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HELD JANUARY 19, 1971

Reported by: Governor's Press Office (RAS)

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GOVERNOR REAGAN:

Good morning. We have visitors. Bill Rivers has brought his journalism class over from Stanford; this is the fourth year in succession now. Getting like the swallow from Capistrano. But, welcome. Hope you enjoy what's going on, so all of you mind your manners here.

Q Governor, your staff says that you have not taken any position on legalizing off-track betting. Can you tell us if that means you're willing to consider that as an alternative revenue source for the state?

A Well let me answer that more generally. It is true that on that particular phase of some of the things suggested, I have never sat down and pondered on the ramifications of that whole thing, so I have to say that I'm willing to listen to what the proposals are, in one context---in a context let's say, for example, of general tax reform which we will be discussing in this session. But all of the conversation that's gone on about legalizing gambling or having lotteries or seeking some other form of revenue, I just think is out of line right at the moment because as I said in my State of the State Message, I don't believe we should be looking for new sources of revenue as an answer to the problems. I believe the problems can be solved within the budget and without going outside for additional revenue. And so treating it in that regard, I just think this is conversation that probably is more fitting in a program of tax reform, or discussion of tax reform, than it is in looking for sources of revenue.

Q In that context, you are willing to consider off-track betting as a possible new....

A I said I'm willing to hear what proposals they have and then see what the ramifications might be.

Q Governor, would you like to see a separate bill, then, on withholding taxes without forgiveness?

A I would rather see withholding included also in tax reform as it was last year. In the matter of forgiveness, I haven't changed my position on that. A lot depends on when withholding would go into

effect, at what time of the year it would go into effect. But I still believe that as the state could afford to give this money back in this form of forgiveness, it should do so.

Q Do you support Bagley's bill for total forgiveness? Is he carrying your bill?

A Well, he must be carrying his own bill. I haven't introduced any bills as yet. You just caught me a little by surprise there. As I say, I would like to see withholding kept within the context of tax reform.

Q You're supporting the same principle, then, that you supported last year. Last year it turned out to be 35 percent.

A Well, that was because that was the amount of money, just about, dependent on the time at which it would have gone into operation. As the year went on, and tax reform did not pass, we were actually faced with a smaller amount of forgiveness that would have been available as the date would have had to be set back for putting into effect withholding.

Q Right, so if it were imposed in the new bill at the same time, then you would favor the same percentage of forgiveness?

A Well, the same principle that I followed last year, yes.

Q Governor, would you favor a separate withhold^{ing}/bill with the forgiveness provision, or must it be a part of tax reform?

A No, I'm not frozen into this. I've just said that I would like to see it. I think that we should be going forward. As a matter of fact we have had some discussions already and with some of the Democratic leadership on tax reform. And before we start going off on individual tax measures, I would like to see them all incorporated in that discussion.

Q Governor, will you cause to be introduced this year your own proposals on tax reform as you did a year ago, and the year before that.

A No, I'm perfectly willing to work with the Democratic leadership on this. I think we have to come up with a bipartisan tax reform proposal, or there won't be one, and I don't think we can possibly face the people again if we don't keep the promise that both parties have made to provide real and meaningful tax reform.

Q Well, Governor, in view of the public utterances of somebody like Assemblyman Brown on the role of government and how you raise money and your own philosophy on the role of government, do you really think

that there's any chance that you're going to go along with the Democratic leadership in this matter of tax reform and raising revenues?

A Well, I think as we proved last year that this particular issue does cross party lines, and we found that Democrats in great numbers supporting our tax reform proposal last year. As a matter of fact, 78 percent of the Legislature voted for the tax reform program, which meant a sizeable crossing of party lines. I think that Assemblyman Brown has given a very clear-cut exposition of the difference between the Democratic and the Republican philosophy. His is that the government should think of all the things it wants to do for the people and then send them the bill. I believe that the government should take the money provided by the people and their revenues and apportion that money out on a priority basis among those programs that a government can perform. And this is just a fundamental philosophical difference.

Q In view of that philosophical difference, how do you see you're going to get along with them, or work out any bill that is satisfactory to both of you?

A Well, I don't think Assemblyman Brown has ever suggested that he is speaking as the voice of the entire Democratic legislature.

Q Governor Reagan, by your answer a moment ago, are you saying that you are definitely going to wait for the Democrats to come up with their own tax reform package without presenting yours again?

A No, we've already been in discussions with them, and we're willing to continue those discussions, hopefully on a piece of bipartisan legislation.

Q Governor, in view of the forthcoming U.S. Supreme Court action on capital punishment....

A He's switching subjects here. Is this taxes here? Wait until we finish taxes.

Q Governor, am I to understand you that you will not introduce your own bill on tax reform?

A No, well I think that this is a situation now where both sides have expressed a desire for tax reform. And I see no reason why we should not sit down and work out this mutually satisfactory program instead of getting into a partisan hassle on the floor over whether it would be one or the other.

Q So you won't have your own bill.

A No.

Q Governor, I've got a related question. Yesterday you assigned Lieutenant Governor Reinecke to try to stimulate business in California. Does this indicate that a lot of these rosy productions we heard here last year about the improvement in the economy did not come to pass?

A No, I think the comeback out of the anti-inflation fight has been slowed. I think everyone has agreed to that. And I think one of the factors slowing it is, has on one side a very bright silver lining; it is the winding down of the war, which has hit California perhaps more than other states because of the aerospace industry. Therefore, I think that California has always had a problem of full employment, whether it's due to our geographic position, or the emphasis, or the percentage of our industry that has been involved in government business. Our unemployment has always run above the national average. And so I think a program to stimulate the economy, to improve the business climate, to get jobs here for the people we have in California, is necessary.

Q Governor, on this matter of no tax increase and balancing the budget without a tax increase, are your feet in concrete on that issue?

A I'm a little sensitive to using that term since last year. I made a statement to the Legislature, I will repeat it in the Budget Message, that we do face a choice. We can balance the budget by reforms and economies in government, and particularly reforms in welfare and Medi-Cal. If the, the other choice is to simply choose the easy path of turning to the people, sending them a bill, which means raising their taxes. I do not believe that is necessary. But the choice is now up to all of us here in government. Obviously, this is a very important choice for the Legislature. Obviously, they will have a very important part to play in making that choice. But if they will join with us in undertaking the reforms that we suggest, and we solicit their suggestions also, in a complete audit of every state program as to its priority, its value to the people, we can meet this particular crisis to the benefit of the people, I think, a long range benefit, without a tax increase.

Q If you still consider late in this session that no new taxes are needed, would you consider off-track betting as a possible revenue source for cities and counties?

A Oh, that's a hypothetical one, John, and I'd rather not answer it here. I'll take those things as they come.

Q Governor, get^ating back to unemployment, in 1968 you announced Project Focus which was to be/pilot project to find jobs for the unemployed. It was tested under Carson Amos in Fresno for about a year, and then closed its doors, and your office said you were going to reevaluate the program. Whatever happened to Project Focus?

A Well, it didn't live up to the hopes we had for it. And this is one of the places where we believe that in part, not entirely, it didn't live up because we were running counter to a tide within the agencies and those who are entrusted/^{with}handling welfare programs. But we did learn some things from it, and some of the things we did learn are reflected now in the new Department of Human Resources Development that is going forward on a basis of translating or transferring people from welfare to employment in the private sector. And this program, as you know, got under way a year or so ago and it's going going to, is playing a major role right now. It is playing a major role in our efforts to meet the unemployment problems, the new kind of unemployment problem that has been dropped on us in this economic slump. We've had long experience with the problem of the unskilled, with the typical welfare recipient who needs either basic education or the answer to a job skill, or something, to get a job. We now have the emergency problem of technically skilled, highly skilled people, who through no fault of their own can't get a job. And HRD has been working very hard with a number of programs in that area, and with some success.

Q In what ways did it fail?

A Well, it didn't give us the clear-cut example that we thought we would have of a pipeline in which welfare recipients were fed in at one end and they came out the other end self-sustaining members of the community with jobs in the private sector.

Q Governor, speaking of the budget again, you said, I believe in your State of the State Message, said it can be balanced if the Legislature will work with you on reform. Does that mean that as submitted, it will not be balanced?

A Well, technically, I have to submit a budget that is balanced. But, with that, that can be done by either proposing additional revenues to make a budget balance, or proposing measures that must be taken to the Legislature to bring it into balance. And the latter is the course we'll follow.

Q How big a deficit do you anticipate as the budget is submitted?

A Tune in February 3. We'll have all the facts and particulars on that in the Budget Message.

Q How much of public work force you propose for the employment of able-bodied welfare recipients going to cost and how will it be financed?

A Well, this is a message that will be coming out shortly after the Budget Message regarding our plans for welfare reform. Generally, what I envisioned in that is that the present money in funding of welfare would be the funding of such a work force. In other ^{words}/we're going to translate people who are now performing no service whatsoever in return for this money into people who will be performing a public service and holding a job.

Q Who would pay the cost of administering the program, supervising the training of workers, transporting them from their homes to the job, furnishing them with supplies and equipment, child care for working mothers, and so on?

A Well, all of these are details that have to be worked out in this program, and there would be a number of variety of ways. First of all, some of the same money that is going for the administrative machinery of welfare would be involved in the administering of such a program. Secondly, some of the administration would be taken over, for example, by governmental agencies which are presently entrusted with performing the services in which these people would be employed.agencies on cataloguing things to be done as yet gone into the Task Force approach that I envisioned and that I mentioned there about establishing a priority and laying out what would be the permanent kinds of work.

Q Governor, do you see any contradiction in the fact that on one hand you're laying off employees in the State Office of Architecture and on the other proposing adding more through your public works force for welfare recipients?

A No, I think we're talking about two entirely different things. And the layoff has nothing to do with the economy; it has to do with workload. I just don't believe that the state can ask the taxpayers to continue in employment people for whom no job exists any longer, a job that whether through technology or through change in policy, has either been reduced or phased out. And in the Department of Architecture, it is just plain that there is no workload to justify the continuation. As you know, our policy where economies are concerned has been one of wherever possible of avoiding any layoff and going the route of attrition, just not replacing employees who leave the service of

government, and there is an annual turnover of pretty solid percentage.

Q Do you plan any additional layoffs?

A I don't know of any that are planned right now, and, but by the same token I can't tell you that the same situation might not arise in some other department or area. But I believe that ^{they would} be minimal, and they certainly won't be in any great numbers

Q Governor, if you get federal money in some ^{form} of revenue sharing, what would you do with that money; where would it go?

A Well, I think that you're going to have to wait to see what the federal government's revenue sharing, how it is going to come about, what it's going to be aimed at. I would imagine there would be some directions to that money, whether it would be used in welfare, education and so forth, on a kind of a block grant basis. And then we would use it in those areas. And I would think that such a revenue sharing, I am optimistic that state and local government, freed of some of the unnecessary overhead of running the money through Washington and getting it back, with their administrative supervision, that would allow us some leeway, that we could do, perform the same services and probably have a cushion which could enable us to relieve some of the pressures, such as on the counties and local government so that they would have more leeway with their problems.

