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11/11

OFFICE OF GOVERNOR RONALD REAGAN  
Sacramento, California 95814  
Ed Gray, Press Secretary  
916-445-4571 1-10-73

RELEASE. THURSDAY P.Ms.  
January 11, 1973

PLEASE GUARD AGAINST PREMATURE  
RELEASE

A BLUEPRINT FOR A BETTER CALIFORNIA

"We seek new horizons of greatness  
for a great state and a great people."

STATE OF THE STATE ADDRESS

BEFORE A JOINT SESSION OF THE CALIFORNIA LEGISLATURE

BY GOVERNOR RONALD REAGAN

January 11, 1973

This is the seventh time we have met together under these circumstances. The occasion that brings us together is part of the permanency of our institutions---institutions based on collective facts and faith.

It is, for example, a fact that I am addressing you. It is faith that makes me think you will listen.

Some of you are participating for the first time as a result of the recent election, testimonial to the biblical observation: "Many are called, but few are chosen."

All of us are saddened by the absence from your ranks of three long-time members. The passing of Assemblyman Frank Belotti, Carley Porter, and Senator Tom Carrell represents a great loss to California. Those of us who knew and respected them as colleagues and friends have in addition a sense of personal loss. We will miss them very much.

Usually it is my obligation to outline the challenges our state faces and to propose solutions. This year it is also my pleasure to list accomplishments we have achieved together on behalf of the people we represent.

We have demonstrated that the "system" can work---if we work together---in the bi-partisan spirit the people have a right to expect.

Initiatives---Factual Information

One challenge growing out of the last election is the matter of "initiatives" on the ballot. Let me hasten to say we should not question the right of the people to take such direct action. But the number of such initiatives in the last election and the confusion of the voters as a result of advertising claims that bordered on outright dishonesty brings to us the problem of finding some way to preserve the people's right to the initiative with the assurance they will have all the facts they need in arriving at a decision.

Early in this century an American citizen said: "In all times, in all lands, public opinion has had control at the last word. Public opinion is based on information and belief. If it is wrong, it is wrong because of wrong information and consequently erroneous belief. It is not only the right but the obligation of all individuals and organizations who come before the public to see that the public has full and correct information."

Are 22 ballot propositions too many? Or is one initiative too many if we do not provide the people with all the facts pro and con concerning that initiative?

Tax Relief---School Finance

For the first time in four years, we can speak of tax reform and school finance in the past tense. The legislation you passed and I signed a few weeks ago fulfills our joint pledge to provide California's homeowners some of the tax relief they deserve.

California homeowners this year will receive a substantial reduction in property taxes because of their increased exemptions. And there will be further reductions through the rollback of school tax rates and the local tax ceiling---some \$600 million all told.

Together, we have acted to permanently ease the tax burden of California's homeowners, not just this year, but in the years ahead. This legislation means the greatest single year increase in state school funding ever provided.

The program we enacted simplifies an outmoded school aid formula and assures sufficient financial resources to give all students in California a quality education, no matter where they live.

Together, a year earlier, we put into operation the most comprehensive welfare reform ever undertaken by any state. By doing so, we are bringing welfare costs and caseloads under control. At that count, there were a quarter of a million fewer people on welfare than when we started. At the same time, we have been able to provide better benefits for those who truly need our help, our senior citizens, the blind, and the disabled.

All of this, I hope you agree, represents the most significant legislative achievements of the past quarter century in California. A majority of legislators in both parties, working with the Executive Branch, ignoring philosophical differences and concentrating on our areas of agreement, brought welfare under control. Working together, we achieved the tax and school reforms we sought so long. And the people of California---whose interests we are elected to serve---will reap the benefit.

#### Economy in Government

In these past six years, the state government has financed more than 2½ billion dollars in direct tax relief and \$1 billion will be added to this year's budget for the new tax relief and school support. Two thirds of the state's budget goes back to cities and counties for local programs. We have undertaken major reorganizations to provide better service at lower cost. And these economies are being recognized. For the first time in 31 years, California's bonds are rated Triple-A. Treasurer Ivy Baker Priest tells me this will save millions of dollars in interest costs. We must be prudent in issuing new bonds to prevent new obligations from jeopardizing the state's credit.

