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PRESS CONFERENCE OF GOVERNOR RONALD REAGAN

HELD JANUARY 13, 1972

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 visitors back there, Stanford University Journalism class. Welcome, glad to have you in here. So everybody be on your -- be on your manners now.

Q Governor, today Jack Hatton, the Director of the -- Chief, rather, of the Division of Safety, said he was going to resign. He's been in your office previous to this announcement. Does this constitute an admission on your part that charges an act of incompetency by the division or does it mean something else?

A No, it doesn't constitute that at all. He has offered to resign. I have asked that the Director of that division to completely investigate this situation because very obviously, and this incidentally has been a concern -- a particular concern of mine for sometime. I have always and because of association with some labor leaders, have -- have always wanted to make sure that we are doing what we are supposed to do to protect the safety of workers in those industries where there are hazards. And so I have asked for this complete investigation to find out and to make sure that we are doing all that can be done to protect the workers and to uphold the safety standards that must be upheld.

Q Are you then not accepting Mr. Hatton's resignation?

A I'm going to wait for <sup>the</sup> results of the Director's investigation.

Q Governor, what do you say his status will be before you get the results?

A What's that?

Q What will Mr. Hatton's status be before you get the results of the investigation?

A Well, I think his status is exactly what it is at present. He has, and I think he's been very proper and shown his good faith in offering to resign. This will be up to the Division Director in

the carrying on of this investigation.

Q If it does come out of the hearing it is suggested it is proper for him to offer his resignation --

A What?

Q What is it that's come out of the hearing that suggests that it is proper for him to offer his resignation? He merely said he was doing it because the committee was concerned. Is that sufficient grounds to resign?

A I think -- I think that was -- must have been in his mind that it was.

Q Governor, in your mind --

A What?

Q Is that sufficient in your mind for him to offer his resignation?

A Well, I have told the action I'm taking, I've asked the Director for an investigation.

Q He hasn't actually resigned, has he?

A No, he has offered to resign.

Q Did you ask for the resignation?

A No.

Q Are you surprised, Governor, with the testimony that's come out of the last two days of hearings?

A Well, yes, if this should -- if it should be upheld that there hasn't been a very aggressive pursuit of this problem and the enforcing of safety regulations, you bet, I'd be disturbed. This is a very important state function.

Q Governor --

Q Governor, isn't Mr. Hatton's status at the time -- at the present of a man who is accused of being considerably more sympathetic to employers than employees? Is he going to remain in charge of that department until the investigation is completed?  
(Industrial Safety)

A Well, I think there is -- these are things you should take up with the division directly, talking about something that has only just occurred.

Q What happens to the running of the department until the investigation is completed? It still has to function. If the man with that cloud over him is allowed to continue, isn't there going to be a lack of confidence in the department by employees throughout the state?

A Well, I hope not. And I can't tell you anything different than I have told you, that I have asked for an investigation by the division Director and I would assume that he will do whatever administratively is necessary under the circumstances.

Q Governor, one of the things that developed during the hearing was that when you took office in '67 there was 305 employees. There are now 286. For example, one man has to cover 9 northern California counties. It was also pointed out that in 1970 there were 100,000 safety violations, 750 deaths and only five prosecutions for safety violations. And that your proposed budget for the coming fiscal year cuts their manpower down by another 23 people. Would you be receptive to boosting their manpower?

A That will depend in the outcome of the investigation, but I think an explanation is due with regard to the cut of 23 in the present budget. That has nothing to do with the manpower regarding safety investigations. You'll also see a cut of some \$300,000. \$320 odd thousand dollars. This has nothing to do with the program. As a matter of fact, the program for safety investigations, the number envisaged in the present budget, is increased. But there has been for the last two years a federally funded project, a study of state and federal relationships and regulations in this field, and the 23 personnel and the \$300,000 some thousand dollar cut is the fact that they have completed that particular project. It had -- never did have anything to do with the ongoing work of the department.

Q Governor, were you aware of some directive from your administration that the men in the field were to discontinue the practice of recommending or not recommending prosecution?

A No, I know of no such thing.

Q Governor, what --

Q Twenty men asked for prosecution and they said they were turned down by the head of the department. *(Industrial Relations)* Did they ever get to you?

A No. Certainly I wouldn't have turned that down.

Q Governor, what prompted you to decide to have the administration investigate it? Was it the testimony that came out at this hearing or had you decided previously to that to look into it?

A No, it was this -- this present testimony. As I say, this, though, is -- in every budget in all of the priorities that we have to set, I have always personally taken interest in this particular field. I used to -- before they wore hard hats I used to work at that kind of

work myself. I'm kind of sensitive to it. I know the hazards that are present.

Q Governor, Mr. Hatton testified that he asked for six more safety engineers and was not only turned down, but had his staff reduced. Isn't that in conflict with what you just said?

A That is not in conflict with the 23 men that you are talking about. Now, whatever changes may have been made in the working staff and the budgets, I'd have to check on that. But the project that we are talking about that shows in this budget as an outright reduction of the personnel, is the personnel that was assigned and they'd been working on this special two-year project which has been completed.

Q Governor, do you feel it is proper to appoint an industry man to enforce state safety laws against industry?

A Well, --

PAUL BECK: He is a safety engineer, Governor.

A He's a safety engineer. How do you answer such a question without implying that everyone automatically has a conflict of interest then depending on whatever his particular line of employment had been in government. I would think you'd come to a point where no one could serve in government. No, it was a safety engineer.

Q You referred several times to the director of the division. Who do you mean by that?

ED MEESE: Director of the department, Governor.

A The Director of the department.

Q Governor, when do you expect the study to -- study of the results to come out? How long will the study take?

A I don't know. Have we set a schedule on it?

ED MEESE: Very short time, Governor. He doesn't anticipate a lengthy investigation.

A You didn't hear the answer, the answer was that a lengthy hearing or investigation is not anticipated. It will be very shortly.

Q Governor, I'm wondering how you see the work of the department and one of your people said in answer to a question this morning that -- in the testimony, "I'm trying not to take sides with management or labor. I'm neutral." Now, in regard to that aspect of it, do you see your people as being on the side of labor or a neutral position or what?

A Well, I think as far as favoring either side it is neutrality based on the fact of fairness and what is -- what is the exact situation and what the proper and fair decision should be.

Q Governor, do you have any reason to suspect the \_\_\_\_\_ of

this hearing conducted by the Democratic floor order of the Assembly?

A I'm trying very hard not to become paranoid.

Q Are you succeeding?

(Laughter)

Q Are you succeeding?

A Sometimes all by myself in the shower I have some worries.

Q Speaking of becoming paranoid, you've been accused quite a bit lately from within your own party of being "liberal". UROC is talking about the other night, you appeared with a bunch of conservatives and you were the liberal, you and Mr. Luce (phonetics) certainly among them. You are not thinking of redoing the Democratic party, are you?

A Not in a million years, no. No, I haven't. And I ~~don't~~ know just where that should come from, or why anyone should raise that idea. I even noticed that some of you fellows are getting a little schizophrenic with the present budget, you don't quite know whether to find I'm generous or I'm still back to the Old Scrooge that I was. Let me just put your mind to rest. If you really analyze the budget and where the increases are you'll find we are still cutting, squeezing and trimming wherever possible.

Q Governor, in your administration's review of the division of Industrial Safety, what specific things will you be looking at?

A Well, I think the whole operation. And whether any of the suspicions that have been raised in this present hearing are justified. The idea is are we properly insuring that companies in those lines of work are meeting the safety requirements, that men are not being asked to do things in violation of the -- all the safety standards and rules. And that -- where there are violations that proper actions ~~is being~~ taken.

Q If it is determined that what the committee says is true would you anticipate any kind of shakeup within the division or department? As far as replacing the top echelon.

A We will do whatever has to be done. If there is anything wrong we will do whatever has to be done to make the department perform its function.

Q Will you accept the resignation, of course?

A What?

Q Would you accept that resignation, of course?

A You are getting into the hypothetical now. We are having an investigation. I've told you we will do whatever has to be done and we will do it.



Q Mr. -- Governor Reagan, isn't there a danger of having the fox check up on the chickens there? Mr. Hearn is going to really be investigating himself, isn't he? He's the boss of that operation.

A No, any more than I would be -- I've asked for an investigation. I'm the man that is finally, ultimately responsible. All comes back to me, as the head of the government. And so you can fix the blame wherever you want to fix it, if something hasn't been done.

Q Governor, to get back to this liberal business. UROC claims you are too liberal and they want to put another ticket in the field against yours. Are you still going to support Mr. Nixon?

A Yes, I'm going --

Q What is your answer to UROC and other right-wing, the Republican party?

A Well, UROC has taken a position with which I'm in complete disagreement. I don't believe they have taken it on a sound analysis of the facts, and yet I think it is the same old thing of when you've asked me about the Ripon society. If the party has got a big enough umbrella to keep these people in, nobody has insisted it just be an automatic rubber stamp.