Q Governor, in view of the fact that the U.S. Supreme Court will shortly be acting on the capital punishment question, I wonder if I could ask you to restate your philosophy on that matter now?

A Well, I haven't changed my mind about the, about my belief that capital punishment does serve a purpose and that it is a deterrent. I know many people argue this and figures that try to be given back and forth; actually there is no very really valid figure on this. But I do believe in it, and I don't think the case has been made that we can eliminate it without suffering some consequences in crime. But I believe that in capital punishment, we need a speeding up of our judicial process to where justice is swift and certain.

Q Governor Rockefeller in Arkansas, when he recently commuted the death sentences of 15 prisoners, requested that other governors in the United States do likewise. How did you react to that request?

A Well, I think if you will check closely, you will find that Governor Rockefeller in Arkansas had a problem that was a reflection on some inequalities in the judicial system there and in sentences that had been passed out, that there were men on Death Row, under the

death penalty for crimes that were not the death penalty for other malefactors in that state, and I think his situation was a little different than we find in our state for example.

Q What about the cost of maintaining this 90 some odd men that we California's now have on/Death Row, under this condition of freeze, the practical aspect of it. How do you feel about that?

A Well, I can tell you I've never thought about or given any thought to the idea that you rate cost as to whether a man lives or dies. The decision is made by our judicial process, in jury trial. Almost every man there, other than some of those who have just recently arrived, has had recourse to every appellate procedure, many of them all the way through the Supreme Court, and in every instance, their cases have been, or their verdicts have been upheld, or they wouldn't still be there, and it has never occurred to me to rate this on a basis of cost.

Q On that subject, Governor, that's a good point. These men are in limbo. They've been convicted by juries and yet the judiciary is keeping them in limbo. They don't know where they will be next week, next month or next year. How do you feel about that?

A Well, this is one of the things that I think is wrong with this long, drawn out legal process, and as you know I have spoken publicly on this and delivered an address to the Bar Association, as a matter of fact, a year ago on the responsibility the Bar has to do something about this. If there is cruel and inhuman punishment, I don't ^{think} it rests so much with the imposition of the death sentence as it does with just this living in limbo over periods that stretch out into a decade or more.

Q If the federal government were to override your veto on CRLA, yet make changes that would straighten out some of the problems, would that be acceptable to you?

A Well, I made that perfectly clear the other ^{day} that if the federal government could correct all its wrong and all that caused us to veto the program, obviously we would no longer have a reason for a veto. Frankly, I don't think that can be done and I still believe the federal government should uphold our veto. The law prescribes that the governor shall have the right of veto when, on the basis of evidence, he being closer to the scene than the federal government, he determines that the program is not beneficial to the people, is not fulfilling its original purpose, and certainly our 9,000 pages of documentation and

283-page report indicated that the CRLA isn't fulfilling its congressional intent in the legislation and is not of benefit to the people here, and we have submitted also a proposal for a plan that we think could meet the legal needs of the poor, which have not been met by this program.

Q Can you outline that plan, Governor?

A Well, basically the plan is going to, or would consist of a combination of volunteer lawyers, such as we already have operating in the state, it would consist of funding, a foundation funding, to begin with, eventually to be taken over at the local level just as other programs are funded through, for example, a United Fund program, and it would be a kind of judicare system, with the completely indigent being provided the legal service and with a sliding scale for those who are a little more affluent up to a certain ceiling beyond which they would not be eligible.

Q Governor, in that CRLA report, in those 283-pages, there were some incidents cited that have already been corrected according to CRLA attorneys, such as the attorney in Marysville who was cited for various incidences; he had been dismissed several months. Do you feel on those, are you aware of some of the problems in that report?

A I'm aware of some of these things. I'm aware also that there were cases that were legitimately handled by CRLA. For four years now, we have pointed out shortcomings in this program. And for four years, without us vetoing the program, the OEO in Washington has promised to correct things that have been wrong. And each year comes around, and the things haven't been corrected. And finally it reached a scale, all I can tell you is that our report contains the requests from county grand juries, from county boards of supervisors, from county bar associations, from district attorneys, from judges, from school boards, all asking the same thing, all asking me to veto the program and all making the request on the basis that the program does not meet the needs of the poor. And on this basis, I vetoed it. This was not just a single thought of mine.

Q The question was really directed towards the idea that you stated in your report, that is the report of your appointed director, several incidences that had been corrected. Wouldn't it have been fair to state in the report that those incidences cited had in fact been corrected?

A Well now, maybe it does in the documentation or maybe there are some things where corrections were made afterward and we weren't

aware of them. I think that in a voluminous report of that kind, an inaccuracy here and there is possible, but I will bank on that report, and I believe that it is sound, and as I say, it is well documented with 9,000 pages of backup documentation.

Q Governor, I understand you plan to go to Washington. Will you make a personal case for your CRLA veto?

A Well, I have to go to Washington. I'm a recently appointed member of the Advisory Commission on Intergovernmental Affairs, and, succeeding the governor of New York, and while there, yes, I have told our people that any of these matters that we've been dealing with at long range and by long distance and mail, wherever it's possible that we can do some good by having personal meetings, I would ^{like to} have those meetings. I would like to meet with Mr. Carlucci.

Q Do you plan to meet with the President on this matter or other matters?

A I hope to have a meeting with the President on general matters.

Q Will you be arguing more for corrections of the program or against the program? Where do your sympathies lie? Would you like to save CRLA, in other words?

A Very frankly, no, I think that the proposal we have can do a better job and for less money.

Q Would that proposal, Governor, include, assure legal services for the poor in the same areas as CRLA?

A Yes, this would be exactly the purpose. One of the great complaints we have, the long list provided by judges, by district attorneys and all, of individuals who were sent to CRLA because they had a legitimate problem and CRLA was too busy to take their case.

Q What is the status of your plan?

A The status of our plan?

Q Yes.

A Well, it has reached a certain point of planning and structuring beyond which you can't go until you know what the outcome is going to be in Washington.

Q Will it require legislation here or can you do it on your own?

A No, no, this can be done administratively and with the cooperation of the county bar associations and the California State Bar. And we have had enthusiastic cooperation so far on working out and evolving this plan.

Q Governor, has there been any discussions between your administration and Washington about a possible compromise of the CRLA veto?

A Well, now, no, what could a compromise be? If they correct things that are wrong, I don't call that a compromise; that's correcting things that are wrong.

Q Governor, what was your reaction to the San Francisco oil slick and what kind of assistance can you offer?

A Well, our people in the Resources Department are working closely with the Coast Guard on this, and we are involved over there in that. I think the reaction is the same as it has been for, or as it is for all Californians, it is a tragic accident. There are some asides to it. Fortunately, if it had to happen at all, it is crude oil and not processed oil, and that has a very important bearing on its effect on sea life, because crude oil doesn't have the toxicity that the processed oil has. I can't help but notice that in this one tragic spill that is concentrated there, and we hope can be corralled, it still isn't as much oil and grease as was deliberately dumped through disposal channels in San Francisco Bay last year. Of course, it was spread out over the year last year. But it was a greater amount than this total spill.

Q Governor, this is the second major accident that we had with freighters colliding in the bay over the last four or five years. In both occasions, it happened under heavy, heavy fog. Do you think that perhaps there ought to be some restriction placed on the movement of ships under certain, as there are at airports, the flights of airplanes under certain....

A Oh, you're asking one that I'm not technically qualified to answer. I know that there will be an investigation and a hearing on this accident, and I think we'll all know more when we hear how this could have happened in spite of all the modern radar that we have. Because I know that those ships go in and out of there in the fog under radar control, and so I'm waiting like the rest of you to find out what did happen.

Q Governor, what was the source of the kind of information you just described? How do you go about getting information on that oil slick? What ways do you have to find out what happened?

A Well, I got a purple button on my desk, a row of them, and each one of them is for a different cabinet officer, and all I have to do

is pick that phone : push that button, and th e's a fellow over there in Resources Department that tells me what I need to know, including helping me with my homework for my son.

Q Governor, despite some tax breaks that were given the movie industry a couple of years ago, the movie people are now saying that unemployment in Hollywood is now at a crisis level with 50 percent unemployment in some of the unions there, according to Don Haggerty of the AFL-CIO, Hollywood Film Council, who is asking for congressional investigation. Can you tell us if you feel that that is the case in Hollywood and if so, if there is anything the state can do about it?

A Not as much as the federal government can do. I appeared recently at a big mass meeting of motion picture workers from every branch of the industry at the Palladium in Los Angeles. I wish I had my notes with me because I spoke there on this problem. Down through the years the motion picture industry in Hollywood has never asked the government for help of any kind. And many times this meant the motion picture company representatives sat at the bargaining table opposite governmental representatives of foreign countries. The United States is virtually the ^{only} country in the world where the pictures of all the world are free to play with no restriction, no quota and no special taxes assessed against them aren't assessed against our own pictures. In every other country in the world, they restrict the amount of pictures we can show; they restrict the playing time given to those pictures; they have extra added taxes against American pictures, and in many countries they still restrict the flow of our currency, our money out, the funds are frozen even after they finally admit that there is some profit. Now, down through the years, the motion picture has been able to meet all of that and still capture most of the playing time in the world, has still been the giant of the entertainment industry. But now I think it is time for government to help because these foreign governments have gone beyond that. They now, in addition to all these other restrictions, offer outright subsidy to American producers, up to as much as 85 percent of cost sometimes---a producer can go over and make his profit on the subsidy---and to make the pictures in other countries. And then they are shipped back here to this country. And I think it is time, and ^{when} you stop to think that the motion picture industry in American has been No. 1 one of the biggest factors in the balance of trade on our side, it has sold American

product all over the world because it's not only that they sell their pictures, but styles have been set, American merchandise seen on the screen in just our ordinary stories, has stimulated international trade in that, and I think the picture business has a right to ask for help. It is true that the unemployment in the picture business is easily 50 percent and even more in some of the guilds and unions.

Q Will you ask the federal government, then, to impose restrictions on foreign films that are shown here?

A They have a program, the industry has a program and Senator Kuchel is representing the industry in that in Washington, and I am simply offering all the support that we can for the furthering of that program. Now I can't tell you now. I wish I had my notes with me; I know some of the specifics that are being recommended. But I, just off hand with memory, couldn't give you the complete program that they are asking for.

Q Do you have any specific programs of your own that you want to propose.

A No.

Q Well, now are they requesting a direct subsidy from the federal government?

A I don't think so. I think what they're offering is a kind of a protection, well if it is a subsidy, it is one to counter this offer ^{tax} that takes them abroad. I think it involves/incentives and so forth to keep them, to make it more attractive for them to produce here.

Q Governor, Assemblyman Priolo today is introducing a bill which would reform California....

A What. Is this on the same subject? Well, then, wait a minute. He's got one on the same subject. Then I'll come back.

Q Governor, you mentioned that the motion picture industry has a right to ask for help, and I just wonder what sort of help you have in mind.

A Well, this program that Senator Kuchel is representing the industry on in Washington is, has some specific proposals where the government can be of help, and as I say, I'm not familiar enough to know, with all the details on that, to tell you what they are. They are easily available.