We know that government itself becomes a drag on the economy, a barrier to prosperity---indeed history confirms that when taxes consume a third or more of a nation's income---that nation does not long survive.

The most recent studies show that federal, state, and local taxes now take 43 percent of every dollar earned. That is too much.

We should reduce the state's share of that burden. Government must never be bigger than absolutely necessary in size, in cost, or in power.

#### Blueprint for a Better California

While we are pleased with our progress, we have not finished the job of reform and re-direction. To complete the streamlining of California's state government, some sweeping reorganizational plans and innovative new approaches will be proposed this year. Each reform, each innovation is part of a blueprint for a better California.

A More Prosperous Economy

We seek a prosperous economy, with equal opportunity for all our people. Only the creative energies of people at work within our competitive enterprise system can assure lasting prosperity.

An estimated 200,000 new jobs must be created annually between now and 1980 just to maintain the existing level of employment. So we must continue to encourage balanced expansion of California business and industry.

The California Space Shuttle Committee headed by Lieutenant Governor Ed Reinecke was instrumental in securing the space project that ultimately will mean thousands of jobs in California's great aerospace industry. The Department of Commerce has stepped up its activities to encourage more consumer oriented industries to locate here.

Efforts are being made to expand export markets for our agricultural and industrial products, to stimulate growth of the tourist industry. Every \$1 million of exports generates 80 new jobs.

Because agriculture is our largest industry, I believe we must also again work for a secret ballot for farm workers in union representation elections as part of an effective agriculture-labor relations law.

Department of Manpower

A year ago, we urged that California come to grips with what has become a maze of governmental manpower programs.

Although our unemployment rate is lower than it has been for 2½ years, too many potentially productive Californians are still jobless.

Reflecting the findings of our Manpower Policy Task Force, we propose:

- A program to streamline job finding and placement services.
- A system of <sup>greater</sup> / incentives to create new jobs in the private sector. This will be geared to finding jobs for displaced workers with marketable skills and to helping the disabled and disadvantaged become employable through rehabilitation and training.

We do not propose pouring more tax funds into uncoordinated, ineffective programs. Instead, we want to consolidate all manpower and vocational rehabilitation efforts in the Health and Welfare Agency into a single Department of Manpower---a department that will develop a comprehensive statewide program for effective coordination of existing state and federal projects.

## State-of-the-State

The goal is not make-work projects or handouts, but jobs--- permanent jobs in the private sector because it is the private sector which must absorb most of our growing work force---and which, incidentally, provides the revenue to support government at all levels.

There are those who suggest we solve our economic problems by a form of income redistribution. Such a policy is self-defeating. The better way is to increase the size of the pie to provide both more slices and bigger slices.

### California Job Creation Program

Our pilot program, "California Work Experience," for able-bodied recipients will be expanded this year to 35 designated California counties.

Augmenting these efforts, you will be asked to pass legislation designed to help create new and expanded independent business enterprises through a broader program of state guaranteed loans and managerial counseling. This will incorporate activities of Cal Job in a new and decentralized structure we call the California Job Creation Program, located in the Health and Welfare Agency. It will have the funds and capacity to provide seed capital and technical assistance to small businesses. It will be a catalyst to create new employment.

### Tax Reduction

Possibly the single greatest barrier to economic growth is excessive taxation. California must never go the way of states which drive away job producing industries through high taxes and excessive restrictions.

When the state collects more in taxes than needed for essential programs, the surplus should be returned to the people who paid it. In 1970, there was a 10 percent rebate and last year, every taxpayer received a 20 percent income tax credit because of the one-time withholding "windfall."

As a result of continuing economic growth, the tax reforms and savings we have made in welfare and other areas, California's financial condition is the best it has been for 15 years. Controller Houston Fluornoy advises me our cash flow is such that it may even be possible to go through the present fiscal year without the usual temporary borrowing from various state funds for operating expenses.