Q Governor, you said you are going to continue to cut, trim and squeeze. Mr. Hatton said at one point if this division had more money they would do the job more effectively. Is one of the possibilities you are going to investigate the possibility that your budget has had an adverse effect on that division and made it harder to do its job? *(Ind. Safety)*

A I think this would be something we have to look at. We do our best to assign priorities within the framework of the money we have. Mr. Hatton is not alone suggesting he could do better if he had more money. Charles Hitch says the university could do better if it had more money. Wilson Riles, I'm sure, would believe that he could do better, the Department of Education, if they had more money, but you chose a department and I will find the department head that will tell you he could do better if he had more money. But, as I say, we do our utmost and we spend many, many long hours in planning the budget with department heads, with cabinet secretaries in assigning the priorities and we have referred mainly to the departments themselves the selection of what they believe is the highest priority in performing their particular function.



Q Is it conceivable that as a result of this investigation you'd ask for more money for the division and more staff?

A Anything is conceivable as a result of the investigation.

Q Is that one of the possibilities that you have in mind?

A I don't think that the thing that has prompted this investigation is an indication of one that there wasn't the manpower. There seems to have been raised the question of whether the manpower available was doing what it should do and that's what we are going to try and find out.

Q Governor, does it come -- does it come as kind of an embarrassment to you that this whole thing comes out as a revelation by the legislature and public testimony rather than by the administration itself?

A No, I -- I don't feel it is that. I think you do your utmost and I think we have got a very fine record and I think the efficiency in almost every department of government has been that highest level that I can remember in California over the last few years. You can't bat a thousand per cent, of course. Here and there there's always room for improvement and there are always things that can be done that aren't being done. There's always a constant battle within government to get departments that have been there for a number of years to get them to break out of old fixed habits and accept some new way of doing something. There is a built-in inertia on the part of the permanent structure of government. You battle it all the time. So you do your best, and you -- when someone brings up something where they haven't met -- or where there is the possibility that they haven't met their -- their goals or the requirements of their job, well then you get in and do what you can to change that.

Q Governor, have you been aware of discontent on the part of labor over some period of time that the division of industrial safety has not been performing at least to the efficiency that labor thinks is necessary. Has labor communicated with you any discontent?

A No, labor communicates with me on a number of things, as witness some of the fine improvements in labor legislation that's been put through this year. And this -- this along with others is of great interest to them. This is a high priority, particularly in the building trades and construction work.

Q How have you responded to their particular complaints on safety before?

A As I have said, I have always in each budget year, when we come to the priorities, I have always made sure that they know my interest in those departments in this particular facet and I have made sure that -- and been assured that we have what is necessary to do the job.

Q Governor --

Q Governor, Alan Post said today that the additional 65 million you put into public education is not really new money, but something that's absorbed by slippage. Would you describe this to your cut, squeeze and trim?

A No, you know -- you know, this is very hard and I hope I can be respectful in this, in suggesting that Mr. Post has practiced some rather exotic new math in this. Now, slippage -- for him to suggest that 65 million dollars additional money is wiped out by slippage is to completely misinterpret what slippage is. Slippage is merely the factor of when without raising the tax rate the assessed value of the real estate in the district goes up by reason of new buildings, new office buildings, new industrial plants or new homes. And so the assessed value, the tax base, has been increased. Then the state cuts its contribution to the schools by a comparable amount. Now for him to suggest that slippage has increased the local revenues for schools by 65 million dollars and therefore our adding 65 million dollars somehow is a wash and we come out even, is just ridiculous. What it means is that the -- the contribution from property taxes to schools has gone up 65 million. They have got 65 million dollars more. Now, if we did nothing that would be a wash. Because then we cut by 65 million. But when we add by 65 million, they are getting a net -- when we increase by 65 million, they are getting quite a net increase in financial support for schools.

Q Governor, his use of the term "slippage" had to do with the ratio between the state contribution and the local contribution. He's saying that that will not make up for -- that will not be enough there will still be an increase in property taxes, a net increase, that you would have to contribute more, the State, in order to keep the ratio the same as it is this year.

A Well, you are speaking of the percentage ratio between state contributions --

Q Right, the state contribution will be less in the next year than it is this year.

A This has been one of the great problems in this so-called arriving at a formula of some sharing between state and local school districts. And the funding of it. When they go up with theirs and we increase ours to the place where this year we are budgeting 645 million dollars more for schools than when we started five years ago, and to suggest that percentagewise we are contributing less, this would indicate that the schools have had quite an increase in money. You can come up and say, "O. K., we are going to pay fifty per cent of the cost of schools." Now -- well in the very next year at the local level they increase their contribution, they can always put you back to less than fifty per cent unless you are willing to simply guarantee in advance, sight unseen and with no control, that you will match them dollar for dollar, whatever they decide to put up for their schools. And that can't be done.

Now, again, the truth of the matter is we get into the kind of new math such as we have had -- we have had a few examples of it in the last week or so where some one chooses what part of the state contribution they will consider as being our contribution to education. But they leave out a few items. This year we have added in the budget that will begin in July -- we have added 222 million dollars in support of schools. But because about 115 of that is for our contribution to the teachers' retirement plan, they just ignore that, they pretend that we are not doing it.

Q Governor, in your own budget you ignore that. Your own budget says there is a 35 per cent -- approximately 35 per cent contribution to schools.

PAUL BECK: No, that's only in the apportionment, doesn't figure in any other amounts.

A We have a fund called the school apportionment in the formula that is set out and that consistently is used by people, and this is where the confusion comes in. Many people accept that that is the total contribution of the state to education. But that does not count these other things.

Q Governor, Alan Post says your Finance Department has ~~under~~estimated revenues by about 90 million dollars. Have you a comment?

A Yes. I think the simple comment is that just a year ago Alan Post said that we had underestimated the needs of government by 750 million dollars, just to balance the budget. And so now we have

balanced the budget and we are going to come out with a surplus and we didn't increase taxes 750 million dollars, and I would suggest that, again respectfully, that Mr. Post has looked at some estimates and when you have to base, as you do, your -- your budget on estimates you can lean one way or the other. You do your best to get all the input that you can and this state for about a quarter of a century now has depended on a panel of economic experts from business, from the campuses, from industry and the banks here in the state, and usually we come out very accurate. Last year we had the situation of an unusual economic slump and we had to re-adjust several times downward on our -- on our revenues. But back over the years you'll find that these estimates have been about one -- one and a half per cent of being accurate and there they are made more than a year in advance, which I think is a pretty good record. We happen to chose to err on the conservative side. We believe that if someone tells us that we might possibly get a hundred million dollars more, we'd rather wait and find out to our happy surprise that we got the hundred million dollars more, than to budget on that basis and then as we had to in this last year, had to keep coming in and saying no, re-estimate downward, we are not going to have that much money.

Q Governor, your budget calls for a 20 per cent further reduction in number of patients in the state mental hospitals. Do you plan to close any additional state mental hospitals in the coming year?

A I don't think there is any question but that some hospitals will have parts of them, sections of them closed. And the possibility remains of additional hospitals actually totally being closed. This is due to the success of the Lanterman-Petris-Short Act, the treatment of the mentally ill at the local health care level which we subsidized by 90 per cent, not the original 75 per cent, which incidentally had never been attained prior to this administration.

Q How about the call from some of the legislators for a moratorium on further closures until they can be sure that the patients are receiving adequate treatment at the local level?

A Well, we are not going to do anything foolishly and I don't think we have done it hastily or foolishly, but I think in contrast again to the doom criers who couldn't wait to see what the outcome of the new program is going to be, we have, I think, the foremost program for treatment of the mentally ill in the United States, if not

the world, and we have people coming from all over the world to see how it is working and the success of it is to be found in this decline. We didn't set goals in advance of how many people we were going to put out of the hospitals. We didn't know. It has just turned out that way, that the program is so successful that we are down in these five years from more than 26,000 patients to at the present about 9800 and we believe at the end of the year it will be down to about 7,000.

Q Is Mendocino State Hospital among those considered for closure?

A I couldn't give you any names, I haven't actually checked in which will have parts of them closed or which might be looked at for closing entirely.

Q That was my question.

Q Governor, while parts of your capital outlay budget for the university of California is based on funds of the medical \_\_\_\_\_ as a bond act, which has not been passed, now it's been indicated by Mr. Orr that you are not in sympathy with the 240 million dollar amount in the bond act. How much would you like to see cut before you support this bond act?

A I'd rather not give you an exact figure because there had been a joint study going on with the university, our own finance people and involving some members of the legislature with regard to reducing the amount on that bond issue downward. And I'd rather not speculate on what the number is, but I think very shortly it will be made public and that there will be a request for lowering the amount of money. And I think it will make it more possible to pass the bond act and it won't set back the university in its plans whatsoever, because they can't spend all of it for several years anyway.

Q So you do anticipate supporting the bond act?

A Oh, yes. Yes, I think -- there is no question about the need for going ahead and completing some of the medical school facilities at the university.