Q (Inaudible)

A I think they include that, yes.

Q Assemblyman P. Plo is introducing a bill which would change our California election laws, moving the primary from June to August and also set up a Fair Practices Commission. Would you support this bill and do you feel even further changes are needed in our election laws?

A Well, the only change I suggest right now is I haven't seen his bill so I can't tell you flat out, as you know I don't say whether I will or will not. The only change I'd make is that I think it could be set back as far as September. I think that a lot of the cost of campaigning, a lot of the troubles in the state would be eased if we shortened the period of campaigning, if you went into the primary in the couple of summer months, and ^{then} right from September right into the campaign for the November election. But virtually today, you have to fund a campaign that whether we pretend it starts on Labor Day or not, you really are funding a campaign if you're involved in the primary that goes the better part of a year.

Q Governor, what do you think of Senator Alquist's idea to make former governors lifetime members of the State Senate with full voting rights?

A I think we don't deserve that. I think that when the day to depart comes along, you should be allowed to depart.

Q Governor, last August, Assembly Concurrent Resolution 199 asked for an investigation of conditions at Soledad. Has that investigation been made and what are the results?

A I'm going to let somebody else cue me on that as to whether it has or not.

MEESE: Yes, the investigation was conducted by representatives of the governor's office and representatives of the Human Relations Agency and they found, in effect, after a detailed investigation and talking to a number of the employees who had requested the Assemblyman to conduct the investigation, that the prison was being properly administered. Some changes have been made by the Department of Corrections coincident with this period of time, and basically, that the situation is under control.

Q On the welfare work force payment, would the workers be paid minimum wage or would they be paid according to their grant?

A Well, now you're into details that I think have to be worked out also ^{as} to a salary scale or whether it has to take into consideration grant based on size of family and so forth.

SQUIRE: Thank you, governor.

PRESS CONFERENCE OF GOVERNOR RONALD REAGAN

HELD JANUARY 28, 1971

Reported by

Beverly Toms, CSR

(This rough transcript of the Governor's press conference is furnished to the members of the Capitol press corps for their convenience only. Because of the need to get it to the press as rapidly as possible after the conference, no corrections are made and there is no guaranty of absolute accuracy.)

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GOVERNOR REAGAN: Well, there ought to be something to talk about now that we are all here.

Q Governor, Senator Moscone has said in a speech today that the State of California is broke and that this is due to administrative errors and fiscal amateurism by your administration, and that by September the State will have to issue registered warrants or tax ___ to patients in order to pay its bills. Will you comment on that?

A Wel , in the budget message that we will submit as we have said already, and maybe he got part of his information from me because in the State of the State I said that we would have a tax -- or I mean a cash flow problem, and we will suggest two possible legislative alternatives and they -- and there is another alternative that could be administrated regarding that in a way to meet the cash flow situation. And those will be proposed to the Legislature.

Q Are you saying then that the state is broke? Is he correct in making that statement?

A No, the cash flow problem has been a matter of public discussion and public record, and I guess I'm the first one to have announced it way last year when we were talking about the -- the tax reform program. As a matter of fact, I doubt if there would be a cash flow problem had the tax reform program passed. That was one of the aims of that program, is to -- to solve that problem. Senator Moscone in his running around again yelling the sky is falling, thought, about the state being broke and all -- he isn't serving a useful purpose even though he is running for office a little early. But the situation is as we said it was, that yes, the revenues are down because of the economic slump that is nationwide

and the cost of Medi-Cal and welfare which we have repeatedly tried to get help in reforming are much higher than had been anticipated, and these have given us a fiscal problem. It is a problem that we can meet, but it is nothing like the mess that we inherited a few years ago.

Q Do you mean that --

Q Governor, another topic.

VOICES: No.

Q -- you will not be able to meet it through the -- ordinary internal borrowing that we have done in the past?

A No, that's right, and I announced that more than a year ago, I said that by --

Q So the possibility -- there is a possibility of registered warrants?

A I said that we will submit some alternatives to the Legislature that can meet this problem.

Q And that may --

A And when I introduced the tax reform program last year I said that by next year we would be in a borrowing position, internal borrowing position due to cash flow that was greater than the amount of revenues from which we had to borrow.

Q Governor, the current budget includes almost 200 million dollars to solve the cash equity problem. Are you saying that you have been forced to use that 200 million dollars and it is no longer available as a reserve to take care of the cash flow problem?

A I stated in the State of State message that by the end of this year the budget balance -- we would have a cash flow problem. We would utilize cash flow.

Q Is registered warrants, though, one of the alternatives that you are going to propose?

A I'm not going to comment on what the alternatives are as there is a budget message coming up with all of that.

Q Governor, apparently the revenue gap is possibly even larger than four years ago. What's different about the mess?

A Well, one of the things that's different about the mess is that last -- four years ago we had a fiscal problem that was not the result of an economic slump but it was the result of a government that had grown over the years in which spending had been not curbed

as we have curbed it and tried to curb it in other areas. And that they had balanced each time and paid for this excess government by gimmicks and devices in which they borrowed ahead on their own revenues, such as collecting certain taxes in advance, and finally resorting to the last gimmick which was accrual bookkeeping in an effort to stave off the need for new taxes before the election, and what it resulted in was accepting a budget for twelve months spending that was based on 15 months revenue. And we inherited the position of having -- having to follow that with coming back to twelve months revenue for a government that had been built up to that size and it is that size government we have been trying to wind down and get back within the twelve months revenue. Now, that's a little different than coming into an economic slump in which your sales tax and income tax revenues are down and your outgo is up. Plus the fact that in the three years since, due to the federal spending policies and this certainly is a documented matter for anyone who wants to study the economics of it -- in the last three years of the Johnson administration, in a time of full employment they resorted to \$40 million dollar deficit financing over those three years and brought the inflation rate up to a sudden -- from the one and a half -- two per cent that we have been going on along -- under the new economics theory that that will preserve prosperity, when suddenly skyrocketed up to three or four times the rate of inflation. Now, that's an entirely different kind of problem, and we are not going to meet it with gimmicks.

Q Governor, isn't it likely to develop into the same kind of a problem, though, if it continues as it is? Aren't you going to get into the same kind of fiscal bind and perhaps have to draw on advance revenues or something?

A No, what we are hoping for is, as I said in the State of the State if the Legislature will accept our proposals for reducing the size and the cost of government, particularly getting control of welfare and Medi-Cal, and if you'll recall three years ago -- I don't know whether you'll recall because certainly nobody has been writing this, but in the whole history of Medi-Cal, from the first three months we were in office we pointed to the fact that the program within the first seven or eight months of its existence, or its implementation, was running a hundred million dollars in the hole and by the end of the year would run two hundred million in the hole,

and I was amused to see a legislator the other day quoted as saying that when the legislature finally investigated they found that there was no such deficit. Of course they didn't. Because we have instituted a program that eliminated the deficit even though subsequently a court ordered us to stop the -- the changes in the program or the procedures that we had invoked. And, yes, by the end of the year, by the time the legislature had gotten around to it, we had reduced the cost of Medi-Cal that much. But also by that time after the court order had stopped us from doing the changes that we were doing the investigation started in again and we pointed out then that only a third of the people in this state that were eligible for Medi-Cal were using it and that in this entire -- this period since more and more people are discovering their eligibility. I don't know whether all of them have found out about it yet or not, but it is now not one out of 15, it is one out of 9 who are getting Medi-Cal.

Q Governor, did the change in accounting procedure in Los Angeles last year contribute to the Medi-Cal deficit that you -- that you've mentioned last -- last December?

A Yes.

Q What's your understanding of how that contributed to it?

A Well, Los Angeles, which has 1,400,000 of the Medi-Cal recipients, like all the other counties, we build our case load on the estimates that are given us of case load by the counties and Los Angeles used a system of kind of spot check and estimate and they transferred from that to an actual head count of the recipients. And this changed their figure about a little over 20,000. Now, this was a -- roughly a one per cent -- a little more, maybe, one and a half per cent error in account of a million 400 thousand. But we had previously received their estimate on the basis they had already -- always done it. Then we received the head count subsequent to that.

Q Governor, that change, according to the people in Los Angeles, and in your own department, was made in March. But the -- and then the administration came back to the legislature in June asking for additional funds from Medi-Cal program and they said at that time, in June, they had not learned of the Los Angeles change. I was wondering why there was this great delay between the significant

change in Los Angeles and the time that the administration made its -- discovered the change.

A I don't know the timing on this or when the figures changed. I do know that in -- it wasn't in May that I asked the Legislature to add \$60 million dollars more in the budget amount for this because even then we had discovered ~~a~~ additional cost factors.

Q But it wasn't the Los Angeles change?

A I don't know whether it was or not.

Q Well, Governor, if it was the Los Angeles change, was part of it, and you learned about it -- your people in the Department of Health Care Services learned about it in July, why in December, when you were talking about these cuts, did you blame it on excesses in the Medi-Cal program and why did you talk about increasing case loads when this was an element in the creation of the deficit?

A Because there has been an increase in the case load far in excess of the 20,000 of Los Angeles. And even according to your own story, only a part of the \$142 million dollar deficit could be laid to this change in accounting by Los Angeles.

Q Was the major part, though, Governor?

A What

Q It was the major part, according to the figures -- your HCS people give us.

PAUL BECK: 50 million out of 140 isn't a major part, Bob.

Q Well, it wasn't 50 million, it was the whole -- they call medically needy group which totals about 70 some odd million, and then there was another estimate that they made on -- insofar as the creation of intermediate care facilities would be concerned, they thought more people would go into business than went into that business, and that accounted for, in theory, 20 million more of the deficit, so it was this information, the estimate of who would go into business that figured in the deficit, too. I was just curious why you talked about excesses in the program and the deficits were based on something else.

A No, -- and I do not subscribe to what you are just saying because it is typical of the same kind of distortion that was contained in the Los Angeles Times headline yesterday. And I don't agree with that and I don't challenge your right to investigate

any part of this c our good intentions or wha we have been trying to do with the program. But I would also suggest that when you are investigating I would find it much more pleasing to me if someone would mention along the line that these horrifying cuts that I have made in Medi-Cal so far were mandated on me by the legislature and not something I dreamed up in my own mind, but there seems to be a news boycott on that.

Q Well, Governor, I don't -- I don't mean to talk about that particular point but --

A I bet you don't.

Q Well, you said in -- you said in your announcement that the cuts were a result of Medi-Cal excesses, and the question I have is you just said yourself that the Los Angeles change and -- the statistical change figured into your Department of Health Care Services said that your own estimate of who would go into the nursing home business figured into it. According to -- you add it all up, it comes to nearly a hundred million dollars on those two elements alone. Now, if that was the case, would you still say that it was excesses in the program now, knowing all that now?

