opposed to anything that imposes on foreign vessels the working conditions prescribed by our maritime unions which work to our disadvantage.

I support the amendment environmentally, and what it would accomplish in the way of standards. If Governor Shapp would confirm that is the objective, then it has my support because I think it is an excellent resolution.

GOVERNOR ASKEW: Governor du Pont.

GOVERNOR du PONT: The Governor from Maine is absolutely correct in what he is saying. The working conditions and requirements that have been set down by the maritime unions have priced our shipping out of the market, and that is why we are paying exorbitant subsidies every year unnecessarily, and if Governor Shapp's amendment means that American working condition requirements are being imposed on foreign vessels, first, it will cost you over a penny a gallon on gasoline in shipping costs to bring everything here, in effect, in American flag bottoms and that is an asinine policy, and I understand the safety aspect of it. But I would still say that there are agreements that have been reached.

We have gone to the bargaining table with other maritime nations to try to get agreement on conditions for going into their ports, and conditions for coming into our ports, and if you unilaterally set standards of this kind you are going to create havoc in those arrangements. If the treaties aren't as

strong as they ought to be, we ought to improve them but make it a national policy. To do it by simple fiat is a serious mistake.

GOVERNOR ASKEW: Governor Shapp.

GOVERNOR SHAPP: There is nothing in the amendment that I am offering that deals with work rules, or with salaries that have to be paid to the men who work on these ships. I am concerned with the safety of these ships themselves, and the hauling of dangerous fuels and chemicals--primarily oil--into our harbors and along our coasts when these ships do not meet the standards of safety that we require of our ships, and inasmuch as primarily the reason these ships are being used by our own oil companies is for tax dodge purposes I think it should be protected.

GOVERNOR ASKEW: Is there any further discussion then on the amendment? All those in favor of the amendment say aye.

(Chorus of ayes.)

GOVERNOR ASKEW: Opposed. The ayes have it and the amendment is adopted. The question is the resolution as amended. All those in favor of the resolution, the policy statement, as amended say aye.

(Chorus of ayes.)

GOVERNOR ASKEW: Opposed. The ayes have it, and the policy statement as amended is adopted.

GOVERNOR CARROLL: The next and last policy statement, Mr. Chairman, is on energy reorganization and I move adoption.

GOVERNOR ASKEW: Is there a second?

GOVERNOR CAREY: Second.

GOVERNOR ASKEW: A motion has been made and seconded, then, on the last policy statement. Any further discussion? All those in favor of the adoption say aye.

(Chorus of ayes.)

GOVERNOR ASKEW: Opposed. The ayes have it and the policy statement is adopted.

GOVERNOR CARROLL: That completes the committee's work.

GOVERNOR ASKEW: I would like to, before we call on the last committee, ask all of the award recipients who will be receiving award from the National Governors' Conference that after we complete our regular agenda if you would mind coming up and seating yourselves at the special chairs on my right. We would appreciate that, and it would facilitate that very important part of our program.

The last committee is the Committee on Transportation, Commerce and Technology, Governor Busbee.

GOVERNOR BUSBEE: Thank you, Mr. Chairman, since the meeting at Hershey last summer the Committee on Transportation, Commerce and Technology has been active on several fronts. The NGC resolution in support of new aviation legislation was instrumental in encouraging the President to sign the Airport and Airway Development Act, which strengthened the states role in general aviation management.

In September the committee met with the Secretary of

Transportation at the first regional seminar for a regional transportation policy to discuss a comprehensive rewrite of the NGC transportation policy adopted at the conference at Hershey.

In the fall, Governor Blanton of Tennessee formed a subcommittee with a task force to address international trade and tourism. The governors on the committee have continued to take the initiative on crucial issues such as railroads, mass transit, transportation safety, bloc grants for transportation, international trade, registration plans for trucks, inland waterways issues as well as developing new opportunities, and also helping to set up an agenda and the priorities for national science and technology programs.

The committee met with the Secretary of Transportation, Brock Adams and his staff, yesterday. We had seven of the eight governors on the committee present, which I think led to a very healthy discussion. We look forward to continuing communication and cooperation with Secretary Adams and the United States Department of Transportation.

At the committee meeting this morning current issues in transportation, commerce, and technology were reviewed. The majority of issues were deferred for future policy statements. But the committee is recommending action at this meeting on three matters.