Q Governor, did you know that of all <sup>(appointments to)</sup> state board and commissions only eight per cent are made up of women, 8 per cent of the members were women, whereas the majority of the substantial part of the population is women. What are you going to do about it?

A Well, the first thing I'm going to do about it, thanks to you having to bring this matter up, is explain it to my wife when I get home. But I think we have -- we very consciously tried and I think we have been pretty successful in appointing women. Maybe we have dealt more on higher and more visible positions and haven't realized this about the -- about the commissions. But we will take a look.



Of course some of the commissions are bound in by statutory requirements. Some of the commissions we don't have the total appointing power. So let me look. I hadn't figured out that percentage.

Q Governor, I don't believe anybody has asked you about CSEA's proposed initiative which would limit your and the legislature's power to set state's employee's salaries. How do you look toward this issue?

A Well, I'm in disagreement with it. I think it would be an administrative nightmare. The budget by the constitution is the Governor's responsibility, to submit a budget for the administration of state government. And then to take completely out of his hands such a gigantic thing as the state payroll and to make it such that the legislature would have to mobilize a two-thirds vote to alter this decision, that would be handed down by the Personnel Board, I just don't think it would work administratively. I think the system we have is the proper system.

Q Would you actively campaign against it?

A Yes, I -- I don't think -- when you say that you have to recognize that in any election year you can't stick your head out the window without being asked how you feel about the various issues, and I'd have to say I disagree.

Q Governor, just what do you plan to do in the way of campaigning for President Nixon this year? Will you be speaking out of state very much?

A Well, I've been approached about this, and my -- it is agreed with Washington, with the White House and myself that my first responsibility is going to be here, within the state of California. But where possible and where I can without jeopardizing anything going on in California, assist out of state, I will do so.

Q Will you actively campaign against Congressman McCloskey and Congressman Ashbrook in the primary?

A In a sense I have to here because if either one of them or both of them, under our law, being the primary, they have to run a delegation and that would be a delegation in opposition to the delegation which I would be leading pledged to the President. So obviously we'd be campaigning against each other.

Q Would you do it in other states?

A Well, I don't have any plans for that now, no.

Q Have you talked to Congressman Ashbrook about whether he will come into California? Do you think he could serve any purpose by coming in?

A I didn't have much of a chance after that broadcast the other day for any conversation. I had to run and catch a plane. I only got there a few minutes before we went on. So I don't know. I overheard some conversation and I don't think he's reached any decision as to whether -- I don't think he's reached any decision beyond New Hampshire and Florida, to my knowledge.

Q By that you mean you would not welcome him in California?

A Well, John's been a friend of mine for a number of years. He even came out here on a few fund raisers in '66. I'd welcome him here if he wanted a vacation. I'd welcome him here in any circumstances except running against me.

(Laughter)

Q You say you've been cutting, squeezing and trimming the budget. What particular areas do you think you've done the best cutting in in the new budget?

A This is one of the things that I hope was revealed by the separation of the budget into two sections, is the fact that the actual operations of state government where we have had administrative control, by that I mean where I can appoint the department heads, where we can oversee this -- I think if you look at that section you will find that it has over the years stayed within the limits of our normal increase in revenues and has been held down to where some departments -- well, you only need to look at the employees' situation, that there are fewer employees today than there were five years ago, and I think this has been the evidence. I might say that one paper recently, which editorialized that I separated the budget into two sections as a kind of flimflammy, was a little stupid. Because I don't see where you are trying to flimflam someone when you are trying to make it more plain where the money is being spent so that it can be better understood by the people.

Q Governor, on another subject --

Q Can I -- I want to ask one. Governor, the Democrats point out that -- that in two of the areas that you talk about raising money for schools -- well, in saving Medi-Cal and in welfare, that these are in the local assistance budget and you and the legislature do indeed have control and direct the spending on those programs. How



can you -- I mean how can you separate that -- them distinctly from the rest of the budget?

A Look, when we said we separated in two sections this whole idea came to me a few years ago from the idea of our approach to property tax reform. Because it was very apparent that if you had a shift from a locally administered tax to state administered and collected taxes of say, in the vicinity of a billion dollars, in the tax reform program, that you would suddenly -- the people would be faced with a state budget, if there was no explanation, that went up a billion dollars in one year. When in reality it was a billion dollars you were simply collecting and giving back to the taxpayer. For example, the 46 million dollars this year for senior citizens property tax relief. This is 46 million dollars we are giving to the people by way of their -- through their local government. This shows as a 46 million dollar increase or million dollar increase in our budget. And so I felt the need of having people be able to look. There is no intent on our part to pretend that all of the local assistance is just totally giving back block grants to local government. Not at all. For example, in that -- in dividing the budget there was no way to sort this out. Mental health is in that part of the budget because now of the emphasis on the local health care centers. On the other hand, though, we have -- we do not administer those. Nor do we administer welfare. It is administered at the local level. Mental health programs are administered at the local level. From there on the control and supervision is in the hands of local government entities and the people who pay the taxes should be able to focus their attention on whichever governmental body is responsible for that money. It is also true in the divided budget that there are some parts of that first section of the budget that I think the people should cheer and be happy if it increases, because it is -- in truth money going to them. For example, the ~~straight~~ right now there is some -- well, about half a billion dollars in the budget which was not even a budget item four years ago. That is the property tax relief directly to the citizens. Now that is a half a billion dollars that we have to show as an -- as an expense even though it is money given back to the taxpayer. And I think that it's been proven in just this one example already that it is easier to understand the budget. First time I've understood it myself.

SQUIRE: Any more questions?

Q Governor, another subject. Last night you appeared at Friar's Club with Joe Namath. Can I ask you, Governor, did you volunteer for that assignment or were you approached?

A What's this, the -- the charity dinner the other night, the Friar's Club?

Q Were you approached on that?

A Yes, I was asked if I would appear on the daig and I was a member of the Friar's Club. I've been on the daig at many of them and I agreed.

Q Secondly, Governor, is he the kind of man that you would like to see Skipper emulate? Is Joe Namath the kind of man --

A Let me answer that in this way. The only thing I really know about Joe Namath, because I never met him until we sat beside each other on the air, and that was hardly a get acquainted session -- the only thing I could tell you about Joe Namath that I know, is that he's been an able and certainly courageous football player and a fine leader for his team. I'd like to see my son play football. In that send I'd like to see him emulate him, except that I'd think he think twice about tackling somebody with an intercepted pass on the sideline.

(Laughter)

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GOVERNOR REAGAN: Well, good morning. And that's the extent of the opening statement.

Q. Governor, can you respond to Congressman Hosmer's criticism of your tactics -- tactics of you and your staff during the reapportionment hearings.

A. Yes, I intend to answer Craig's letter. I think he was here for two days, I think he just didn't understand the situation and really understand what was going on as well as those of us who have been dealing with this for about a year. That's about all there is to it.

Q. Governor, on a change of subject, please. Can you be more specific at this time than you were in the State of the State address on what you would like to see in terms of no fault insurance.

A. Well, I don't know whether I could be more specific or not except to say that we are in the midst of a study, more than in the usual political sense of a study, we are in the midst of a study of what would be the best for the people of California. There are a number of states that have instituted so-called ~~no~~ fault insurance. And there are many varieties of this. There is an extent to which you can go. Some of them have been very unsatisfactory in those states. We have been reviewing all of these, looking for the pitfalls and what we are looking for is one that with the proper modifications will give the best protection for the people of California, meet the problem of the courts that are filled with these kind of cases, reduce the cost to the people of California and at the same time preserve the right of the individual where he has suffered damage beyond just his medical bills, to not be denied as some of these plans do deny the individual the right to go into court and seek redress by way of a lawsuit.

Q. Governor, do you expect your studies to be finished in time to perhaps present your conclusions to this session of the legislature?

A. Oh, yes, very definitely, we are -- they are proceeding right on schedule and very shortly we will be dealing with them. There are a number of proposals up there.

Q. Governor, as a general rule do you believe that legislation ought to contain language that would mandate lower premiums if the costs do go down significantly?

A. Well, John, you are -- you are getting into some field that I haven't even considered as yet to what would be done. I'm -- I just can't answer you. I would think that is certainly a consideration.

Q. Governor -- Governor, a new subject.

Q. No, same subject.

A. Same subject.

Q. Governor, are you endorsing then the concept of no fault insurance?

A. I'm endorsing the concept, yes.

Q. Governor, last year --

Q. Do you expect that you will be endorsing a specific no fault program as your own legislation this year?

A. Well, if that's necessary. If what we finally, as a result of our studies, decide as so totally different from proposals now before the legislature, then we will throw ours in the hopper with them.

Q. Governor, last year the Senate Judiciary Committee killed the Fenton bill on no fault and this year the committee has just returned from a trip to Massachusetts and several eastern jurisdictions. Will you consult with members of the Committee as to what they uncovered in those jurisdictions?

A. Oh, yes, the people of ours -- and we have our Insurance Commissioner in this, yes, and they will have -- these will be in discussion and communication.