A Yes, and I also would say that why don't you go back where you were yesterday and have another conversation with Dr. Brian who has more of the details than I have on this. I can only tell you that the budget was submitted on the basis of the best information to my knowledge that we had. That there are excesses in the program, that welfare has been -- and Medi-Cal have been out of control as long as I've been Governor, and that we have been trying our best to seek reforms that would bring them under control. Now, the program was a jerry-built structure when it was created. It started going in debt the first day. We found when we took office and it had only been in effect a few months, that they hadn't even paid the bills that were submitted in the first week of the program. We found it was going 200 million dollars in debt. We managed to salvage that and then a court order reversed us. We have had court orders that have added \$461 million dollars to the welfare costs since we have been in office. And I still say that if the legislature will join with us in reforming these programs we can remove the necessity for this kind of crisis in the future. But the program is virtually unmanageable.

Q Governor, one of the reforms you suggested in your State of the State message was to take the pensioners, the elderly, out of

the welfare category, since you said they don't belong there.

A Right.

C And set up some kind of system akin to the Social Security system where they get a check every month. They don't have to go down and requalify every month to say they are still growing old, I think was your terms.

A Yes.

Q Wouldn't a standardized payment involve in some cases some elderly people receiving less per month than they might now receive?

A I don't think so and I think that the whole idea would be that you would have to work out -- and there may very easily be categories, everyone today does not receive the same amount of money.

Q That's right.

A But the thing I'm talking about is the automating and the removing of a great many social services that are now applied to them that require a great bureaucracy at the county level and services that I don't believe are necessary. The same kind of services that are applied to welfare recipients who are able-bodied and supposedly temporary recipients of welfare. That these others are so obviously permanent recipients that this procedure could be automated. Similar to this process -- the overhead for Social Security is only about three per cent, the administrative overhead. That is not true of any other welfare program.

Q Well, then, as your administration envisions this particular reform there would not then be any cuts -- even some cases of the OES payment that is currently received by some senior citizens?

A Now wait a minute, give me that again. There wouldn't be what?

Q Right now they have to go down, as I understand it, Governor, they have to go down every month and requalify to see if they are still eligible and they have to check their special needs. As I understand it, the proposal which your administration is thinking about is to have these people come down only once a year to eliminate the monthly eligibility check. So they would get a standardized payment for twelve months, they wouldn't have to come down every month. But if they do get a standardized payment for twelve months that would in some cases be less than the monthly payments they now receive?

A Well, all I know is that our every effort is going to be not to penalize anyone. but if possible to even do better by them and to use some of the wherewithall that might be free to better their lot. Because I think most of those people are not receiving adequate care now. And so I'm sure that provision would be made that no one would be penalized and I'm sure that if anyone's circumstances changed between visits, some catastrophe befell, that there would be provision made that we could meet that change.

Q Governor, in Washington, either in your meeting with the President or other officials, did you get an indication of cooperation in your hope of getting federal approval for some of the experimental reforms you talked about in the welfare system?

A Well, I had a long talk with Secretary Elliott Richardson and found him most interested in the whole idea of experiments at state levels, and he wants to meet with our people. He -- in fact he requested it before -- before I could get around to asking him if we could meet with him. He wants to hear the proposals that we have. He has problems. He has -- he has the problem of where some regulations and waivers might require at least congressional approval or approval of some of the congressional committees and he pointed out to me the problem that we have of where regulations are implementing congressional intent, but he also expressed a willingness to try for that.

Q Governor, could I clarify something on the original before we got off on the overall budget things you were talking about. Were you saying that even if the cuts that you are recommending in welfare, Medi-Cal and towards education, some people estimated 400 million -- 500 million dollars, if these were all done and your reform tax -- tax reform program was adopted, albeit belatedly so, not much help for this year, that this fall you are going to -- with all that still have a cash flow problem that will require outside borrowing?

A No, we can't go to outside borrowing. As it now -- this is against the law in California. But we will present alternatives to the legislature that will require legislation and there is one alternative open to us administratively and any one of these three will meet this problem of cash flow in the fall. But hopefully tax reform -- something in the same neighborhood, in general as what we tried for last year, would then remove this for the future.

Q Registered warrants would be available administratively, right? You wouldn't need any legislation for that?

A This has always been available.

Q New subject, Governor.

A Say, wait a minute. Ray way back there wanted -- we changed subjects three times since he --

Q Let's keep on the subject, Governor, we can finish this thing.

A Is there anyone --

Q I got one more question, Governor. If it should turn out if you look at this, that the -- that the cuts that you've made in the program were caused by changes in reporting or large part of them caused by changes in reporting or changes in estimates and things like that, will you still feel that the cuts that you made were justified? That is, that the cuts within the program itself, in reducing services were justified on the basis of those figures?

A Well, the wrong word is used, "justified." The cuts are mandated at any time that the deficit in Medi-Cal is going to exceed by ten per cent the budgeted amount. And when that happened that law passed in '67, which was implemented in '68, went into effect in '68, mandated on the administration the cuts, -- procedures that we had to follow. I have no choice in that matter, and these were mandated -- and incidentally it was not a bill I supported. I signed it reluctantly. We had asked the legislature to help us then four years ago reform the program and this was their idea of reform and it was just about as Mickey Mouse as the program they passed to begin with.

Q Could you go to the legislature now and ask for more -- there is a bill in it now to re -- to fund the program and abolish the cuts that you made.

A No, we will be submitting to the legislature in a subsequent message following the budget -- we will be submitting a plan for a reform of Medi-Cal.

Q But it won't affect this year, though?

A No, in this year it is the cuts that we have implemented that are bringing the program back into balance between now and the end of the fiscal year.

Q Then no matter what caused those cuts, what the situation

was, you feel that the -- the reductions should remain in force?

A For the balance of this year? Well, since they are necessary to restore a balance, again I have to say it isn't a case of what I think. It is what the law mandates. And the law has mandated these cuts on me. And most of the people who were testifying before the -- the legislative committees and the legislative committees who have been hearing this testimony all know that this is the law, that I have no choice in the matter, and I'm just myself a little put out that no one has bothered to mention that in passing. Because as I said to this legislature, I just -- now I feel a little self conscious getting the full credit for all of this.

Q Another one back here on the same subject.

A We will get to you.

Q You mentioned removing some social services. What were you talking about, what kind of social services?

A To the --

Q social services.

A To the senior citizens, disabled and so forth?

Q Right.

A Well, you will find that I can't list them all here, but you will find that there is much the same procedure of it being assigned as part of a case load to case workers, and special grants and so forth to meet special problems of these disabled and these elderly people, and I believe that while there are probably some individuals that would require some special care, that the overwhelming majority of them just the same as the people who are simply drawing Social Security, could receive an adequate income in an automated process and they are adults and they don't require this -- all of this administrative overhead.

Q But would you be cutting services? Would there be some services --

A No, we would be providing the income that would pay for these.

Q I see.

Q Governor, in your October 30th statewide telecast from Anaheim you announced through Republican teamwork you got President Nixon's assurance that he would release frozen funds for California water programs, specifically \$10 million dollars for Westlands Project.

The money hasn't been released and Casper Weinberger says it is unfortunate that false hopes were raised. He says your statements must have resulted from a misunderstanding. Can you tell us, first, what happened and second, did you discuss this on your recent visit to Washington?

A No, and what I understand happened that day, we received -- I received a call on the road from the head of one of the labor unions involved about this and about the continuation of the project, and as I said before, immediately got on the phone and by nightfall was told that the money was being -- was released. I understand now that the misunderstanding involving myself and Washington was that the money was released for the balance of a certain period of the project and that the misunderstanding was -- and I didn't even know that there was any problem concerning the subsequent year or subsequent stage of the project -- and it is that money which has not been released. But the program which was due to close down the following week was continued in its funding. I thought that this solved the situation. I didn't know that it came to another point further up the line and that that money has not yet been released or appropriated for that subsequent period.

Q Do you have any new assurances from the Nixon administration about release of this money then in the future?

A I don't know what the situation is on that. I haven't checked with Bill Gianelli, the people that would know about that. It was a -- it was a -- I get mixed up on the names here, Bureau of Reclamation project, but there was no misstatement of fact. We had -- we had secured the release of money that stopped the shutdown that was scheduled for the following week. This was taken by someone, -- I made the announcement, my not understanding perhaps that there was a subsequent appropriation that was necessary to continue on into the future, and so evidently assumed that that meant that had been approved, too. I didn't even know there was such a thing.

Q Governor Reagan, the State Lands Commission approved new offshore drilling off of Santa Barbara. What is your reaction to this?

A No, Ray, it is Seal Beach, and it is -- they have approved -- it is the first one we have approved. We certainly can't find any possibility or they can't, of a hazard there. It is a man made island. There are already 78 wells on that island. It isn't a

derrick or a platform and it isn't up in the captured leaky bottom that we have in the Santa Barbara channel, and there is going to be an additional well drilled on that same artificial island that's built offshore.

Q What has the State done to insure the safety of any of this offshore drilling in the future? What assurance --

A Well, with the exception of a thing of this kind, this is the first one that we have allowed. There is a moratorium on drilling that is still in effect on state tidelands pending the -- and while we worked with them to find if there -- better means of handling problems and accidents if they should happen in the future, and I don't know whether the Lands Commission has made any change in that position or not. As I say, this well was a totally different -- different case.

Q Governor, how do you view the reports of the last couple days that you are -- that Washington is about to override your veto of CRLA?

A I still -- well, I still have to say I'm confident that they won't. The law is very specific and clear in my right to veto that program. It is also very clear that the only way it can be overridden is if the -- is if Washington -- they have to establish that contrary to my veto the program is in conformity with all of the rules, laws and regulations concerning the program. And to do this they'd have to -- they'd have to be rather dishonest because it isn't.

Q You look for a compromise?

A I know that they would -- they have tried to find some way in which to -- they could approve it by making great and drastic changes in the program as it now exists, and I'm quite sure if it should come to pass that they would still override the veto, I'm quite sure it would not be simply to override the veto and continue with business as is, I'm quite sure there would be drastic changes in the program.

Q Has there been any favorable reaction to your alternative plan you submitted at the time of your veto?

A It was very well received in Washington. And well received at the White House.

Q Governor, how long can Mr. Uhler be working on preparing an alternate plan and isn't it peculiar that he would be assigned to do that at the same time he's theoretically the liaison between your administration and the CRLA here in California?

A Oh, not at all, because for the last four years we have been trying to get Washington, each time we have told them how reluctantly we approved the continuation of the program, because of the same kind of faults that we were finding, and each time Washington made promises to us that there would be changes. And the promises weren't kept, they didn't make the changes. This is why we took the final action this time. But I have always insisted from the very first that in any criticism of the program or in any change of the program that we must -- you don't defeat something with nothing. That I was committed to the belief that the poor were entitled to this legal service, and I have urged our people to find an alternate program so that we could at least suggest to Washington that we weren't just against it and asking to cancel, that we had a proposal for something that would do the job better.

Q Well, isn't it -- didn't it lead you subject to criticisms if at the one time you have Mr. Uhler preparing an alternate plan, at the same time he's doing that purportedly making objective inquiry of the efficacy of CRLA in California?