## State-of-the-State

Instead of a massive deficit requiring higher taxes or program cuts, a situation we faced six years ago, we have a surplus this year in the neighborhood of \$850 million, and that is a very nice neighborhood.

While there are possible philosophical differences as how best to return this money to the people who paid it in the first place, I am sure there is no disagreement that it should be returned. I look forward to working with you to achieve this end. In addition to this one time refund, I anticipate working with you on a program for permanent tax reduction.

### An Educated Population

We want an educated California.

To find their place within society and a productive career, our young people must be prepared through realistic and effective education.

More dollars are not the total answer. In San Francisco, average reading scores are down, although it spends half again as much per pupil than does Los Angeles, where reading scores are up.

There must now be a total commitment to education that produces results. Only when education has comprehensive and defined goals and objectives, supported by citizens who actively participate, and when there is accountability will schools be able to guarantee effective education.

We have given education the tools to do the job.

We are strengthening kindergarten through grade three to assure that all youngsters acquire the basic skills necessary to succeed in school.

We have worked together for a sensible approach to bilingual education. Too often in the past, children who do not speak English as their first language have been treated as less intelligent and have not been given the tools they need to learn. This program will help these youngsters achieve their full potential.

### Post Secondary Education

California has a great system of higher education. And the state is providing record financial support to maintain that excellence in all segments. Special notice is due our 19 state university and college campuses for working to make education more effective, less time consuming for students and less costly for our citizens.

States across the nation can no longer totally finance higher education without the aid of those who directly benefit. Tuition is necessary.

However, it need not be a hardship.

California is meeting its commitment to provide equal opportunity for post secondary education through student loans, work study and grants. Six years ago, \$5 million was budgeted for scholarships and loans. This year, the budget will provide \$37 million---almost 7½ times as much.

But more than money is required to improve our educational programs for the economically disadvantaged. We must have earlier identification of future students for post-secondary education---as early as the ninth grade.

To help meet the needs of youngsters whose career goals do not include college or university study, we are funding a pilot program of occupational grants to enable these young people to pursue technical training.

During this time of criticism and change in higher education, we must all remember that there are two values on which society cannot compromise---research must keep pace with what society needs to know, and teaching must have equal status with research.

#### A Healthier California

We seek a healthier California.

We have the obligation to insure public protection in the quality of health care received, to insure reasonable cost for that care, and to recognize the individual rights and responsibilities of the health care professionals providing that care.

In subsequent messages, we will offer new and far reaching reforms:

--To consolidate health facility licensing, hospital planning, health cost review by eliminating overlapping and obsolete functions in these areas.

--To bring about a better distribution of health care facilities through effective planning to insure that all our citizens have access to quality health care at a price they can afford.

#### Catastrophic Health Insurance

I look forward to working with you to free middle income working citizens from the threat of a disastrous illness that could leave them bankrupt. This is the single greatest health need of the majority of California's working citizens.

## State-of-the-State

### Expanded Community Mental Health Program

California's Lanterman-Petris program has enabled our state to move away from the outdated system of "warehousing" the mentally ill and retarded. To carry forward this humanitarian approach, this year we will propose a major long range expansion of this concept of community based treatment.

### Department of Health

Our reorganized Department of Health will consolidate into one administrative unit---the Departments of Public Health, Mental Hygiene, and Health Care Services---along with certain licensing functions and the social services now handled by roughly 25 percent of the personnel in the Department of Social Welfare. These employees are being transferred to the Department of Health.

These steps, already approved by the legislature, provide a more logical grouping of inter-related responsibilities involving health and social service needs.

### Department of Benefit Payments

This done, the remaining operations of the Department of Social Welfare will be exclusively fiscal.

We propose to consolidate all "banking" functions of the Health and Welfare Agency into this department and reorganize it as the Department of Benefit Payments. By eliminating duplicate layers of supervision, this consolidation should produce significant savings on management costs. By centralizing fiscal staffs and functions, it will strengthen the state's ability to audit for waste and fraud.