Q. New subject.

Q. Same thing. Does this mean you will definitely introduce a no fault bill this year of some sort?

A. Well, again, as I said, it depends. We don't know the all -- the nature of all of the bills that are being proposed upstairs yet. If our own determination should be that something up there meets the needs, obviously we'd simply support that. If they don't, and if we have some proposals too far different, unless someone wants to

alter their legislation, then we have to propose our own. Now, somebody wants to change the subject.

Q. I still have another question.

A. Same one.

Q. Massachusetts has its plan for about two years now. When did you decide to make a study and who is making the study?

A. Well, we have been interested in this -- we are interested in the last session in seeing what was going on. Massachusetts was doing it, and we knew that there was a case to watch. All I can say is we have -- we have been interested in this and I think there have been enough tests in the country to know that the concept does have merit.

Q. Governor, in the President's State of the Union address this morning he said later this year he was going to introduce some revolutionary proposals in terms of property tax reform and school financing. Do you have any idea what that might be and if so does it more or less concur with your thoughts in the matter?

A. Well, yes, I only have an idea in the broad sense that what he is considering is direct, you might call it, block grants by way of the states to be passed on to local school districts to substitute for school revenues that are now coming -- substitute in part for school revenues that are coming from the property tax and yet as he emphasized, to make absolutely sure that this purse string does not extend back to Washington and give the federal government any chance to impose its dictates on the local school districts. He wants local school boards to control education as they traditionally have, but he wants these block grants funneled through the states.

Q. Do you support the idea of federal aid in that form?

A. Yes. As long as that purse string -- as I said, does not go back and give into those -- you know, there are -- there's quite a group in this country of people and many in the educational field, for a long time who are so enthralled with the idea of bigness and centralized authority that they really want a nationalized school system. They think we have outgrown the present concept. I don't happen to agree.

Q. Governor Reagan, because of the extraordinary costs in the Angela Davis trial you signed a Bill that the State would pick up the cost of the prosecution. Now that she's run out of money will the

State pick up the cost of her defense?

A. Well, for one thing, I think this whole thing that is going on over there is just part of the reason why people have a growing disgust with the clogging of the courts. The accused has the right to an immediate trial. Well, I think society has the right to an immediate <sup>(20-15-51)</sup> trial and I think a great many people, including myself, are getting impatient with this whole dragged out process. Now, every accused who does not have the means to provide legal defense is provided by the Court with a legal defender -- public defender and she has the same right as any other citizen, but no one has ever been given the right to chose their own lawyers and build a defense and send the bill to the taxpayers. Now, if she wants to throw herself on the mercy of the court for a public defender, that's her right and she can do it. But it is utterly ridiculous, this idea that she should be able to hire a battery of lawyers and carry on as she has and then send the bill to the taxpayers.

Q. Governor, on another subject. The State Director of Mental Hygiene admitted that there has been a lack of statewide standards and supervision and a lack of statewide licensing procedures in the shift to local treatment of the mentally ill in line with the C.S.E.A. report. What are your feelings on this?

A. Well, I think we have taken some steps in some legislation with regard to homes or dwelling places that might be used because of some of the -- we have them for our own state institutions. But for some of the tragedies that we have had, for example with fire in some nursing homes that are not under our supervision, but outside of that again you get into the area of local authority, local autonomy and so far I'm not sure that there has been developed any -- any need for this. The local mental health care clinics which are subsidized by the state have been doing an excellent job and this whole furor that has been raised indicating or trying to charge that we are forcing people out of the hospitals in order for the local government to take them over is just ridiculous and backward. The -- our state mental institutions -- mental hospitals are declining in population because of the success under the Lanterman-Petris-Short Act of this local care. Now, the theory back of that act is that the mentally ill can be cured just the same as the physically ill can be cured. And we are not going back to the decades that began to



end just a few years ago when the mentally ill were put in places called hospitals but which were really warehouses and they were going to be stored there for the rest of their lives. And it has been a tremendous success, and I can understand the concern of those who are raising the charges because they fear maybe a loss of employment, but if you will look at the record so far as the population in the hospitals decline we have done everything we can to retrain and you are stepping up these programs to seek employment for these people and to not just go into mass layoffs. As the treatment goes on at the local level the people that have previously been employed by the state are finding careers in these outpatient clinics.

Q. You do not agree that some of these former state hospital patients are ending up in flop houses or jail cells?

A. I do not and if there is something that calls for -- a state standard set in this way, then I am -- I have every confidence that Dr. Stubblebine over there will recommend that and we will proceed to ask for it.

Q. Governor, that's -- that's exactly what Dr. Stubblebine says is that major problem of the local LPS Act.

A. Well, then we will find a solution to it. But again you are -- you are again in the area of how far do you want the state to go to be big brother to local government as far as dictating the way they are going to run their affairs, and I pledged -- when I came into this office I pledged to try and restore some of the autonomy that had been seized by the state.

Q. Governor, Mr. Brown, the Secretary of State, says that he's discovered a federal audit which indicates waste and mismanagement, according to him, on the part of Medi-Cal -- Medicare carriers. He claims that they are making duplicate payments and paying lobbyists and trips for executives, this kind of thing, with federal funds. Do you have any knowledge that there is any similar kind of problem with the administration of MediCal by the same carriers or other carriers?

A. No, he's -- again, he's talking about a federal program and something that's been found by federal auditors and he just confirms what I've said before. The farther up you go into echelons of government the more extravagant government gets, the more inefficient it gets and I've had the same criticism of a great many federal programs, if you'll just check back on the transcript of these press conferences.

Q. Are you pretty sure then there is no similar kind of thing going on at the state level?

A. No, I will say this, wherever government is concerned there is no way to totally eliminate the sins of bureaucracy. It is a constant watch, we are constantly on guard and yet no matter how well you do that job you always are going to be able to find the kind of inefficiencies that creep in where government is concerned. All I can tell you is that I don't know of any government body that has been more concerned with this or more on the watch, or has eliminated more of them than this administration and we are going to keep on trying.

Q. Are you increasing your watchfulness or planning an investigation or anything as a result of what Mr. Brown has revealed?

A. If you will take this up with Medi-Cal and Dr. Brian, I think you'll probably -- most alert where this is concerned is Dr. Brian and his department.

Q. In other words, you are satisfied?

A. I'll never be satisfied but I am satisfied that we are doing our utmost and no one has been able to do any better. Young lady and then you.

Q. You first.

Q. O. K. Governor, apparently --

A. Oh, all right, I'll start with you and then come down to the lady and come with you.

Q. I didn't see who you were looking at. Apparently a bill allowing 18 year olds to vote has created quite a financial crisis in the community college system and may reduce their income by about 40 billion dollars this year. What can or should be done about that?

A. Why, some of our young people are going to discover the pain of growing up. No, this is a technicality brought about by the present rules with regard to -- to the state funding on -- on the average daily attendance basis. The schools by now technically calling the aged 18, these young people, adults. We didn't recognize this in the budget, the money is in there, in the budget, and I think it is just a case of finding a technical answer to a technicality that came about through the decision to make them adults.

Q. Could I go back to a previous subject?

A. Sure.

Q. O. K. Do you see the closing of all mental institutions

in the future and ~~st~~ make them outpatient clinics, like?

A. Do we see the closing of all mental institutions on this -- in this Lanterman-Petris-Short Act? I don't know the answer to that as yet. There -- we do know that there, of course, are going to be patients requiring permanent custodial care. Now, whether that is going to wind up as better -- in a reduced amount of our state hospitals or whether we could even go farther and extend and have this in the neighborhood or in local institutions doing the same thing, smaller institutions, under the Lanterman-Petris-Short Act, I really don't know. I think it is going to depend when we get down to that point and find out what is the -- the ratio. And then maybe we would be better off to continue to subsidize this at a local level, have them that much closer to home for visits, but there is no question but that you can't treat all of them in outpatient clinics. There will have to be custodial care for a certain percentage.

Q. Before you let anybody off of the hospital staff, do you send investigators or some people down there to investigate the situation or people just fired because they have a lack of --

A. Well, this -- and I have brdered this very much and I repeated the order very often that we -- we have an obligation to the good employees of this state and the people who find themselves in one of these transition places, where perhaps a job is disappearing. So far we have been able to handle this without layoffs to any great extent because we have been;--first of all attrition, people are just naturally coming to retirement age or leaving state service, there is a percentage that do this every year. We then transfer wherever possible people employed by the state to other positions in state government, and we are adding, as I said, training, to move people who want to be in this line of work, psych-technicians, in the local health care clinics where they will carry on the same work they are doing now, but for a different employer. And I've issued the order that wherever possible we want to minimize any threat or any problem for the -- for the employee. And we were not just sending out blue slips and getting rid of them.

Q. Governor, Assemblyman Brown has released a report alleging the failure of the WIN program. Do you have any comment about that?