A No, because from the very first when they started checking up on the hundreds of complaints that we were getting in the program they knew my policy, which was that if we were -- if I was going to on the basis of the reports they'd bring back -- if it developed that this led to a veto that I wanted, as I wanted for four years, a concrete proposal of a program that would meet the problem of the -- of the needy, the rural poor. Now we have approved without any hesitation any number of neighborhood legal assistance programs in California under OEO who are representing the poor in the urban areas, and very successfully and many of those have conducted class suits against this administration and some of those successfully. So it isn't true that this is our reason. The plain simple fact is that CRLA in California is not representing the poor as the law required it to do. And we think there is a better way to do it.

Q Surely you and your staff must have been consulted by those

people in Washington about what form you would like to see the drastic changes take in a new CRLA program. If that's the direction in which they were going to go.

A Well, we finally gave our proposal of a program. Now our original proposal was that this program that we proposed could be funded by foundations and privately funded and wouldn't call for tax dollars. We are perfectly willing to give that to OEO and let them fund it as an OEO project. We made that clear to them. Matter of funding was not important. If they feel that OEO wants to continue in that business, they are welcome to the proposals that we made.

Q You said that if they overrode the veto it would only be with major changes in program. You have an indication that you have some specific idea of what changes would be involved if there were an override?

A No, I -- our people have been dealing with them and have been talking with them at some length in the last few weeks on this proposal and all I know is I haven't had a report on the details, that many proposals have been made by CRLA as to changes that they were willing to make.

Q You don't know specifically what the administration -- Nixon administration would insist on?

A No. No.

Q Governor, was this offered in the spirit of a compromise of -- an override?

A Well, from their standpoint it is offered on the basis that I think we have to agree that they'd like to find some way to not sustain my veto. So they are exploring every avenue. Frankly, I grow stronger by the day in my belief that the veto should be upheld.

Q One more question, Governor, the head of the CRLA in California said today that your administration is asking other governors and congressmen to actively support this -- the sustaining of your veto by the -- your veto by the Nixon administration. Is that true, are you asking other people to help you out?

A I don't know --

MR. MEESE: Well, the congressmen in the areas served -- purportedly served by CRLA themselves have been in touch with us because they wanted to importune the White House to sustain the veto. Other governors have similar problems and they have asked us for

information, but as far as any massive move to these people, the answer is no.

A I informed the Republican governors that the possibility -- because we hadn't made the decision yet, that the possibility existed that I would veto this program and I said if so I would inform them of our reasons for the veto and the procedures that we had taken. And I can only tell you that the interest in this and the interest in getting that information was -- was great and was unanimous because I don't know of a governor -- I haven't met a governor -- maybe there are some that -- but I haven't met one yet that does not have much the same criticisms of this program in their states that we have here.

Q Governor, why is the White House, do you think, reluctant to sustain your ^(CRLA) veto if it was, as you say, received with some approval initially?

A Well, let me point something out and it fits the governor as well as the president. Everyone insists on saying that this is the White House versus the Governor's office. Remember that a man who is President of the United States, I think, would only very reluctantly inject himself into a situation involved these various departments any more than I would. It is -- you expect in good administration that you have appointed people and you have departments handling these and you hope that they will arrive at the right decision. And if the -- if it comes to a case then of overrule one of your departments, that there is an administrative factor enters in. I would think a long time about overruling one of our own departments on some decision that was in their -- in their domain and that they were running, I would have to feel that they were being very wrong before I would just step in and reverse them and I think this is the position of the President. If possible he would like very much to feel that this will be handled through legitimate channels, through the department, and through the appointed director.

Q Are you saying then that the federal OEO is desperate in looking for a way not to sustain your veto?

A That's -- that's what I said, yes. And we were -- we are prepared for that to be their attitude.

Q Is there a philosophical difference between you and the Director of Federal OEO, or how do you see it?

A Well, I don't know. I don't think it is a philosophical at all. I think it is just that Washington -- various departments and agencies in Washington sort of have a built-in reluctance to believe that state or local governments can be right. You have seen this in the reactions even -- bi-partisan, both parties, in the reactions to the idea of revenue sharing, that, heavens, never should it be admitted that a local or a state government could use federal funds as efficiently as the federal government can dispense them, and you know, they think out here in the provinces that we -- we aren't quite up to standard.

Q Governor, back to your comment a moment ago about President Nixon perhaps being reluctant to inject himself into this. Did you take your case directly to the President -- personally to the President when you were back there?

A And without asking for any answer or reply from him I simply explained to him what the case was, why our -- why we had taken the steps that we had taken and called to his attention that we did have a plan.

Q Did he give you any answer?

A What?

Q: You said you didn't ask for any answer.

A Didn't ask for any answer, no.

Q But he didn't give you one either?

A No.

(Laughter)

Q Governor, regardless of where some of these decisions are being made in Washington, your administration and Washington has had some serious disagreements on programs such as some of the OEO, welfare conformity, family assistance plan and now national health insurance. How would you characterize your relationship with the Nixon administration in general?

A Well, I hate to disappoint some of the political pundits but the relationship has always been cordial. It's always been very close, it still is. And the visit we had for about an hour and a half there in the -- in the White House was on that same cordial basis. And as I have said before, the President knows that I intend to lead a delegation at the Republican convention pledged to his renomination for election.

Q Governor --

Q Governor in change --

Q Can I follow that. Did you tell the President personally that -- that you intended to lead the delegation? You do not intend to run against him or for anything else? In '72.

A I told him.

Q You did offer this to the President?

A Yes.

Q Did you or your staff have any discussions in Washington on the possibility of expanding the role or the authority of the Coast Guard of the navigable waters and the right to shut them down?

A This subject never came up, no.

Q Governor, regarding your visit to Washington. Do you feel now that since you've been back there that communications between Sacramento and Washington are far superior to what they were before? Do you feel now that you have a direct link -- more so of a direct link to the President or to Secretary Richardson and if so, where was the chink in the communications link before? Specifically on the AFDC difficulty?

A Well, I think that that -- that one ~~grew~~ at a departmental level and certainly at a level below Elliott Richardson who came in new to that position. As I explained to you in our press conference upstairs at the time when they were going to announce the cutoff of funds, Elliott Richardson did not know, had been misinformed, he did not know that there had not been a final court disposition of this case. So the one thing that has been proved is I finally have met him and, as I say, we had several hours together and I think got to know each other well enough to know that we don't have any basic philosophical disagreements at all and that he wants many of the same things that we want in trying to get control of these programs, has the same belief we do that they are -- not only in need of reform, they are a disaster. And I think this will help. Now, as far as the White House is concerned, let me just say this, one other thing. There wasn't an improvement needed. From the very first the Vice President has been designated as the liaison between state and federal government, and on those problems, particularly which must go to the cabinet level or to the President himself, and there has never been any problem of communication between us. The Vice President has been accessible. He has gotten back on every instance we have had to refer something to him. As a matter of fact he was the channel

we went through on the eve of that aborted press conference, when they were going to cut off funds and the -- this was when he put Elliott Richardson in contact with me immediately. He understood the situation, and that's all it took, and the press conference was cancelled, and they didn't cut off the funds. There has been -- there has been a disagreement, one disagreement between the -- this administration and the White House, which has had to do with a family assistance plan, and the President has been aware from the very first and we have talked about it, that we did not -- we were in favor of his original concept. We did not feel that the legislation that subsequently was passed by the House of Representatives actually carried out the original purpose and intent.

Q Governor, is there any --

Q Governor, how soon do you expect to call a special election to fill the State senate seat?

A There is a time limit in which I have to do this. I haven't pressed on this. There's been a few other things happening, as you can imagine. We will get at this as quickly as we can. But when I found out that we couldn't under the law -- we couldn't pass it in time to get it on the ballot of the local election in Los Angeles, it legally could not be done, then the pressure was off a little bit because there was no way in which we could save the money of a special election by coupling it with them.

SQUIRE: Thank you, Governor.

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2/4

PRESS CONFERENCE OF GOVERNOR RONALD REAGAN

HELD FEBRUARY 4, 1971

Reported by

Beverly Toms, CSR

(This rough transcript of the Governor's press conference is furnished to the members of the Capitol press corps for their convenience only. Because of the need to get it to the press as rapidly as possible after the conference, no corrections are made and there is no guaranty of absolute accuracy.)

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GOVERNOR REAGAN: Good morning.

Q Good morning.

A I guess we've got nothing to talk about.

Q Governor, what assurances can you give that the counties will not have to increase their costs by picking up the difference if your Medi-Cal and welfare reductions are passed as well as your proposed budget for public schools?

A Every assurance in the world. Because I've been disturbed about the manner in which this has been fuzzed up and certainly the leadership of the legislature, I regret to say, has apparently misinterpreted our intention in providing a budget and having to tell them that we would come along in the next couple of weeks with detailed explanations of how we would meet some of the cuts. But it's always been our determination that we will never pass a tax onto local government because this in our estimation doesn't answer the problem to simply change the pocket out of which you take the money from the same individual. And so we have pledged that our proposals for reform of welfare and Medi-Cal will be such that they will not only save the state money, they will save the counties money and they will save the federal government monies because they are going to reduce the welfare burden. And I think the latest finding of our own audit team that right now there is sufficient error at the county level in determining eligibility that we estimate overspending of about \$51 million dollars. Now, part of that \$51 million dollars is county funds. I will call to your attention that a short time ago we changed the regulations when we found we could to save an estimated 75 million dollars of county administrative expense, in the staffing standards for welfare, and so far we know of 23 counties that have

taken advantage of that and have changed their staffing standards. Now I just regret that the legislative leadership evidently -- when we first met, when I met with Senator Mills and Assemblyman Moretti, they both -- I explained to them, they expressed their fears that we would have to have an increased tax. I told them to please hold their fire until they saw our proposals because I honestly and sincerely believe that we can with their cooperation meet this problem with no increase in taxes. And I think they have jumped at this budget perhaps under the mistaken belief that I'm not sincere in this and that I'm trying to put the tax monkey on their backs. I am not. I tell them again, if they will cooperate and meet with us I believe I can convince them that no tax increase is needed.

Q Governor, how about -- how about the case of local schools where according to Allen Post your budget is more than a hundred million dollars short of just keeping up with inflation.

A No, once again we have -- we have increased the state funding for schools 42 per cent to match a 12 per cent increase in enrollment over the last four years. Now I've said before that the legislature and myself in passing on these additional funds to the schools each year, not one of us has been able to prove or say to the public that we know for a fact this money is needed. 85 cents of every dollar the state has given to public education goes into salary increases and we have had a task force working, as I have explained over and over again to you, we have had this commission on educational reform and again this is like the welfare and Medi-Cal proposals. We believe that we found enough evidence that we can help the school boards to better spend the money they are now getting. And then in the event that this still reveals that additional money is needed, at least this time we would be able to put our finger down and prove once and for all to the public that there was an actual need for this money, it was not the result of mis-spending of the funds. Added to this is the other thing that I think can be helped by tax reform, the need for a statewide equalization formula. But the money that we have put in actually meets the legislative requirements, the formula for funding by the state, plus which we have added in the \$88 million dollar one-time kind of windfall or emergency gift that we gave public education last year, and we told them then it would only be a one-year thing, but we have added it in and extended it another year, so they are getting that money over and

above. Now, if the local school boards or districts chose to ignore the help that can be given and that there are savings to be made and simply take the easy way of wanting to turn to the property taxpayer, we don't have much control over that. But I believe if they will listen and if they will cooperate we can prove that we can meet their financial needs and that there has been a misuse of the funds they are getting.