The first is a resolution offered by Governor Castro of Arizona urging legislation allowing voluntary and modified

certification by the Civil Aeronautics Board for commuter lines. The committee feels this would promote a more stable and more cost effective air transportation to small and to medium size communities. This resolution was previously mailed to all members of the conference, and the committee made some modifications of the material that is before you today, and I'd be happy to answer any questions.

If there are none, Mr. Chairman, I would like to move for the adoption of the resolution.

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

GOVERNOR EXON: Second.

GOVERNOR ASKEW: Any discussion? All in favor of the adoption of the policy statement say aye.

(Chorus of ayes.)

GOVERNOR ASKEW: All opposed. The ayes have it and the policy statement is adopted.

GOVERNOR BUSBEE: The remaining two resolutions require suspension of the rules, since they were not distributed prior to this meeting. The second resolution urges the Congress to modify the Railroad Revitalization and Regulatory Reform Act of 1976 to provide for moving ahead the schedules for 100% federal funding for branch line support by fifteen months rather than the three months to comply with the new fiscal year. This will allow the schedule to coincide with the new fiscal year, and permit more

time for project planning.

The resolution also urges action to insure that project costs are obligated at the time of project authorization, and I might point out in this connection that only 21 railway plans have been submitted and received by the Federal Railroad Administration. So this would simply move the schedule forward--five year schedule--forward by fifteen months, and would allow the 100% financing to go forward for an additional year.

First I think, Mr. Chairman, we'd have to suspend the rules. I move that we suspend the rules.

GOVERNOR BOWEN: Second.

GOVERNOR ASKEW: It requires a three-fourths vote to suspend the rules. All those in favor of suspending the rules say aye.

(Chorus of ayes.)

GOVERNOR ASKEW: Opposed. Let the record reflect a three-fourths vote in favor of suspension and now a vote on the resolution itself. There is a motion by Governor Busbee, is there a second?

GOVERNOR EXON: Second.

GOVERNOR ASKEW: Is there any discussion on the substance of the resolution? All those in favor say aye.

(Chorus of ayes.)

GOVERNOR ASKEW: All opposed. The ayes have it. It is adopted.

GOVERNOR BUSBEE: The last resolution was offered by Governor Robert Straub of Oregon and concerns highway funding. The committee recommends the resolution and it will, likewise, require the suspension but at this time I'd like to ask, Mr. Chairman, if Governor Straub would explain the resolution.

GOVERNOR STRAUB: Thank you very much. This resolution is based on the recognition that we need better highways in the United States in categories other than the interstate system, and this resolution is an attempt to get federal funding for primary, secondary, and urban highways in such a way that it does not delay or divert the efforts in the state system.

In recent years the state highway systems--except for intersate--have declined in terms of safety and carrying capacity. It is our desire to have increased flexibility to invest federal aid highway money on non-interstate highway systems. This would include the primary, secondary and urban system.

It is also our desire to invest these monies in the critical areas of maintenance, rehabilitation, of these already existing highways. A General Accounting Office report released last week, of which I have a copy right here, supports the findings of my state and many others that declining state and federal funds has severely impacted the quality of our overall highway system.

The resolution which I have proposed, and which the Committee on Transportation, Commerce and Technology has approved, urges Congress to address the vital issues of funding flexibility

and rehabilitation. We are asking that Congress increase support for the federal aid for primary, secondary and urban systems at no delay to the existing interstate activity.

Mr. Chairman, I urge support for this resolution and move its adoption.

GOVERNOR RHODES: Second.

GOVERNOR ASKEW: Any discussion? I think it is clear from the resolution that you are not getting into an extension of the timetable for completing of the interstate system. Is there any further discussion? All those in favor of adoption? We need a three-fourths vote for the suspension of the rules.

GOVERNOR STRAUB: So move.

GOVERNOR RHODES: Second.

GOVERNOR ASKEW: Governor Straub moves that the rules be suspended and Governor Rhodes seconds, all those in favor of suspending the rules signify by saying aye.

(Chorus of ayes.)

GOVERNOR ASKEW: Opposed. None opposed, the record will so reflect a three-fourths vote was achieved on Governor Straub's substantive resolution with Governor Rhodes' second. Any discussion? All those in favor of the resolution signify by saying aye.