A. Well, the WIN program is a program in which California has been participating more successfully within the framework of the program than any other state in the union. We have utilized more training slots. We have had more or a greater percentage of our people parti-

cipating than are unemployed than any other state. We have secured more higher percentage of employment than any other state, but I cannot deny the faults of the WIN program. I was sorry when it came about. There was no way that we couldn't cooperate, it was the only game in town. But it has the same built-in faults as so many of the federal manpower programs do. It is not the way to get at it. It is inefficient, it is ~~extravagant~~ <sup>if</sup> for the good that it does.

And again I have to say that <sup>if</sup> the federal government would more on a block grant basis -- would predetermine goals, turn things of this kind over for state administration, I think we could do a better job.

Q. Governor, when Miss King reported that you hadn't paid state income taxes for two years the state responded by having an investigation by the state C.I. and F., and the State Attorney General's office to find out where she got the information. Now, at Sacramento State the article published by the college Republicans has reported what they believe to be excerpts from welfare recipient files. And if so that's an apparent violation of law. Do you believe the state should pursue that with equal vigor to find out where she got the information?

A. Yes, although I haven't seen that article, I don't know anything about it. If there has been a violation of the confidentiality requirement, which is what she is suggesting, but I'd have to see the article to see whether somebody has just done what we ourselves did and what many of your own newspapers did, finding out without names the manner in which people could cheat on welfare. That is not a violation of the confidentiality requirements, so I just don't know what she is complaining about.

Q. Governor, are you pleased so far with the performance of Chief Justice Donald Wright?

A. Well, I voiced some criticisms to the Court in general, I haven't boiled it down to picking out one man or the other. My latest criticism was of the most recent decision, but I'm not going to comment on individuals on the court.

Q. Governor, on the same subject. Do you -- you were critical of the court and said it didn't fulfill its responsibility. What did you see as the Court's responsibility in that case? <sup>(reapportionment)</sup>

A. Well, I think you had an indication of that from some of the legislative leaders -- leaders themselves in response to that court decision, when they finally stated -- and a great many other

legislators have joined them in stating that there is a basic conflict of interest in asking the legislature to reapportion itself. And that we have had gerrymanders through the years. We have had an attempted one in this session after 11 months and hundreds of thousands of dollars of expense. And we still don't have a -- a reapportionment that is basically fair to the people, and it seemed to me the court had an opportunity to face up to the problem not only for this one but for the one that will come ten years from now, finding a method that will do away with this conflict of interest and a method that will be handled on a basis of what is fair to the voters, fair to the citizenry. Now, wait a minute.

Q. Wouldn't that -- excuse me, wouldn't that constitute legislating on the part of the court which you've been so critical of in other cases?

A. I didn't say the court would do it, I said the court could have made a decision that would have recognized this problem.

Q. Governor, have you any comment on the Speaker's suggestion that the legislature should wait until after the November election to begin reapportioning again.

A. Yes, we have had one year session and to do that I could see what that would mean, that would mean they would recess at sometime or other and then reconvene after the election, we'd have another one year session. They have had a year already and I think that is just ridiculous and I think it would lead to the same kind of foot dragging and hassling that we have had in the past. Now it's been handed to them, I wish they'd get at it and get it done.

Q. Governor, on the reapportionment issue, is your position basically the same as it was during the last session, that you wanted to see Republicans fairly treated before you'll approve a bill or have you changed your position in any way?

A. Well, it is more than that. I want -- I want to see an apportionment that comes out with -- with districts that make sense, that have a community of interests, that is based on the -- were ordered to base it on the one man, one vote, idea of equal in population. I want to see an end to the situation where as of now the smallest population districts in the state are all Democrat, and all of the Republicans are crammed into as few districts as they could possibly make them, but I'll tell you what I'd go for and it wouldn't have anything to do with Republicans or Democrats. There is only one



way to honestly do reapportionment, to feed into the computer all of the factors except political registration; that should not be a part of it. We are based on an -- equality in numbers in each district, community of interest, those factors where the people are, what their communities are -- feed it in, come out with the answer and have a reapportionment that is fair to the voter.

Q. Governor, can you comment on why there was a Republican absence of this particular position all during 1970 when it looked like Republicans were going to do the reapportionment?

A. No. If you will look at the first Assembly plan that was brought out by Assemblyman Lewis, I think you will find that this came pretty close.

Q. I know, I mean in 1970, where was the call for this kind of approach to reapportionment? When Republicans dominated the legislature.

A. Oh, you weren't listening to my campaign speeches. I don't blame you, but you weren't listening.

(Laughter)

A. I said this over and over again. I said that here was a chance with the majority or with the -- in this time here was a chance for all of us to get down together and to solve this problem and not have what we had in the past, and I recognized the fact that the Republicans had done it and then the Democrats had done it when it was their turn, that we had this chance to make it fair. I said it over and over again.

Q. Governor --

A. You fellows don't print those things.

Q. The court didn't -- the court didn't rule on the issue of the way the reapportionment was done, the bills were done, and presumably when that reapportionment goes back to the court, as it probably would if it is appealed, would you -- would you be willing then to petition the Court to -- for an order to find some other way of having reapportionment done and what way would you suggest that it be done? Who would do it?

A. Well, the funny thing is I suppose it could be done by the legislature if maybe we approached it from a how instead of a who. It doesn't make much difference who does it, if you would set some requirements now in this computer age of the factors that would be

considered. And if you don't consider political factors, then it doesn't make much difference who does it. But I haven't -- I haven't thought -- I don't have to recommend to you a specific plan as to who should do it.

Q. Governor, though, in considering common interest, which seems to be your prime concern, of registration, isn't political party affiliation the most common interest that people have when they vote and go to the polls?

A. No, not necessarily. When you are talking about state representation you have counties, you have cities, you have small towns. You have particular problems to the farmer, you have particular problems in the urban areas. You have large minority communities that in some instances, a few, are big enough to constitute a district themselves. These are the kind of interests that -- that people look to their particular representative for an answer to their problems. These are not statewide problems in many instances. Now, if you come in and in order to parcel out on a political basis, people of a certain registration to as many legislative districts as you can, to try and insure a majority of your party, then you divide up as we saw in this last gerrymander areas like the Santa Clara County down here, and San Jose, where they had slices of pie coming in for five and six districts. Now, what this means is that you take this community and you divide its people up to such an extent that they do not constitute enough of a force or a body in any one man's district to where they can get attention to their particular problem. They are not that important in the -- in his -- in his vote total. And this is why a community -- we want to have somebody when we really have a problem, we can pick up the phone and we know who to call, who would be our voice in this -- a community of this kind.

Q. Governor, when you asked last week for an investigation of the Division of Industrial Safety, did you contemplate that it would be a public type investigation, with witnesses called to -- -- or were you thinking in terms of closed investigation within the department?

A. No, the -- Mr. Hearn has gotten all the transcripts, of course, of the hearings so far. All that's been presented. Now all of this, whatever other evidence that they can gather themselves -- Monday is going to be turned over to the Advisory Council on Industrial Safety which is made up of representatives of labor, management, public citizens and this group is going to be asked to



evaluate all that's been brought out and all the evidence that can be brought in to find out what the situation really is. Now, whatever course they chose to take or whether they chose to have additional hearings or not, that's up to them.

Q. In other words, Mr. Hearn is not in charge of the investigation and its ultimate ruling.

A. No, no. no.

Q. Governor Reagan, I understand President Nixon is going to propose a value added tax or almost like a national sales tax to take the place of local property tax in financing schools. Now, since you don't like big government getting into the act, how do you feel about that?

A. Well, I know that we considered the value added tax in California in some of our tax reforms. Some foreign countries, Europe, Western Europe, particularly, use it. We gave up at the state level because we recognized if you are going to have such a tax it has to be national, otherwise you make one state -- the businesses in one state non-competitive with other states that don't have it. Many -- many economists advocate this as a tax that is really geared to our type of economy. I haven't been able to find much fault with the tax as a tax. The thing that I think would have to be watched very carefully is the manner in which the -- if this was used specifically for education, the manner in which the money would be redistributed so that again you would not have the federal control over the schools. Now, there are ways that this can be done. The government can act as a tax collector and share the money with local government without having strings on it. California does it. We collect a portion of the sales tax -- we -- or we collect all the sales tax and we give back a portion to local governments, share it with them. We do the same thing with the cigarette tax and these are different than where we mandate, as in mental health, a program on local government and then supply the money. Obviously you have to have -- you can't just supply the money for this mandated program and then not pay any attention if they decide to use it to build roads. So you have certain controls to that extent. But I would say that there are ways that the federal government can act as an efficient tax collector and just parcel out the money on a predetermined formula. Hands off, I didn't say this is for education to keep them from having control of the local schools.

Q. On the same subject, on such a tax collecting feature, is it

your idea that tax should be returned to -- for instance, California on a dollar for dollar basis or should they spread it among the states, for example, who don't turn in as much tax as we do?