Q Governor, Allen Post said yesterday that your budget takes into account inflation in calculating revenues but ignores inflation in calculating state spending and of course in state employees' salaries. Can you comment on this apparent difference?

A Well, sometimes I think Mr. Post's staff is more energetic than it is efficient. There is no question but that we have, as I frankly stated, reduced and deferred some spending in some areas of state government which is very frankly belt-tightening and which is the same kind of economies that our people are going to practice in the present of this inflation. We can't just automatically turn the burden over onto them. This part is true. But I noticed also that Mr. Post, after he made his initial charges about the budget, he then did recognize that he was making those charges in advance of seeing our proposals and without any knowledge as to whether the proposals would meet these problems and I think the proposals will.

Q Governor, back to schools just for a moment, the type of help that you are willing to offer districts, is that just general help or do you have specific people who can -- if asked by the district administration, come into a school district and show them how to tighten up their problems?

A Yes, an auditing team and I think I was -- I know that Wilson Riles in his position is concerned about this budgeting figure also but I know his very strong feelings about the need for accountability on the part of schools. And I think we -- when we work together on some of these proposals -- I say we, I think can help in some of the problems but at least then we can come to a point in which if more money is honestly needed for the first time the state will be able to say, how much, and prove to the public that there is this need.

Q Governor, Mr. Orr suggested that your welfare message would be coming very, very shortly. Can you give us an idea of when that might be?

A No. I'm going to be more cautious than that. We said within the next few weeks at the time we presented the budget and it will be that. I think you can understand -- we got a new team over there. They're members -- many of them members of the same task force that's been working on this. It is a complicated business and we are going to come forth with it just as fast as we can. Our situation was, and we were very frank about this, the law calls for us to submit a balanced budget. We submitted a balanced budget but admittedly without the explanation of how some of the reductions would be met. We promised that, the answer to that, and we will have it.

Q Governor, how would you balance your budget in the event that the legislature refused to approve your welfare reforms or the federal government refused to approve them or the courts refused to allow them to go into effect?

A Well, just at this point I can't tell you how much of this will be dependent on federal government. Mainly I think these are things that we can do statutorily and administratively. The legislation is passed, of course. This lessens the danger from the courts. Our problem has been the court's interpretation of existing regulations and statutes. If the legislature refuses to join in reforming welfare and Medi-Cal, then admittedly they have made a choice and they have made a decision. I hope they won't because the choice they will have made is one that will leave them with the prospect of tax increases on an annual or every other year basis for as far as we can see into the future.

Q Governor, how do you justify using \$126 million dollars in the reserve funds, including 72 million from the teachers' retirement to balance this budget in view of your previous criticism of this method of balancing the budget?

A Because as we have stated, this is a crisis in part of which is a temporary slump in revenues that we can expect to go back up in the future as we come out of this -- out of this economic slump, and the contingency fund of the teachers is -- is actually -- it is paid for by the state and the state has responsibility for this fund and if there is a contingency the state has to pay for it anyway. So we actually see no harm whatsoever and no setback in this program of the borrowing of those funds.

Q Governor, do you think it is a misuse of new school state aid to use that for teachers' salary increases?

You mentioned earlier that 85 per cent of the increases in school aid go for teachers' salaries. Do you think that's a misuse of funds?

A Well, not -- teachers' salary increases are needed but at the same time I think we should point out that the -- they can't have it both ways. They can't attack the state on the basis of its contribution to education and say that it is shorting the quality of education or increasing class size or doing any of these other things. And then continue to use the money almost entirely as a fund for increasing salaries.

Q Governor, aren't -- while you are delaying your message aren't you allowing this group that's going to run around the state telling what's wrong on your budget jump on you before you get a chance to explain your position?

A Well, this again I regret, Squire, the announcement that they are going to run around and hold hearings. It seemed to me it would have been far more seemly if they had waited until they saw the proposals and then wanted to include those in their hearings. I think the people are entitled to know clearly what it is that we propose and then I think in a system such as ours you would be able to read whether the public agrees that the economic^e can be made or whether they are willing to tax themselves at a higher level. And I think the announcement to suddenly go out on the basis of this budget is again -- I regret to say, violating what I thought was a bi-partisan approach that we were all agreed--certainly the leadership of the other side was agreed with me, we would have in meeting these problems. I still want that bi-partisan approach.

Q Governor, what was your --

Q The welfare program that you now say may not go to them I guess until March, you say a few weeks, would you expect this to be adopted by June 30th when the budget has to be adopted or should be adopted?

A I don't see no reason why it shouldn't be. The budget has to be adopted then.

Q How many years have you been trying to get through a major welfare reform?

A Well, almost every year since I've been here except not

this scale because very frankly, as I have admitted to you in this room, in our efforts over these at least three years to get a handle on these programs we ourselves were dealing in almost band-aids. We ourselves did not finally come down to the recognition that the total overhaul was needed. We started things that we thought would help and now we come with total overhaul. The other thing is that never in the four years before have we come to such a crossroad in which the alternative is to ask the people for more money.

Q Do you have any reaction to Senator Alquist's statement that the legislature forthwith pass your budget and send it back to you as it stands?

A Well, that is a little petulant on his part. And since we have frankly stated that the -- that the means for balancing the budget would require some legislation, if he means passing the budget and automatically guaranteeing me now that they will pass the legislation, that goes with it, I'd be very happy to accept his offer.

Q Governor, have you specifically previewed the upcoming messages to the legislature to President Nixon's office at all?

A Had I previewed it?

Q Yes, in other words, you haven't yet presented to the -- your ideas to the legislature how you are going to make the cutbacks but have you gone to -- when you were in Washington did you preview some of your specific ideas? I know you discussed welfare reform and asked for the right to experiment.

A Oh, no, no, there was no opportunity and I wouldn't have taken up his time because I wouldn't have had all the specifics that --

Q A lot of this depends on the President's cooperation, isn't that right?

A I don't know whether the President -- I had an opportunity to talk to Elliott Richardson, told him some of our views. He was most interested and told me that when we are ready and when we are prepared, he asked me if I would send our people in to talk with him because he wanted to hear exactly what it was we had in mind, and said he is looking himself for every suggestion he can get as to how to get hold of it because he too recognizes that the program is a disaster.

Q Change of subject.

Q No, I've got another question on this. Governor, when you

say that it is not the State's intention to pass on the property tax increases to local taxpayers, is this dependent on the Supervisors also cutting welfare and Medi-Cal back approximately the same level as the State does?

A Well, yes.

Q Do the Supervisors have to take action on their own to do this?

A Well, they have to -- I think they have to conform. In other words, if we are -- let's say just in one facet, if we are talking about a ceiling on incomes above which no individual who is earning an income can receive welfare, if we are talking about reducing grants to those who have high earnings now and are also receiving welfare, and remember at the same time and somehow this seems to have been overlooked in some of the more emotional outbursts of the last couple of days, we also have said it is a part of our welfare reform that we recognize the necessity for increasing some grants to those people who have no other source of revenue. Now, if the counties simply disagree with us and say that they believe that someone who is earning above a certain figure should continue to get a welfare grant, then I have to say yes, they are on their own. But we are talking about a welfare -- of a structure in which they would continue to meet their obligation and responsibility as we will and the federal government will and all of us will be -- it will be a reduced cost.

Q Governor Reagan, you've mentioned legislative criticism and yet Mr. Post yesterday said your budget is full of wishful thinking and might go down as the property tax increase act of 1971. How do you answer these charges?

A Well, I answer them again with what I said about his staff. I'm sorry that Mr. Post saw fit to come up and criticize this document within the first 24 hours and admit himself that he had no idea of what it was we were going to propose or what the controls were and that he was criticizing on the basis of the way it was presented. Well, in the way it was presented, yes, we simply said the budget will be at "x" amount of dollars for welfare. But he's ignoring the fact that we have said we will come in and detail the manner in which we will arrive at that lower figure, with the legislative help. And I have to say Mr. Post made some other statements in his testimony

that ignored facts.

Q What were those?

A Well, I made some notes on some of them frankly.

(Laughter)

A His criticism of education and so forth, and said that we were taking advantage of the growth in local assessed evaluation in property taxes for public school aid, but he didn't recognize that the state -- the slippage as it is called, is the law of the state and that the student funds -- or the state -- the budget funds that exist in the state law regarding the schools and at the end of the year you are told how much is slippage. We simply estimated or figured the slippage in advance as to what it would be. He said that we were deleting a special math program. A special math program expires on June 30, 1971, and there was nothing to fund for the coming year. He called a special -- he called on special deficiencies with regard to the -- to capital funding of construction and apparently was counting in there the capital funding of the Medical schools that were supposed to be funded by a bond issue which failed. The people voted against. We believe that our figures and our estimates are far more up to date than those that he used. As witness one of his staff members the other day on Medi-Cal, it was just a short time ago that Mr. Post was accusing us of hiding the \$140 million dollars Medi-Cal deficit. So he sent Mr. Cooley up the other day before the committee to testify that the deficit was only going to be half that much, and then Mr. Cooley without a single question as to where he got his basis for his facts, left the room. Without -- we don't know where he got his so-called facts because we have ours based on the actual figures for as late as these fall months. And we know that the budget deficit is \$140 million dollars.

Q Governor, does it shake your confidence in the budget proposal that a man of Mr. Post's expertise and experience has such strong criticisms of it?

A No, because if you check back, as I said over the last couple of years, and I think this is probably much more due to some of his eager staff members, you will find that many of his dire warnings have not only been conflicting with his own dire warnings, but they have proven inaccurate and in almost every instance our estimates have been accurate and we have based these on not only good estimates

but on the facts as we have them and he can't have it both ways. He can't tell us that we are hiding \$140 million dollar deficit and then turn around to try to take a bow for telling us that the deficit is only half that Big. He can't tell us we are going to have a \$750 million dollar deficit and then turn around and find more money. I remember just several months ago when we were being accused of having a \$537 million dollar surplus, and it was only a few weeks later that we were being charged by the same source with having a \$300 million dollar deficit. So the sky hasn't fallen.

Q Governor, ever since Post has been legislative analyst, which has been 20 years, governors have been criticizing him but always because he wanted to cut, trim and squeeze. Now you seem to be criticizing him because he wants to spend. Why do you suppose there has been this change in roles?

A Well, maybe the difference is he's got a staff now. Yes, I've quoted him many times on things where he went into the budget and found a budgeted need and he explained where he could find that this was not absolutely essential to the state and I've agreed with those things. But I -- I do think this -- we are getting into a philosophical area here which I didn't find him particularly getting into in years past.

Q Governor, I'm confused about Mr. Post and his staff. Are you saying that the recommendations that Mr. Post's staff makes are unrepresentative of -- that he doesn't stay behind them or that they don't represent his feelings? What's the difference between staff?