### More Efficient Government

We seek more efficient government.

The state recently saved 9.7 percent on a purchase of alfalfa hay for the Correctional system's dairies. I only mention this unusual item to emphasize our intent to squeeze every penny of value from every tax dollar. A major purpose of the Local Government Reform Project is to streamline and eliminate if feasible some of the multiple layers of government that may be costing our people too much.

### Consumer Protection---No Fault

An efficient California means consumer laws to assure that our citizens are protected against the unscrupulous few who profit off shoddy goods and services or by exploiting unsophisticated consumers. No-fault insurance, which we suggested a year ago, has been debated, analyzed, and thoroughly considered.

## State-of-the-State

We must now act to give our people the benefit of a no-fault auto insurance system that best serves their interests.

### Department of Transportation

A single Department of Transportation, consolidating the departments of Public Works, Highways, and Aviation, becomes operational this year---another example of bi-partisan cooperation. Work already is under way on a statewide plan for the most efficient, convenient, and balanced combination of transportation systems. We can be proud that since 1966 we have reduced our traffic fatality rate per 100 million miles of travel from five deaths to 3.6.

### A Cleaner Environment

We seek a cleaner environment.

Sufficient open space, the preservation of unique scenic resources---not merely for ourselves, but as a lasting legacy for our children.

Our state is involved in many far-reaching activities to clean up the air and water, to protect the ecology and make more efficient and well-planned use of the magnificent variety of land and sea we have in California.

--We are budgeting funds to help local air pollution districts develop effective control programs.

--Our new car smog control standards are the nation's strictest. And this year, California becomes the first state to require assembly-line automobile testing in the battle against smog.

--In the South Coast Air Basin, emissions of hydrocarbons have been reduced about 25 percent since 1966. And we are moving to equip older model cars to control these emissions as well as oxides of nitrogen, the third major element in smog.

### Vehicle Maintenance Inspection

A Task Force we appointed has recommended, with support of the Air Resources Board, that smog may be further reduced by requiring that all automotive tune-ups guarantee efficiently operating emission control devices.

We will offer legislation to include this concept---effective first in the South Coast Basin where the problem is most acute.

Forest Practices, Minarets Protection

We have acted together to preserve California's wild rivers and to deal with our soil erosion problem. The State Water Project is nearing completion and a 67-mile California Bikeway has been opened along its Aqueduct.

California still needs a balanced forest practices act. We must work with Congress to close the Minarets Corridor to protect the John Muir Trail from unnecessary highway development.

Time prevents mentioning all that we are doing and still must accomplish.

We will have more to propose later in a separate message on the environment.

Coastal Commission, Energy Needs

We hope to work closely with the state and regional commissions the voters have created to protect the coastline. Our Coastal Area Plan already completed offers an excellent starting point from which to effectively accomplish this.

We must keep in mind that man, too, is part of the ecology. There is an urgent need to construct environmentally-protected nuclear power plants. The alternative---within a few short years---is a massive shortage of the energy and electric power we must have to heat and light our schools, hospitals, and homes; to fuel industry.

California Ecology Corps

One program, the California Ecology Corps, has been especially effective in protecting the environment and providing useful work for young men seeking constructive employment.

This year, we will ask your support for a significant expansion of the Ecology Corps, to give this opportunity to additional young men. Every tree they plant, every forest fire they help subdue, means a better environment for future generations.

A Safer California

These are desirable steps. Yet our people cannot enjoy a cleaner environment or economic prosperity without greater assurance of their personal safety. So our most important goal must be a safer California.

Earthquake Safety

The Earthquake Council I appointed last year has recommended a series of actions to minimize loss of life or property in these natural disasters. We are implementing these recommendations, including funds for additional seismic investigations.

Quake-Proof Capitol

The building in which we are meeting has been called potentially unsafe. Rather than abandon this historic structure, I believe we should make the Capitol building earthquake-safe, suitable for the uses it has served for a century.