A. That isn't as important either, because in our own state on the returning of the sales tax, if we simply returned the portion to where the sales tax was collected, then we would create an inequity also because you take the rural areas out around some of our great metropolitan centers, and the people in those rural areas do a great deal of their buying by going to the city to buy. And therefore they are paying their tax in that city, but they are out here in this other area providing the schools. So we have a formula whereby we try to balance this up on a population basis and I would think the same thing would apply to the federal government.

Q. Governor, apparently there is some sort of a story that Skipper or somebody had some free allergy shots. Would you explain what that's all about for the record.

A. Why, yes, there's -- my old friends out at Sac. State, Rosemary again, have been very busy about this. Very simple explanation. Nancy came here bringing her own serum from her allergy doctor in Los Angeles because she had some allergies and was taking shots. Dr. Cutler drops by once a week on his way from his own work, stops off at the house and injects her serum in these allergy shots. More recently the Skipper is taking allergy shots, so once every two weeks he sticks him in the arm also. Now, when we didn't receive a bill for Dr. Cutler for doing this, Dr. Cutler very kindly said he enjoyed stopping by. It was no problem for him and that he would like to do this on his own, as he said, to put it as his contribution. And that is the extent of the so-called free medical care. He has never treated me. He has never treated our daughter who doesn't -- doesn't even live here, she's been away at school all the time we have been here. He gives no other medical care whatsoever. That is his contribution.

Q. Is he strictly --

Q. What serum was Skipper getting?

A. What?

Q. Whose serum was Skipper getting?

A. I don't know whether this is -- I think this is his own also. I know it is all there in the icebox.

Q. Governor, he's strictly a private physician, he's not part of

any public --

A. No, he's strictly a private physician.

SQUIRE: Any more questions?

Q. Yes, Miss King says that the idea is that you've had the medical care for longer than two years and that it applies to more than just Mrs. Reagan and Skipper, but also you. Are you saying categorically that that's not true?

A. I just said it. I say that categorically that absolutely is not true. He stops by once a week and once a week he gives one shot and the other week he gives two shots, with our serum. And sometimes and I'm lucky enough to get home early and catch him, we sit around and gossip a little bit and I tell him what you fellows are like in a press conference, things that he'd have no way of knowing about.

SQUIRE: Thank you, Governor.

Q. How did you meet him?

A. Through a mutual friend.

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2/8

PRESS CONFERENCE OF GOVERNOR RONALD REAGAN

HELD FEBRUARY 8, 1972

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. Governor, when you asked <sup>Kerry</sup> Gary Mulligan to resign from the Water Resources Control Board, you said that there was no acceptable compromise between a man's public duties and his outside interest. Yet Mr. Dibble of that same board disclosed that he had had such outside duties and you did not ask him to resign. Could you explain that.

A. Yes. It was our feeling that as I said, at the time there was a mistake in judgment that <sup>Kerry</sup> Gary Mulligan represented the interests of a company in trying to secure business even though that business was out of this state. We have asked for this entire review we know that when you have commission type government as we have with so many commissions in California, you select men from their expertise and naturally they come from areas of business in the private sector that deal with those same problems. Now, Mr. Dibble has reported -- and before this incident is -- and now since the attention given to this in our request, has gone back and had a discussion with Secretary Livermore on this and this owning of a business. There has been no instance in which, in any way, he has sought to benefit or his business benefit from his presence on the commission, but he himself has volunteered and is going to dispose of his business just so there will be even no suspicion of wrongdoing. And Secretary Livermore is convinced that there has been no conflict of interest.

Q. Would you have asked Mr. Dibble to dispose of his interest in that business if he hadn't done it himself?

A. Well, there was no case of not disclosing it. It was known and he has -- he himself, as I say, has brought this up in regard to this last instance, so there is no -- the Secretary is convinced there is no conflict of interest at all.

Q. Well, Governor, but how could there be a conflict of interest with Mr. Mulligan and you said that any -- anything is unacceptable and there will not be a conflict with Mr. Dibble when he worked for agencies over which his board has ultimate control? What's the distinction?

A. Well, the distinction is that there was never any instance in which his private ownership of this in any way conflicted with his duties on the commission. There was a difference between that and the commissioner actually engaged in representing such a concern.

Q. Mr. Mulligan has denied --

A. What?

Q. Mr. Mulligan has denied any outside interests in consulting --

A. Well, Mr. Mulligan, when he first reported to our staff and to Secretary Livermore, admitted that he had represented in Honolulu this company, at their request, and in my view this is a mistake in judgment.

Q. Which company, Governor?

A. What?

Q. Which company?

A. I don't know the name of the company.

Q. Did he indicate whether he's getting paid for that, Governor?

A. No, I don't know whether he was getting paid or not.

Q. But this is the company that everybody's been talking about from Los Angeles?

A. I think that there is a very great difference between a man perhaps serving in state government, and some other government representative in some places calling and asking for an opinion on someone who is doing business with California, and how do we enjoy getting along with them and someone going -- going and initiating the discussion in an attempt to convince another government agency that they should buy the services of this company.

Q. Governor, even if Mr. Dibble received no benefit, don't you think it would be an influence on a regional board that's under Mr. Dibble's board when Dibble's firm represents someone coming before them?

A. Well --

Q. Does this have any influence?

A. I wasn't involved in the talks that he has had with Secretary Livermore and I suggest that you ask him about it because the Secretary and I have every confidence in him. And the job he's



done. He's fully convinced that there has never been and is no conflict of interest.

Q. And you see no problem with that situation?

A. No, I do not.

Q. Governor, Mr. Dibble says that both you and Norman Livermore knew when he was appointed that he had this firm.

A. Well, that's right.

Q. Why at this point five years later now, should he be -- is it a good idea for him to divest himself of this?

A. No, this is his own idea, in doing this, because he says under the circumstances, what's happened, he recognizes the need to not even allow any appearance of shadow of anything that might be misconstrued as apparently it is being misconstrued. And so he's -- he's taken this step. But at that time there was no feeling on our part what we were asking him to do and what he was involved in constituted any conflict of interest.

Q. Governor, Mr. Dibble apparently has worked for agencies that are ultimately controlled by a board that he serves on. But you say there is no conflict of interest. Now, does that mean that as a general rule it is not necessarily a conflict in your mind if a man works for private companies that are ultimately controlled by the state board that he represents as long as he doesn't make any overt efforts to benefit by them?

A. I think you are asking for a broad ruling here that is governed by common sense. And I would suggest that you direct your questions to Mr. Livermore who has all the facts, who is looking into this completely, thoroughly.

Q. Your policy as far as conflict of interest is concerned in situations like this in your administration, not specifically --

A. What can I say other than that we have probably an administration that has exerted more care in this regard than any administration that I've known of since I lived in California; that we have had very few instances where there has even been the appearance of any wrongdoing. We lean over backward as Mr. Dibble is leaning over backward right now on his own initiative, to do this. And you have to be governed by that. And by common sense.

Q. Doesn't this point up what Mr. Mulligan said that the conflict of interest rules are unclear and they have been a source of great controversy, he said?



A. Well, there's been very little trouble with hundreds and hundreds of people serving on commissions and boards in California. Very few of them have had any such great difficulty in working out their -- their problem.

Q. Governor, Lieutenant Governor Reinecke has suggested that to close one gap on that subject it might be a good idea for appointees to file periodic financial statements with the Governor's office to find out that they have acquired any conflict of interest after appointment.

A. This makes a very good -- this is a very good suggestion.

Q. You would support that?

A. This is why -- this is why we ourselves ask for a complete review all over again with all the commissioners to make sure that there are no misunderstandings. To make sure that there are -- as I say, not even any appearances or possibilities of conflict and yes, this could be a pretty good idea to do this periodically.

Q. Governor, do you think these reports should be made public or would they just be for your office?

A. Well, we have very few things that we don't make public. I don't see any reason, we have never tried to withhold anything that's of public interest.

Q. Governor, about your review. The agency has conducted it. How deep into the structure have they gone and what reports have you gotten back from them?

A. Well, again, for these details I think you'd have to ask Secretary Livermore.

Q. New subject.

A. All right.

Q. Governor, several days have gone by since you described Judge Gallagher's conduct as judicial misconduct. Do you still stand by that and if so are you planning to ask the judicial council to investigate his qualifications to hold office since judicial misconduct is a reason for misqualification.

A. Yes, and may I say right now sometimes as laymen you use terms that we don't realize have an actual technical connection in -- in legal jargon. so that was not a proper term to use, should not have been used. We have challenged Judge Gallagher again, a peremptory challenge to which we are entitled simply because we do not believe that -- we just don't believe that -- that there is a total lack of bias when it comes to decisions regarding welfare and what we are

trying to do. A. So two cases have been changed from his court.

Q. Governor --

Q. New subject, Governor.

Q. No, same subject. Governor, what purpose does it serve for you to use such harsh public statements against the Judge?

A. Well, the -- the service that I think was done in this instance was, first of all, the fact that a case was brought, we knew nothing about it, we were granted no hearing nor were we informed that such a thing had been brought. A stop ruling was handed down and four days later we were informed that the ruling had been handed down, without ever any chance. Now, normal procedure is that a judge getting a case of that kind informs us, gives us or gives whoever is on the other end of the case, has ten days for hearings and then makes a ruling. And none of this was done. And this was the end of a long succession of cases of this kind. Incidentally, we have never been able to find that the corporation bringing the case before the -- before the Judge has ever been recorded as a California corporation. So there were a number of irregularities in this.