A I don't know. No, evidently -- perhaps he's putting too much of a reliance on staff information. Now we all have to do that when you've got a staff and I just happen to say that most of the time my staff has been right.

Q Governor, don't you and Mr. Post have access to the same budget information, the same figures and statistics?

A Should have. I don't think we ever attempted to hide anything from him.

Q Governor, if the legislature should refuse to approve your welfare proposals and make that change and go for increased taxes, what would your course then be?

A What could my course be? I'm responsible for a balanced budget and they would have made a decision. Now, again, I did not submit this budget in this way to in some way make a tax increase fall

on their backs. I am dedicated to the proposition that we don't need a tax increase. We can, if they have got the guts, meet this problem, and I want them to meet it, but so far they have made all their blasts since the budget was presented without the continuation of the kind of communication we have had for these last few weeks up until now without sitting down with me and finding out -- I think some place along the line they have just assumed that like their belief I share their belief about a tax increase and I'm trying to get out from under it myself. I am not.

Q Do you think it is time for you to go back upstairs and talk to Mr. Moretti about it?

A I think this time I'll just call.

Q Governor, did you sometime late -- or try to apply yourself -- any increased pressure on the CRLA matter over Friday and Saturday? Friday it appeared that at least there was reason to think that your veto was going to be overridden. Saturday a different course was taken. Did you apply any pressure you hadn't applied before?

A Well, there was an area of negotiation and let me explain it very simply. No question about it. The -- I think that some of you were misled by some OEO office leaks that were supposed to -- the leaks were deliberately supposed to be building pressure on the other side. The whole -- actually, what the negotiation was about was once the issue was decided as to upholding the veto we recognized without their telling us that there had to be a transition period. There are cases now in court, you couldn't just suddenly pull the rug and say it is all over as of tomorrow morning. And the negotiations very frankly had to do with difference of opinion as to how long the transition period had to be. We obviously felt that it could be consummated in a shorter period of time. They held out for a longer period of time, which would have in our opinion virtually have been a preservation of the status quo. And we finally came to an agreement on the 6-month period with the conditions that most people have overlooked, very stringent conditions that were put on this new six-month grant. And yes, on Saturday, right up till the finish there was much phoning back and forth with regard to the -- the period of time, the conditions and so forth.

Q Do the restrictions you refer to Governor, apply to criminal cases and class action type things, is that what you are talking about in the restrictions?

A There's never been any outlawing of class action, but the things that they were -- they were violating the law, criminal action, take a case of that kind, charging harrassment and so forth, involving themselves in labor disputes. They were all part -- I understand there is three typewritten pages of conditions that were imposed on them.

Q Governor, many of the things that CRLA did gained support from the courts in forcing the state to enforce its own laws and preventing the state from violating state laws. Do you suppose that the AdjudiCare or whatever program follows CRLA will be as aggressive as they were in forcing the state to obey its own laws in face of what happened to CRLA?

A Of course you assume a premise that I won't agree with, that sometimes this was forcing the state to obey its own laws. You are not going to expect me at this late date to start agreeing that all judicial decisions are right and I agree with them.

Q Any one, for instance, the sanitation subject which you have now embraced in the campaign of farmers provide sanitary sanitation facilities.

A But we always have -- we always have embraced this and we have explained many times that there is a limit to the amount of policing personnel which we have. Those are state laws that no one ever intended to neglect and I'll state right now that I believe our agriculture department under this administration has done more to try and enforce those and get agriculture cooperation than any administration before us. But we frankly had to admit that where violations occurred they were violations of the law. It didn't mean that it was something that we endorsed. I would only point to the cooperative efforts that we have made with the private sector and with OEO on migrant housing, to improve migrant housing in the farm people --

SQUIRE: Any more questions?

GOVERNOR REAGAN: Well --

SQUIRE: Thank you, Governor.

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2/16

PRESS CONFERENCE OF GOVERNOR RONALD REAGAN

HELD FEBRUARY 16, 1971

Reported by

Beverly Toms, CSR

(This rough transcript of the Governor's press conference is furnished to the members of the Capitol Press corps for their convenience only. Because of the need to get it to the press as rapidly as possible after the conference, no corrections are made and there is no guaranty of absolute accuracy.)

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GOVERNOR REAGAN: We have some visitors this morning, Herb Jacobs, University of California, Berkeley, with some journalism students here. Welcome, glad to have you here again.

Q Can you balance the budget without tax increases now that there is a real possibility the earthquake damage is going to boost the budget considerably?

A Well, I think so. So far we haven't seen anything that would make that much difference. We are working -- we can't tell you what the losses are, what the funding will be. We are working right now with the federal government in view of their new legislation -- it is our information that there's been a great increase in the various funds that are available from federal sources. I would also point out how much of this damage was done to public buildings, not in the private sector. We will know more about what the losses are and what the reimbursement in federal programs will be very shortly. So ~~add~~ I can tell you is we will proceed on that basis, but I don't see that this is going to materially affect the state revenues.

Q Do you have any information that the federal--the Small Business Administration which provides -- which administers the disaster appropriations for small businesses, is broke and is it going to be able to help out?

A No, we have no such indication at all. As a matter of fact, federal representatives at our joint briefing last week suggested that Congress is very much of a mind to -- to do whatever has to be done.

Q Governor, do you feel that the government at either the

state or the federal level has a responsibility to insure that private citizens don't get financially wiped out by disasters of this kind?

A Well, now, I don't think -- I don't know whether I quite understand you.

Q These proposals for statewide insurance programs financed by a fund -- of public monies suggesting that the state government has some responsibility to help people, private people, either by loans or by grants or some -- some means of that sort when disasters of this kind strike them. Do you think that this government does have such a responsibility?

A Well you are asking a -- I think kind of a hypothetical question. I'd want to see what some of the proposals were, what the capacity would be of government. I think morally all of us have shown in any kind of disaster that's ever taken place, not only in this country but the rest of the world, a determination to help to the best of our ability and people are already doing that. Churches this Sunday in Los Angeles, and I'm sure perhaps all over the state, there were great calls for voluntary contributions. The Red Cross is centering on an effort of that kind right now. I know that in other parts of the country, calls and pleas have been made through the media for contributions for earthquake relief in California.

Q That's a short term kind of relief. What we are talking here is a situation where somebody's house is destroyed or business is destroyed completely and he faces a prospect of spending his life paying back a loan to --

A Well, you've got the federal government right now with the Small Business Administration loan, not only for businesses but for homes, and the farm loan -- home loan mortgage does the same thing. I don't know that government ever could just simply assume the burden of insuring against disaster to everyone of every kind. I wouldn't know where exactly you could stop that.

Q May we change the subject, Governor?

Q I have -- Senate Finance this morning passed a bill increasing the gasoline tax by one penny to help pay for this. Will you support this measure and what other state financial aid do you foresee being pumped into Los Angeles?

A Well, as I say, we are dealing now -- I think that the greatest source of revenue from that is going to come from the federal

government on these. Obviously -- and they have a program for restoration of public buildings. On the one cent gas tax increase, we don't have the information yet that that is needed and we are -- we are working very hard to get the figures and to know whether it will be needed or not. But certainly if this is needed, as we have done it before, then as I said before, I would have no objection to this at all. But --

Q How soon do you --

A I still do think that we need to find out the actual extent of the damage, what the resources are, before we automatically turn to the people which seems to be the overpowering urge of some in government, to immediately think the answer to everything is to throw some more money at it and raise taxes. It seems to be an irresistible impulse on the part of some.

Q You will sign the bill if the money is needed?

A If it is needed, yes.

Q Governor, on that earthquake and your budget, the other side of -- you mentioned that you don't see any problems with the funds for the damages as it seems to be today. But what about the other side of the equation, the revenue side? The State Controller says, for example, that private property damage estimates can -- can be deductible this year from this year's income tax. Will this affect your surplus?

A Well, as I say, this is -- while it is a great loss to the people actually involved, the private property loss, I don't believe when you figure a program as big as our tax program is in this state, that that's going to make an appreciable dent.

Q Governor, the Controller said that the deductions would probably eat up all, if not more than, the surplus in the General Fund.

A That's possible. Maybe he's been figuring it closer more than I have. I've been waiting to find out what the -- what the actual figures and the actual loss are.

Q Governor, this morning we understand you made the National Guardsman available to 10 schools in San Fernando Valley for carrying water. Will you give us your background on this, why this is necessary.

A There is an area there that the mains are out and a lot of this was tied in with the draining of the -- the Van Norman Reservoir and National Guard trucks as well as I think other agencies, were bringing water in there by truck and I assume this is what you mean.

Q Any estimate on how long this will continue? When will water be restored?

A I think we will have to find out from the Department of Water and Power in Los Angeles.

MR. MEESE: Probably the rest of the week anyway.

A The rest of the week.

Q Governor, to change the subject, there seems to be a growing move in Congress to substitute federalized welfare for the revenue sharing. How do you view this?

A Well, if they mean federalized welfare and the federal government running it, I don't think their present experience with welfare exactly qualifies them as the best to do it. I have always felt that welfare is something that should be managed and administered at the local level of government, the county level as it is done now. I think the great fault with welfare being administered by the counties is the position on the counties of both state and federal regulations that don't give them or allow them any elasticity, any flexibility in handling the programs. I know that the professional welfare workers union has always favored a federalizing of the program. They would prefer to be federal employees and not subject to local control, and this doesn't exactly cause me to -- to look with joy upon such a thing. I don't think that the federal government is capable of running or administering a program determined at federal level for all the people of the United States out here at the very fringes of the country and able to do it as well as local government can do it.

Q Will you accept federal funding as a substitute for revenue sharing?

A Yes, because the federal government has usurped so much of the taxing authority of local government. The ideal would be if the federal government would simply transfer some of these responsibilities to the states and local government and at the same time turn back to us sources of taxation they have pre-empted. I don't think

that's the (millenium ?). I don't think that will ever happen so the next best step, I think, is the revenue sharing as the President outlined it to give the money and also give back the responsibility to local government.

Q Governor, this morning on the subject of welfare, the Controller says until you get your welfare message before the legislature it is going to be difficult to proceed with really doing anything on the budget.

A Well, that's true but I think there will be enough time left. We are working night and day on this, the welfare and Medical reform proposals. We want to come forward, it is going to be very complicated legislation. It isn't going to be just an omnibus package, there are going to have to be a number of bills. We are working with the county officials on this. We also have to be working with the federal government in the proposals we make and I think that we will have the proposals and the message before the legislature with plenty of time for them to do whatever they need to do.

Q Have you set a date, Governor?

A Not exactly, no

Q Target date?

Q Will the start of this legislature be this week?

A Will the message to the legislature come this week? No, I can tell you that it won't this week.

Q Well, Governor, how much time do you feel the legislature should have to handle the package? Mr. Fluornoy said this morning if you did it right now they'd only have 90 days including Saturdays and Sundays.

A No, I think they will have more than 90 days and I think four months is enough for them to do something.

Q Well, he added 30 days --

A I think there will be plenty of time for them to do all of this. As I say, we are doing our best to come in with this program. There are a number of alternatives that have to be decided on, something like tax reform in that regard, you come down with a variety of choices and you seek out the best alternatives.