(Chorus of ayes.)

GOVERNOR ASKEW: All opposed. None opposed and the resolution is adopted. Now I'd like to recognize Governor ~~Maldrim~~

Thomson of New Hampshire.

GOVERNOR THOMSON: Thank you, Mr. Chairman, this must be the left side of the house; it doesn't work.

GOVERNOR ASKEW: So you won't feel like we are playing any favorites why don't you come up to the platform, Mel.

GOVERNOR THOMSON: Mr. Chairman, I would never feel that way. What I want to do, very quickly, rather than try to ask for a suspension of the rules is to call your attention to a petition which I have circulated primarily with those governors who are directly affected in the manufacture of shoes. I would like to read the opening and closing paragraph, because if there are any additional governors who would like to join us in this petition we certainly welcome your support. This is a petition to the President and it says:

"The International Trade Commission has unanimously found twice in the past year that the American shoe industry has "suffered substantial and severe injury" due to the rising tide of shoe imports."

"That the National Governors' Conference herein assembled does hereby petition the President of the United States to determine that a system of relief controlling the import of foreign manufactured shoes be established in order

to provide effective, affirmative relief
for the shoe industry as called for in the
Trade Act of 1974."

I would just say that there is now before the President the latest recommendation of the International Trade Commission. At stake are more than a quarter of a million jobs in the United States. Thank you, sir, and I so move for the adoption of the resolution.

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

GOVERNOR RHODES: Second.

GOVERNOR ASKEW: Thank you, Governor. Governor Snelling.

GOVERNOR SNELLING: Mr. Chairman, I'd like to go on record at this point that Vermont declared its independence on January the 5th of 1777 and our right to independence has long been established. I am sorry if there seems to be any confusion between the two states. Perhaps the governors recognize my colleague from New Hampshire as being more distinguished but, on the other hand, I am younger.

Vermont has long been known as the land of milk and honey but the point of distinction which can easily be made is that Vermont is now the state with a surplus instead of a deficit, and I'd like to assure the Governor from New Hampshire that we will not rule out the concept of a merger but I serve notice that it will be on our terms.

GOVERNOR ASKEW: Is there anything else? All in

favor of adoption of the resolution signify by saying aye.

(Chorus of ayes.)

GOVERNOR ASKEW: Opposed. The ayes have it and the resolution is adopted.

Now the next facet of our session, we turn to a very enjoyable new facet of our session. A year ago the governors decided to inaugurate an annual program to provide national recognition to persons--government officials and private citizens-- who have served state government in an outstanding fashion. Dr. Alan K. Campbell, Dean of the Lyndon B. Johnson School of Public Affairs of the University of Texas, agreed to serve as chairman of an independent selection committee to review the nominees. We would appreciate it very much, Dean Campbell, if you would please give us your report on the election process, and I'd like to express our appreciation to him as he comes to the microphone.

DR. CAMPBELL: Thank you very much, Governor, I am pleased to be picked for the chairmanship of this committee. For one whose professional life has been devoted, in substantial part, to the training of men and women for public service careers it is particularly satisfying to have participated in this and to be a participant in the first annual award program for distinguished state service. That participation was a most satisfying experience.

However I assure you governors ~~it~~ was not easy. The nominations made by the governors of both appointed officials and citizen contributors were of extremely high quality. Our committee

had no easy task in selecting the best. To put it mildly the competition was keen. I think this effort by the National Governors' Conference to establish a program which will give some national visibility to those who are devoting their skills and talents to the state governments is, itself, a significant service to the nation.

The concentration of the attention of the media on Washington results in the role and importance of state government being too much and too frequently overlooked. Despite that inattention I am pleased to be able to report to you that the young men and women who have selected public service careers, and are being trained in 180 graduate programs and schools are increasingly selecting state and local government careers rather than looking to the federal government.

They quite rightly believe that it is at the state and local level where the action is, and they want a piece of it. These students are hoping to have the kinds of careers which you honor today, and to work with the kinds of citizens whom you are also granting awards to.

It is that partnership of career people with a devoted sense of service that is the heart of an effective government, and it seems to me a special honor for those selected this year to have been selected in the very first year of the competition. Not only is it obviously true that no other group will be able to say that, but in addition I think it is equally true that the

competition will probably be as keen as it was in this first year.