Q. Governor, we have a case in Sonoma County of a lady who apparently has something like \$200,000 in property, yet was on welfare. Do you think this points up the need for a little more muscle in these welfare reform acts?

A. No, as a matter of fact, that was an example, if you'd asked the right questions, that I was going to use to point out that up until a short time ago I'm quite sure that this case wouldn't have been brought to light. But this -- this shows that there is a better check going on of eligibility now. This woman's been on welfare for three years, and this is the type of thing that is happening that's reducing the welfare rolls and saving us hundreds and millions of dollars now as there is a whole new attitude throughout the state in welfare. Now, it is kind of hard for some of the welfare professionals to accept this new attitude, but it is an attitude that says they must truly be eligible and then the law will be followed instead of saying our job is to maximize and give as much as we can to as many as we can on the slightest pretext.

Q. Governor, back to Judge Gallagher for a minute. Do you then plan to disqualify him on all future cases? There are probably a number of them coming up.

A. We intend to challenge on any of the cases he is involved in welfare.

Q. Governor, new subject. What is your reaction to Harry Bridges' threat of a worldwide shipping tieup? (dock strike)

A. Well, I don't know whether it was just a -- an idle boast, but certainly it was not statesmanlike in leading to a solution of the present problem. And probably it focuses a little attention on what's wrong lately in labor disputes of this kind that can drag on and victimize so many people. That's -- I don't know whether -- first of all, he could do it or not. But if he could do it, it would be a form of blackmail. And if he tried it, I don't think this country should hold still for it.

Q. Do you think Congress is still dragging their feet on it?

A. Well, they haven't exactly -- haven't made their move into the home stretch and they don't seem to be turning on any heat. I know I think that Congress would like nothing better than to get out having to handle this situation. And there again I think is a little lack of statesmanship, I think it should be handled and should be handled right now, not only for this particular instance, but they should take action to see that this can't happen in the future.

Q. Governor, change of subject, Governor.

A. All right.

Q. Can you give us your view and your opinion of the principal office deduction of California based insurance companies?

A. Yes, this -- I suppose this is the matter brought up by Operation Loophole or Project Loophole or whatever they call themselves and I think they ought to do a little -- take a little deeper look and look at more than one side of what it is they are trying to find. The -- for many years back as we know California offered a property tax inducement to induce home offices of insurance companies to settle in California. Not only to this -- does this produce a great deal of employment but the headquarters in our state, those people who have a great investment capital and over the years California's always had been a little short of domestic investment capital, we have to turn to the outside for such capital. But I think if they would look a little closer they would also find that there is another side to this. The insurance companies are perfectly willing to change this exemption and for very good reason. They are perfectly willing to go under the same tax laws that govern all the other corporations because if they did they'd cut the taxes about in half. Right now they are paying a higher percentage of tax regarding their -- with regard to their profit dollar than are other corporations and businesses in California, and somebody better think twice before they --

if they are so interested in how much money the State is getting or the local government is getting, they'd better think twice before they just make a precipitant move and find out that they -- well, the Watson amendment, I think, reveals this, that the insurance companies would come out quite a bit better off under his program than they are now. As a matter of fact, I think it is up around \$125 million dollars and Project Loophole is talking about \$12 million.

Q. Governor, could you explain why it is that if they were to have different laws the insurance companies would be paying more taxes?

A. Well, yes, because in return for this they are paying a gross premiums tax, which is different than the regular corporation profit tax, and if they were put on a basis of -- of just like any other corporation, -- we got into this with our own tax reform. This was of much concern to us as it was to Project Loophole, and if in tax reform there was something needed to close a gap and to make taxes more equitable, we wanted to do it. The truth of the matter is if you made it more equitable the insurance companies stand to gain.

Q. Governor, isn't the fact that they have built all these skyscrapers within the last four or five years indicate that there is some incentive in this law for -- some real tax break for them?

A. Well, I know that they are very willing to -- to come up with the tax reform.

Q. Governor Reagan, can we go back to the dock strike for a moment. I'm a little confused about when you want the federal government to intervene. I know you don't want them to intervene on welfare or schools or the environment. Why do you want them to intervene on this particular issue?

A. Well, as I said, sometime ago, and it doesn't come easy for me to suggest government interference with labor and management, I was in labor too long and I know when I was doing it I didn't want government sticking its nose in. But I think we have to recognize that there are certain areas of our economy now in which too many other people are penalized by a labor dispute that drags on this way, people who don't have a voice at the bargaining table and as I illustrated, I think, once before, in here, you have a factory manufacturing a product, and a strike is a test of economic strength between the workers and the management. And they -- the management chooses to be closed down rather than to give into a demand and then it is a test to see who can stay out the longest, the workers or the factory close down while other people do the business.



That's a little different than an industry of that kind where a local economy such as our agricultural economy, say they are unable to transport its product to the markets, it is almost up against a monopoly situation and so these people are penalized for millions -- billions of dollars of loss and over on a dispute that's going on between the management and the one union and I think in these cases there has to be worked out -- we have to face the need to work out some machinery that can resolve an impasse. I don't know, I don't mean that you get in there at the first, they can go into their negotiating and it is only when they reach an impasse and find that they can't settle it then I think there should be a machinery established before you have a breakdown of economy. Now this has already cost California about a billion and a half dollars, and not the shipping industry or not the workers. The workers themselves have lost millions and millions of dollars in lost salary, but I'm talking about the actual economy, the agricultural economy and others industries in California, that have just stood by and in some instances we now know that they have lost their markets permanently.

Q. Governor, the country now can be brought to a standstill by a railroad strike, an airplane strike a telephone strike, because it is -- well, it's really become so small. Would you then suggest this kind of bargaining for every industry?

A. Well -- no, but there is precedent in the railroad strike. This is one similar to the shipping strike and if you will recall twice in recent years Congress has moved to end such strikes and to reopen the railroads. So there is a precedent, the only difference here it isn't the railroads, it is ships.

Q. Governor, Senator Richardson says that he's going to ask that Mr. Procunier resign as director, because he feels that the work furlough program and other programs have been mismanaged and also because he says that Mr. Procunier has prevented accurate information about the department from getting to you, and getting to your office. Could you tell us whether you still have confidence in Mr. Procunier?

A. Well, and I'm sorry that the Senator has moved so precipitantly on this, he could have found out that we have been engaged in a study of this -- this entire subject for sometime. And our -- and involved in the study is Mr. Procunier helping in the study. Some years ago, as you know, we moved to the subsidy of local probation, and as a part of prison rehabilitation, and apparently this has been -- we have been most successful in rehabilitation in California, and this has

been the reason why many other states are coming here to look at our correctional system and why we have reduced the number of prisoners. But we have been concerned lest in our zealousness or the zealousness of those people who are planning this rehabilitation system that perhaps not enough attention has been paid to whether we are causing crime or increasing crime in the outside through this. And there have been three unfortunate incidents recently out of about 20,000 where men-- remember, a man that is released on a work furlough is a man who has already had a date set for parole and we started sometime ago a study to find out about this, to find out what is happening to offenders. We have -- we have had a great reduction in the recidivism rate but now we want to find out is that a true reduction or are perhaps the courts reacting in such a way that these men are not being sent back and thus this has contributed to the lowering of that rate, but that they have actually violated their parole and continued on probation. All of this has to be studied and it is of the greatest interest in the world to us, but I don't think the action you could just suddenly say someone's at fault here and throw this man out and everything will be all right. We want to find out if the system is working.

Q. You doubt whether he would be replaced as a result of the study?

A. Well, he is involved in the study right now.

Q. Governor, on another subject.

Q. Wait a minute, same subject. Hold it. Right now, following this press conference the State Senator is going to ask for the -- that you fire the Director of Corrections. What's your answer to that, Governor?

A. They are going to ask what?

Q. Going to ask that you fire the Director of Corrections.

A. We are going to continue with our study.

Q. Governor, does Mr. Procunier's penal programs reflect your thinking on penology, and the work furloughs and the other programs?

A. Yes. As a matter of fact, I think that -- as I say, let's not throw the baby out with the bath water. California has become a model in correctional systems for the whole nation. And we have had great success. It was under Mr. Procunier in the first month that I was in office that I asked him to study and if possible implement something that had long been dear to my heart which was the marital visit -- the family visit plan. Now this has proven tremendously successful. Even the most hard-bitten long-time guards in



our prisons, after the San Quentin thing, were unanimous in their request that nothing be done to -- to interfere with that particular program. It is not instituted in all our prisons. No, I think he -- you have to recognize that 90 per cent of everybody who goes to prison is going to be returned to society, eventually. And the job is to return them not as criminals or worse criminals but to try to do something about them and this has been the approach. We are not a soft-on-crime administration, as you all well know. But now we want to find out if, <sup>as</sup> I say, in the working of this program if somebody has had a blind side and they have been eyeing only the rehabilitation success and not tying it into the need to lower the crime rate.