Q Well, Governor, this isn't exactly a new problem and the finance problem isn't a new problem. What's taken so long to develop

this program?

A Well, it is the desire to have a reform and not another band-aid application. As you know, we have had for some months a task force working. Well, we also had three various task forces working on tax reform before we came in with a program. Now we have new personnel over in the welfare department and we intend to come forward with, as I say, a complete reform.

Q Governor, that task force report came in in time to go in the budget, according to the testimony given before a subcommittee last week. That makes it two months old at least.

A No, no, the task force report that came in presented just as the tax reform idea. It came in with alternatives, decisions that had to be made, decisions that had to be made not just simply imposed on others, but that we wanted to talk in concert with county officials also because we are administering the program, sharing in its cost, so all of this is going forward and as I say it is a night and day process. As a matter of fact we are working now like the legislature works in the last three weeks.

Q Are you consulting with the legislative leadership as this is developed?

A We will be in consultation with the legislative leadership. I can't tell you exactly whether there have been meetings as yet with them or not.

Q Governor, this variety of choice and alternatives you speak of, are you trying to decide among them or are you going to send a bunch of alternatives to the legislature and let them decide?

A No, we will send legislation.

Q And do you have a target date, a deadline for getting your bills in or for starting to get them in, or even your message?

A No, I keep getting caught, it won't be this week.

Q I heard that.

MR. MEESE: Shortly.

A Very shortly. That's it, that's a good word.

Q Governor, do you think the Controller was unfair this morning when he said he was very unhappy that you had not yet submitted the welfare package?

A Well, I don't know about his unhappiness. I'm sorry if we have spoiled his week-end. I'm unhappy, too. I wish we could

have had it with the budget message. We would have liked to have been able to present it then. Would have liked to have been able to present it before with the State of the State.

Q What -- Governor, what do you think of Mr. Burton's plan to fix up what you call the Mickey Mouse thing in the present law as far as Medi-Cal? The thing that triggered this ten per cent cut. Under his bill it is it just goes on a cash basis and you run out of money, you run out of money, and then provide what's needed.

A Yes, I think -- I have to suspect that perhaps what Mr. Burton has in mind is that if he could force us to not make the cuts in Medi-Cal that we have mandated on us by the legislature, they passed in 1967, that then we would go down to about May at which point we would run out of money and no one would be getting Medi-Cal, and then of course they would be faced with the alternative of doing without or increasing taxes. And since I believe that reform can eliminate the possibility of increasing taxes, I think that the cuts that we have made are taking hold and they are cutting the deficit and I hope everyone now is confident in their own minds after all of the various speculations that we were right and we had an independent audit and the actual Medi-Cal deficit that we face was 137 million dollars. We have been using the round figure of 140, and I think 137 by actual outside audit is pretty close.

Q No one seems to know, though, whether these cuts are actually saving you much money. Is there still the threat of the next shoe might drop cutting off the medically needy?

A No, I think that they are making it so far. Every evidence seems to be that we will be able to just about come out from under.

Q Governor, you said your welfare proposals included several alternatives. How then were you able to arrive at a fixed figure in your budget?

A Well, when you arrive at figures you -- I can tell you that we take the most conservative -- in other words, we don't go overboard and estimate a great figure optimistically hoping that this will be done on the basis of case histories, case load and so forth, we try to come out with a figure and then we take the most conservative making an allowance -- a very generous allowance so that we won't be caught short finding that the savings haven't been that much.

Q Well, then, does that mean it is possible that the program you might submit will actually save more money than your budget?

A That's a possibility we hope for.

Q And that conservative figure then is about 600 million dollars for state, county and federal funds?

A Uh-huh.

Q Governor, if the Burton bill passes will you sign it or can you see any circumstances under which you would?

A Well, now, you get me to that old question that I always try not to answer for any of you as to whether I will sign or veto a bill. I can only tell you that I think Mr. Burton's intent was to bring us to the end of the funds before the end of the year and faced with no choice but tax increase.

Q Can you see any circumstances under which you would sign it?

A Oh, if -- by the time it came down there our savings from those cuts had already cleared the budget, then there would be no -- as a matter of fact, under the present law once out of the hole we couldn't mandate those cuts anyway.

Q Another topic. Just one other.

Q You've said you were unalterably opposed to tax increases to cover this ^(budget) deficit. Is that still your position?

A Yes, because I don't think it is needed.

Q Revenue and Taxation Committee of the Assembly yesterday passed a constitutional amendment out which would reduce a majority of 50 per cent for bank and corporations taxes. Has your position on this changed in any way?

A Well, I still prefer the one that I said last year. I've never been able to understand why the Constitution provided that banks and corporations were protected by requiring a two-thirds vote to increase their taxes and the rest of the people could be taxed on a 50-per cent vote plus one. And my approach last year in tax reform was to make all tax increases require a two-thirds vote. I'd still prefer that, and again I think this is a case of the philosophical difference between some of those and -- upstairs and myself, that they want to make it easier to raise taxes and I want to make it harder.

Q Governor, Assemblyman McCarthy said he would not object to having both questions put on the ballot so that the people could decide whether to have all taxes at 50 per cent or all taxes at two-thirds vote.

A Bless him.

Q Would you agree with that?

A I'd let the people make that choice, yes.

Q When you said you didn't understand how that two-thirds got in there, it didn't mean you didn't understand the politics of how, you understand how it got into the Constitution?

A Well, it is another one of those things that I think explains why we have a constitutional reform commission.

Q Governor, what special qualifications did Senator Burns have to make you appoint him to the Liquor Control Board?

(Laughter)

A Well, I think here is a man with a distinguished record as a leader in the Senate, the President Pro Tem of the Senate with a long record here. You think men of this kind, not only Senator Burns, but others, I think there are occasions when a man who wants to stay in government, not in the elective process, it is quite a tradition of utilizing their vast experience, and I think he's had vast experience that qualified him for this field.

(Laughter)

Q There are quite a few other former legislators around waiting for appointments. There are some others, for example Assemblyman Mulford, I heard the other day he's not going to get an appointment, he's around a long time.

A I can't tell you who is or isn't, but I can tell you in California we don't have very much of a spoil system. You don't have too many appointments to make, but we do have under consideration along with him others, a number of former legislators.

Q You consider the ABC Appeals Board part of the spoils system?

A Well, now, I use the term "spoils system" meaning the ability to appoint without the fixed civil service requirement of government, and this happens to be one of the commissions that the Governor can appoint to. Now, I know the spoils system has a connotation in many people's minds of somehow being evil, but every government that I know of has certain exempt positions the Chief Executive can appoint. In California it is must more limited than it is in a great many other states, ever since the Hiram Johnson reform era. I'm not complaining about it. That's good.

Q Governor, did the revalatinns made last week about President Nixon's cousin, about the help he got from CRLA change your view at all about that institution?

A About CRLA?

Q Yes.

A No, I think the very fact that CRLA got a hold of those unfortunate people and persuaded them to make themselves available to the press on this issue is just reinforcement for my opinion of CRLA. It doesn't serve the poor, it uses them.

Q They said that they had been served, though, by CRLA, and they gave --

A Oh, I'm sure there are people who have been served and I think I've made it plain from the very first that you can't say there haven't been cases legitimately handled in there but the over-all balance of the program warranted the veto and I think the evidence of that is that the veto was upheld.

Q Governor, what is your comment on the environmental quality study council's report that smog is a clear and present danger in California and how do you square that with your statement to us within the last year that we have turned the corner on reducing smog in the Los Angeles Basin?

A Well, I think that's bee explained before. When I made that statement I made it on the basis that there actually had been a reduction back to about the 1960 or '62 level in hydrocarbons and carbon monoxide. Subsequently--~~this~~ was a report on those two -- I had a briefing on oxides of nitrogen which have increased and which we now know and did not know sometime ago were also a factor in smog. I do think that we are gaining -- we have to run to keep even because of the increase in the number of cars in a state that has the growth rate that we have, but as to the general question about the environmental commission report, I haven't had a change to get at that. And it was -- I think I was rather low on the list for dissemination of the report, but now it has reached my office so I'll be getting into it.

Q The clear and present danger, though, doesn't that sort of language worry you and doesn't it call for some drastic action?

A Well, first of all, it can't add anything additional to my worry because if there's anybody in this state that hasn't recognized it as a clear and present danger, they must have been living out in

the valley some place, in the mountains. I don't think any of us have ever pretended that it is not a clear and present danger from this. As long as you have people whose health is affected, they have been -- as long as you know that an unusual weather period such as we had last summer can multiply the effect of smog and make it in the same area with no additional smog sources -- can make it several times as bad as it was in the previous season, you have to guard against this. We know that the killer smogs in the east and Pennsylvania some years ago didn't occur because there was a sudden upsurge in the pollutants in the area, it occurred because of a weather factor and this always hangs over us, just as earthquakes hang over us.

Q So you feel your administration is doing enough?

A We are doing all that I think can be done at the present time but we are -- when I say that, that includes a constant research for more that we can do.

Q Governor, do you preclude limits on growth or population in industry and residential developments in an area from solutions to smog?

A Well, again you are getting me into details, I haven't seen their report as yet. I would think that that would be such a drastic change in our whole national policy, the freedom of people to move and to live where they want to live, that you would want to be -- if you ever embarked on that you'd want to be very sure that it was an absolute necessity from the standpoint of protection of the citizens' health and life.

Q Governor, have you decided yet on the election date for that Senate district down south?

A I had a talk with Mr. Roberti about this and I am just as anxious as he is to get this election announced and get it held. I think I have some bases to touch, particularly the people there in the community also, and I explained to him I just haven't been able to do this with some of the things that have happened. I hadn't counted on the most recent happening to alter my schedule and change some of the meetings. As a matter of fact, I had some meetings scheduled on this subject that had to be cancelled because of the earthquake.

Q Have the Los Angeles Supervisors, who pay for the bill,

asked for the election?

A No.

Q Sometime ago, Governor, you said we thought we turned the corner on smog in the Los Angeles Basin. Did I understand you this morning, you have to run to keep up now, you no longer feel that way?

A No, I think the fact that we are actually decreasing the amount of smog that is emitted from both stationary and moving sources is in effect a turning of the corner. The fact that we know that each year the automobiles that are put on the road, and that are sold in California will be emitting less smog than their predecessors is a turning of corner. You refer to that when you say turning a corner, back to a day when once conscious of smog and Dr. Hagenschmidt having finally discovered the major source, the automobile, that you knew that the automobiles were -- if anything, increasing in the amount of pollutants instead of decreasing. But for several years now we have begun with plans that are taking hold much faster and the present day automobile is emitting only a fraction of what the earlier ones did. One of our great problems, you talk about how far can you go in solving something, one of the great problems in California is that we have a higher percentage of old cars on our highways than in most other states. Our salubrious climate out here makes them last longer and I have wondered at times if we -- if we aren't going to come to a point where we are going to have to take a look at the possibility of funding and junking cars older than a certain age.

SQUIRE: Any more questions? Thank you, Governor.

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