Governor Askew, on behalf of the members of the selection committee I extend hearty congratulations to all the award winners, and to you and your gubernatorial colleagues. You have our thanks for permitting us to participate in this first year of your most important program. Thank you.

(Applause)

GOVERNOR ASKEW: Thank you very much for your work and that of the committee. I'd like to call on each of the recipients, and when we finish there will be a reception for them in the Valley Forge room where we'd like to have photographs taken of the recipients with their respective governors, and the press can have their interviews that they may wish.

First, state officials alphabetically by name. For distinguished service to state government in budget management, James W. Bibb, Budget Director, Kansas.

(Applause)

For distinguished service to state government in finance, Gerald W. Christenson, Commissioner, Department of Finance, Minnesota.

(Applause)

For distinguished service to state government in higher education, Ralph A. Dungan, State Chancellor of Higher Education, New Jersey.

(Applause)

For distinguished service to state government in environmental management, Dr. Maurice K. Goddard, Secretary of Environmental Resources, Commonwealth of Pennsylvania.

(Applause)

For distinguished service to state government in administration, Wallace W. Henderson, Assistant Secretary, Department of Administration, Florida.

(Applause)

For distinguished service to state government in corrections, Perry Johnson, Director Department of Corrections, Michigan.

(Applause)

For distinguished service to state government in human services, Lloyd Rader, Director of Institutions, Social and Rehabilitative Services, Oklahoma.

(Applause)

For distinguished service to state government in fiscal affairs, Marvin R. Selden, State Comptroller, Iowa.

(Applause)

For distinguished service to state government in state planning, Patrick Chesley Smith, Director Office of State Planning, South Carolina.

(Applause)

For distinguished service to state government in

employee relations, T. F. Terrell, Executive Director, Public Employees Retirement System, Idaho.

(Applause)

Now private citizens, for distinguished service to state government in fiscal affairs, Felix Rohatyn, Chairman Municipal assistance corporation, New York.

(Applause)

For distinguished service to state government in executive branch management, Joseph Rosenblatt, Chairman Commission for the Reorganization of the Executive Branch of Government, Utah.

(Applause)

For distinguished service to state government in transportation, Stanton L. Young, Citizen member Oklahoma Transportation Commission.

(Applause)

This concludes the formal part of the winter meeting. I'd like to express our congratulations and appreciation to each one of the aware recipients. Governors and public officials have the opportunity to dwell in the public spotlight when there is a lack of accomplishment, but not always when there is accomplishment. This is not made possible except through the dedicated effort of many men and women in government throughout our country who give of their time and talents who are not recognized. So we would especially like to honor them today, particularly by this

symbolic recognition as well as inviting all the governors of their states to attend the meeting, or the reception, following this meeting in the Valley Forge room.

Before we adjourn our meeting I would like to ask for the members of the Executive Committee, together with Governor Lucey, Chairman of the Executive Management and Fiscal Affairs Committee; Governor Kneip, Chairman of the Human Resources Committee, and Governor Carroll, Chairman of the Committee on Natural Resources and Environmental Management, to gether for a moment over in this part of the room for a very, very, brief meeting.

Let me say that I am grateful for the help you have given me, and for this opportunity to serve as your Chairman. There are a few groups which will hold meetings here in Washington this afternoon and tomorrow morning. I look forward to joining you with our spouses at the White House this evening, and to working with you in the weeks and months ahead.

What we accomplished in these two days was to lay a foundation for an even more meaningful role in national affairs. It will take time and effort in the coming months for the rewards to be known, but I predict that they will be great. We know that in a few days we can't solve all the problems of the world, and no one thought we would.

I believe that this has been a good meeting. I think we have had an opportunity to visit the highest leadership in both the Executive and Legislative Branches of government, and I hope

you felt that it was worthwhile as much as I have.

I look forward to being with you at the White House this evening and, again, all of those governors with award recipients if you will join us for the reception and those members of the Executive Committee, and the three committee chairmen, if you will join us for a few moments. Are there any announcements before we adjourn? Anyone wish to say anything? Fine, we stand adjourned.

(Whereupon, the conference was adjourned at 4:15 o'clock, p.m. Tuesday, March 1, 1977.)

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