Restore Capital Punishment

We must strengthen law enforcement. Public opinion is firm on this subject and far ahead of some of our courts. In November, the people of California gave us a mandate to restore capital punishment.

We shall ask you to pass laws to carry out this mandate, including one to make the killing of a law officer mandatory first degree murder.

Prison for Gun Crimes

Our system of justice also must guarantee that when criminals are convicted of crimes involving use of firearms, they will go to prison and stay there until they are no longer a menace to society.

Protection of the law-abiding must be the main priority of our parole and probation policies.

Select Committee, Master Plan for Judicial Process

Our Select Committee on Law Enforcement problems will soon offer other recommendations. A Master Plan for Judicial Process has been formulated, to make courts more efficient.

With the age of adulthood reduced to 18, it also is time to consider changes in our juvenile justice system. A recent escape from one detention facility involved a 17-year-old accused of murder, who had a record of 15 arrests.

The juvenile justice system is not designed for such offenders. We must find other ways to isolate and deal with the most vicious of the young criminals who terrorize our schools and urban areas.

Re-Direction of Correctional System

I am sure we are agreed, however, justice must be tempered with compassion. The comprehensive drug abuse treatment plan we sought and you enacted will permit us to divert the casual drug user from the criminal system.

Shortly, we will propose a major re-direction of the state's correctional system.

Local Rehabilitation for Juveniles

The phaseout of San Quentin and construction of smaller maximum security facilities is part of this. We must take similar steps in the juvenile corrections program. Under our plan, the state would continue to operate detention facilities for hard-core juvenile criminals. But the non-criminal juvenile wards and first time offenders not subject to long term confinement are better off isolated from the repeaters.

Almost 30 percent of the adult males received by the correctional system in 1971 had previous commitments to the Youth Authority.

We must break this cycle of crime through locally-based juvenile rehabilitation facilities that offer wayward youngsters a chance to regain a useful place in society.

The program will be patterned after our successful experience in mental health. It will include state financing and technical assistance over a phaseout period to minimize the problems involved in this major reform.

Correctional Consolidation

With the rehabilitation of juvenile wards handled locally (financed by state aid) there will be no need for separate correctional systems. This will permit creation of a single Department of Correctional Services, with a single parole authority in the Health and Welfare Agency.

Center for Study of Violent Behavior

We know drug addiction and sometimes alcoholism are causes of violent crimes.

To rid society of this cancer of violence, we must expand our knowledge of the entire range of human conduct. So we propose creation of a center for the study of violent behavior at the University of California at Los Angeles, to be operated jointly with the Health and Welfare Agency.

This center, the first of its kind, will explore all types of violent behavior, what causes it, how it may be detected, prevented, controlled, and treated.

New Horizons for California

There are times, I know, when each of us wonders if our society has the will and the capacity to solve all its problems.

To those who become cynical, I would like to share a letter I received a few months ago. It was from the daughter of an 85-year-old Californian who was assisted by the state in her final illness.

## State-of-the-State

This lady told me her mother had worked hard and saved enough money for her burial. The letter said: "I looked after her finances these many years and tried to keep her money intact without neglecting her needs.

"After....all the bills have been paid we find that we have this \$901.66 left over. We feel it belongs to the agency that took care of her....we hope you will be able to use this in some of the other needy places in this great state of ours."

The words of the poet are true:

"There is a destiny that makes us brothers

None goes his way alone.

All that we send into the lives of others

Comes back into our own."

In all that we do here, we are building the kind of state, the better life we want for our children.

We seek new horizons of greatness for a great state and a great people.

Working together we can reach those horizons, and we have shown we can work together. There is no other way to serve our people wisely and well.

# # # # #

(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes.)