Q. Does Mr. Procunier's future as Director of the department then rest on the findings of those -- of that study?

A. Well, not just Mr. Procunier alone, let's say the whole system -- and what we are trying to do rests on this, what steps will be necessary, depending on what we find.

Q. Can you tell us whether you're pleased with Mr. Procunier's performance today.

A. Well, I -- yes, I have to tell you that when -- when the whole rest of the country is demanding prison reform for another reason and are complaining about congested and overcrowded prisons and conditions that are leading to making criminals out of prisoners, and so forth, for California to be held up nationwide as it is as an example where we have single cell occupancy in every one of our prisons, things of this kind, I have to say yes, we have apparently been very successful.

Q. Governor, are you convinced now that President Nixon has committed his welfare program or do you think he's still wavering on that?

A. The President expressed to me his belief that he'd like to see it tried on an experimental basis and I can't quarrel with that. We are asking for the right to try some experiments ourselves. I think that there ought to be a number of alternatives that are tried in this country, fairly tried, fairly judged, because the President is still committed to the idea that the welfare as we have known it in this country has been a failure. In California we think we have resolved the failure pretty well and are on our way to proving some points ourselves.

Q. Governor, have you had any discussions with the President at all

on the possibilities of your taking a diplomat's post sometime in the future?

A. No. Talking about something coming out of thin air, an old cloth, or whatever cliché you want to use, I've read some of those column items about what my future might be. Number one, Mrs. Reagan does not want to be a diplomat's wife and I don't want to be a diplomat or an ambassador and neither one of us could conceive of living any place but in California. And there's never been any discussion, none whatsoever, no such thing has ever been broached or suggested to me or even talked about in my presence.

Q. Does that mean you won't be in Washington as a Senator?

A. What?

Q. Does that mean you would not like to live in Washington as a Senator?

A. Now I've told you before, without being coy, I'm not going to close my options as to whether I want to continue in public life or not in some capacity, but I've always thought you serve in Washington representing a state, you are still a resident and spend a great deal of time in that state.

(Laughter)

Q. Governor, I have a two-part question which are a result of Alan Post's report to the Legislature on the budget. He mentioned that in your budget address that there was something like 19 or 20 million dollars in additional money to support local community mental health programs resulting from the success in transferring patients from institutional care in state hospitals. Mr. Post says that he finds no new money in your budget that in fact all the money in your budget is the money that's always been there or has been transferred from other departments. And he further says that in view of this and without additional funding that he has serious doubts that local community health programs, especially in southern California, can adequately care for patients released from hospitals. The second point is, he said that apparently the state hopes to realize as General Fund savings all of the 14.6 million dollars resulting from hospital closures, and that if this is the case the \$15 per patient day rebate which the counties pick up for not putting a patient in a state hospital will not be adequately funded. So my question is would you --

(Laughter)

Q. Would you approve an augmentation of this -- of this matter if it is found that the money is not there, the new money is not there?

A. I've had some differences before with Mr. Post and I recognize that he has one job on the budget after it comes to him. We have found him in error in a number of cases before. I do know that we are speaking more commmental health than we have ever spent. We are spending more per patient than we have ever spent and it is true that a great deal of the money for the subsidy-- the increased subsidy we passed of the local mental health care clinics, which are tremendously successful as we know, comes from the fact that it costs less to take care of a patient there than it does to institutionalize them in our hospitals. And since we have dropped from 26,500 to about 9800 and expect by the end of the next year to be down to 7,000, I think that this very possibly is where he may be wrong and where the money is coming from, that's going to make this possible. We -- again, every time we transfer one from a hospital or reduce by -- a hospital patient and increase at the local level, we make a gain.

Q. I understand that, but he says that there is no new money to support the lesser -- the less expensive community mental health programs to take care of the new patient that they will be absorbing. So did you say if the money is not there you think it is there, but if it is not there would support an augmentation?

A. Yes, because I'm positive it is there. Because there is no -- no intention on our part to stop this very successful program and here again, like the prison situation, this program has made us again the -- the envy of the nation and many states are coming here and learning from us and instituting the same kind of programs or promising to in their own states.

Q. Governor, now that you had an opportunity to look at the Finance Department's audit review of the Division of Industrial Safety, can you react now to the request that you call for Mr. Hearn's resignation, too?

A. No, as a matter of fact, we haven't -- all we saw, and the thing that was released the other day, I'm sorry there seems to be some confusion, about it -- that was just an audit finding with some interviews with as many employees that could be reached literally over one week-end, and it did indicate there was a lack of communication and a morale problem in one division, construction division. Many other divisions, no problem whatsoever. But now reports are due -- as a matter of fact, a report is due today from the Task Force Committee and there will be a meeting of that committee this afternoon with all of this information that has been brought in on this. So the -- the investigation is in no way concluded. It is still going

Q. Governor, in Mr. Orr's report did he make any mention of the illegal use of state owned automobiles by division employees?

A. No, and I -- I'm aware of that particular charge, too. Let me just say this, and about that whenever it's brought to our attention, this is -- has been an ongoing problem, I guess, with government as long as there's been an automobile. And it has been of particular concern to us to this administration with our cut, squeeze and trim philosophy. We found there was -- there was a great laxity, a great looseness that had been ~~built~~ <sup>built</sup> into government when we came here about the use of state-owned automobiles and it is an ongoing thing. It is one of those things that you can't just slap down a rule and say it once and think that that cures the problem. We are constantly monitoring and constantly checking and constantly finding that as soon as you turn your back a laxness creeps in. There are certain employees that are officially given the right to take their cars home because in the nature of their work they take -- they take off from their home to go to their duties. And yet out of this then grows this report that they are using the cars for other things and we find that many times a carelessness does creep in, but all I can tell you is again, I don't know of any administration that works harder on this but we are aware after five years that you are going to have to keep working on it, you are going to have to keep watching it every second.

Q. Governor, Secretary Ralph <sup>K/SP-5</sup> ~~Cheeks~~ (phonetics), the Executive Secretary of the Judicial Council charged that your administration neglected the needs of the judiciary. In fact, he stated that last year your administration chopped \$850,000 from the budget for cost of living increases for judges. He also indicated that the judiciary might be compelled to file legal action to force your administration to put this back in the budget for this year. What would be your responses to such an action?

A. I can't think of a bunch that's better able to file a legal action than a bunch of judges, but I think Verne Orr expressed it yesterday to the committee up there. I just believe that a majority of the judges would feel very self-conscious taking a raise at a time when no other state employees were given one.

Q. Governor, have you given up in building a new Governor's mansion?

A. No. No, no, sir.

Q. You haven't asked for money for ~~it~~ in this year's budget.



A. Well, I tell you, I have some ideas about this and of going forward with it because now that at least it can be perfectly clear that if you start it tomorrow I won't get to live in it, I figure I'm the guy that after 32 years of political hassling, backbiting, and snarling and fighting over this issue, maybe the one thing I can leave to the State of California is a decent place for the governors to live. Now some private citizens donated 14 acres of ground out there on the banks of the American River, it is a beautiful piece of property, it was donated specifically to be used only for that purpose, and I am going to do my best before I leave to see that that 14 acres is utilized and a residence is built that is befitting the State of California.

Q. Any more questions?

Q. Just this is a followup, does this mean you will ask the Legislature for the money to build the mansion and -- in one of the years before you leave?

A. Don't ask me -- don't ask me to tip off where I can see the money coming from, but --

Q. Are you indicating private sources then?

A. Oh, no, no, no, but I have an idea. And we will see if we can't come up with that money, at least to start it. Now I do know this, there are private sources -- when I say private, organizational sources in the state that are very interested in helping and in contributing when it comes to the whole thing, regarding landscaping and furnishing and so forth. And they have been working all this time. And as you well know, it was brought up just in time for the '70 campaign, those people have made contributions of quite valuable antiques and things to the State. Again, earmarked for eventual use in a Governor's -- in the Governor's residence. And I just have made up my mind that that's -- that's a goal of mine. I have a dream and my dream is that this is the reason it's never happened before -- is that a bunch of snide partisan-thinking politicians get into the act and try to point out that each governor is trying to do something for himself. So for 32 years we haven't been able to get one. Now they can't accuse me of that, because I've made it plain I won't be here after 1974. And as I say, we can have the -- this is the only way it is going to be done, if somebody gets the thing built for someone else.

Q. Governor, what if the next Governor doesn't want to live out there? (Laughter)

A. Why then he can do what I did. He can rent himself a house and be accused of cheating because he's paying his own rent.

Q. You said you won't be here in '74. Earlier you said you wouldn't want to close off any options.

A. I closed this one off. Everyone knows that, that I believe the Governor should be limited to two terms. I'd like to see that put in the Constitution.

SQUIRE: Thank you, Governor.