OFFICE OF GOVERNOR RONALD REAGAN  
Sacramento, California 95814  
Ed Gray, Press Secretary  
916-445-4571 2-2-73

RELEASE: SATURDAY P.Ms.  
February 3, 1973

PLEASE GUARD AGAINST PREMATURE  
RELEASE

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN  
REPUBLICAN STATE CENTRAL COMMITTEE  
SACRAMENTO  
February 3, 1973

The last time we met together our country was on the eve of a crucial presidential election. In that campaign, the opposing candidates presented the clearest possible contrast on the central issue of our time---what path should America follow in the 1970s.

Should we abandon the great principles for which this country was founded? Should we end a war, not with honor by negotiation, but by begging and surrender? Should we turn away from the free enterprise system that has given our country the highest standard of living in the world and instead adopt a philosophy of redistribution of earnings, of automatic welfare even for the able-bodied who are fully capable of working to support themselves? They can use semantics to give it a different appearance but that is what our opponents offered.

I remember telling you we don't have to rewrite history to emphasize the Republican commitment to peace. We are the party of peace, the record proves it. And the people of America voted in massive numbers for peace, but peace with honor---not peace at any price.

The President pledged to end the war. He has redeemed that pledge.

For the second time in two decades, a Republican administration has ended a bloody conflict it had no hand in starting. For two years now our young men have been coming home.

Now, after nine agonizing years of suffering and sacrifice, the last of our troops are returning. The long months and years of separation are over; our gallant prisoners of war soon will be reunited with their loved ones.

Some have commented on the lack of any outburst of joy or celebration at this war's ending. At such a time, there are no words that can express our innermost feelings. We are just humbly grateful that the fighting is at an end; that our prayers have been answered. America owes a lasting debt of gratitude to all who served so honorably in Southeast Asia, especially those brave men who have endured so much hardship as prisoners of war. As always, America will be compassionate toward an erstwhile enemy; compassionate but not maudlin.

We want an honest count of our missing in action and our prisoners in Vietnam, Laos, Cambodia, and every other part of Southeast Asia.

We want every living man returned.

While some Americans were calling for surrender, they and their families were a magnificent example of the kind of courage Americans have always shown in times of crisis.

They know, in ways that others never can fully appreciate, the real meaning of the words honor, duty, and sacrifice. And so do their wives, their children, and their other loved ones. We can show our gratitude by pledging that if ever again Americans are asked to fight and die for their country, they will be allowed to win and that all America will be united in support of their effort.

While we rejoice that peace is at hand, I am sure the President would be the first to say that ending the war is a victory for all Americans who are unwilling to purchase peace at any price---who refused to betray the sacrifices of two million young Americans or the freedom of the ally they fought to protect.

Dwight Eisenhower campaigned for peace with honor in Korea 20 years ago in 1952. And that is what he delivered in 1953. That is what we campaigned for in 1972, and it has been delivered in 1973.

Nothing that has occurred in the years since World War II more clearly distinguishes the difference between our philosophy and that of our opponents than the issue of how best to win and preserve the peace.

I am not suggesting our opponents do not yearn for peace as fervently as we do. Nor should we doubt their sincerity. But just wanting peace is not enough.

In these last two decades, America has twice become bogged down in stalemated wars on the mainland of Asia. Twice Republican administrations have inherited a legacy of war, not peace---a people bitterly divided; our country a ship without rudder or compass adrift in a sea of uncertainty and self doubt.

Twice the firm hand of a Republican president has guided America back to the path of peace.

Our country is on the right road again. The path the President has charted will mean a stronger, a more united America in the next four years---a prosperous America at peace with itself and with the rest of the world.

Instead of stumbling from one financial crisis to another, a Republican administration faced up to the problems of runaway inflation. Some were disturbed and thought Republican philosophy had been abandoned when we were asked to accept temporary wage and price controls to cool down the inflation that was eroding the buying power of the dollar by more than 6 cents each year.

Now, the rate of inflation has been cut in half. In December the rate dropped to 2.41 percent. Instead of having the highest inflation of the western nations, we are among the lowest. And the controls have been lifted from most of the national economy, just as we were promised they would be.

For the first time in history, unemployment is going down at the same time a war is being ended. The best way to assure dynamic economic growth in a peaceful world is to free the productive genius of the American people; to have faith in the working men and women of America---confidence that they can compete economically with anyone in the world, if they have the proper leadership and if government stays off their backs and gives them a chance to show what they can do.

Our opponents never seem to learn the lessons of history. I am sure you have all heard of Parkinson's law---not the political code we follow in California but the English version---the humorous observations on government bureaucracy. But perhaps you have not heard of Forester's law.

Forester's law holds that "in complicated situations, efforts to improve things often make them worse, sometimes much worse, on occasion calamitous."

Those who have seized the leadership of the Democratic Party are practitioners of Forester's Law. They complicate our problems with government solutions that never seem to work. No matter how often a program fails, they prescribe more of the same---at higher cost.

They would apply the nostrums of the 1930s to the problems of the 1970s. Forester's law goes to work on an overtime basis. When they try to improve things, we wind up worse off than before, often much worse off.

They sponsored a war on poverty. And six years later, there were more people on welfare than ever before. They spoke piously and loudly of peace, but the policies they followed perpetuated the longest war in America's history.

Well, to coin a phrase, the activists will not have Saigon to kick around any more. Some of the demonstrators may even have to accept a four-letter word they have considered an obscenity up till now: W-O-R-K.

But you and I still have much to do. In our last meeting I spoke to you of an economic political mythology we had to expose. That task is far from completed. We have not yet acquainted enough people with our philosophy to give Republicans a working majority in Congress or in the legislature here in California.

We suffered some disappointing setbacks at the legislative level during the last election.

Some of that, of course, is due to the gerrymander of legislative districts. Last November Republicans won 46 percent of the total votes for the state Assembly. But we hold only 36 percent of the seats. In one district, a Republican Assemblyman represents 460,000 people. In another, a Democrat represents 160,000. We know there is a battle ahead on this.

We must battle for a representation in the legislature equal to the voting power of the people. But also, we must broaden our party's basic strength.

This means recapturing the vitality that our party demonstrated when we rose up from the low point of the last decade, when we elected Republicans to five of the six partisan state constitutional offices, when we gained for a fleeting period a Republican majority in both houses of the legislature.

Perhaps affluence has been one of our problems. The refrain: "well, we have a Republican in the White House and a Republican governor" lulled us into apathy.

Under our system, that is not enough. If we are to do all that we can and must do to solve the critical problems of our state and our nation we need legislative and congressional support.

We need more Republicans in Sacramento and in Washington. We have got to roll up our sleeves and start working on another California Plan.

We must revitalize our volunteer organizations---implement and carry our registration drives that will give every Republican a fighting chance in every legislative district. In the past, we have scored many upset victories in districts where our opponents hold a heavy registration edge. But even the most faithful cannot always expect miracles. There is a certain registration level below which election miracles just do not happen.

We have offered some tremendously gifted people for public office in California these past few years. But let's face it. We have not always backed up their efforts with the grassroots support necessary to win. And that is the magic word---a mobilization of our party from the grassroots up.

Then registration will reflect our ability to convert more voters to the Republican philosophy. That is not an impossible task because issue by issue, a majority of people are with us now and do not know it. Approach them on the issues I have mentioned: the size of government, the cost of government, crime and punishment, whether to spend the surplus or lower taxes. Then lay the record before them of who is for and against on these issues, and some Democratic legislators will begin to find they represent a more enlightened constituency back home. In fact, it might be so enlightened the legislator may stop being a legislator some fine Tuesday in November.

The theme you have chosen for this meeting is opportunity, and I cannot think of a more appropriate word to describe the challenge our party faces. Let the letters G-O-P mean "greatest opportunity for the people." Millions of Democrats made a decision last November to put their country's future ahead of their party.

On issue after issue, it was our party and our candidate who best expressed the hopes and dreams of a majority of Americans last November.

Americans do not want to be part of a political philosophy that views the individual as part of some voting bloc. They do not want to be ruled by government. They want to be represented in a government ruled by the people.

Americans want a united country, not one divided into ethnic, religious, and economic groupings. And most certainly, they do not want a country dominated by social tinkers who believe the individual is a sort of walking computer punch card to be numbered, guided, and stamped: "do not fold or staple."

Proud and optimistic Americans are a great people. They do not need a slogan to tell them this is a great society. They know it is great; they made it great with hard work and sacrifice. The nation they built and the nation they want to preserve is America, prosperous enough to offer economic opportunity to everyone; compassionate enough to assure everyone an equal chance to share in that prosperity; and strong enough militarily and in technical capacity to preserve both prosperity and peace.

That is what we have been working for in California since 1967 and in Washington since 1969. And cutting through the political demagoguery so dear to our opponents, we have a great story of achievement and progress. It is that story we must carry to millions of Democrats and Independents. If we do this, they will learn their dreams for America will best be realized when they send men and women who share those dreams to the legislature, to the halls of Congress, and yes, to the courthouse and to city hall.

We must seek out the new young voters. From every indication they really want the kind of better government our philosophy can provide, but they have been misled into supporting to a large extent candidates of a completely opposite view. At the risk of being redundant again, I say we stand for the things that most citizens want in government: a balanced budget, lower spending, efficient government, a welfare system that aids only those who truly need help and which requires those who do not to support themselves.

We think what is yours is yours, and government should take only the absolute minimum needed to finance those functions which are the legitimate tasks of government. Our opponents think what is yours is government's. Right now with regard to a possible tax rebate, we hear voices raised in protest and referring to such a rebate of the people's own money as "an unnecessary expenditure of public funds."

We have translated our philosophy of efficient government into some positive accomplishments in California these past six years.

You need no reminder of those days when outgo exceeded income by a million dollars a day, when there was no homeowner property tax relief and the state government was growing so fast it was eating up almost half the budget just for state operations. Local government was clamoring for relief and people were demanding that programs affecting their lives be controlled locally, at a level of government they can see and be part of on a day-to-day basis.

No amount of demagoguery can dispute the figures. More than \$1 billion in unnecessary spending has been vetoed. Yet, school districts and other areas of local government have been given greater financial help, using state resources.

Since 1967, the state has financed more than \$2.1 billion in direct tax relief, not counting the \$1.1 billion tax reform and school finance program adopted last year that will benefit every homeowner and provide the financial resources necessary to assure educational opportunity for all our children.

The homeowner's property tax exemption is being increased from \$750 to \$1,750, and there will be further tax reductions as a result of a rollback in school tax rates, with the state providing replacement revenue for the money returned to the taxpayers.

Six years ago, the state was providing \$1.2 billion to finance public schools (k-14). That has been doubled. Our new budget provides twice that---more than \$2.4 billion.

Instead of providing \$5 million a year for student scholarships and loans, we are providing \$38 million.

Six year ago, the state budget was divided roughly half for state operations and only half for local assistance. Today two-thirds of the budget goes for local assistance and only one third for state operations.

You know that we took on the runaway welfare problem when the case-load was increasing by 40,000 people a month, and the costs were going up three times as fast as our revenues. I do not have to go into detail about the problem or the solution we found. You are well aware of the details. Let me just bring you up to date on the last available figures. At the end of December, there were 263,000 fewer people on welfare than when we started. The deserving have had a 30 percent increase in grants, county supported relief is down, and 42 counties have lowered their basic property tax rate.

Not too long ago the Capitol halls echoed to the voices of our opponents proclaiming the need for a tax increase to forestall a \$750 million deficit. Well, we have an \$850 million surplus we propose to return to the people. Why not? That is what we did in 1970 when we had an \$82 million surplus, and that is what we did last year with the windfall from withholding.

As a party, we have to be concerned with the next election because we need greater support to carry out the reforms we have started. But the programs and policies we seek are concerned not with partisan goals, but with the kind of state we will have in the next decade, the next generation.

That is what our reforms are all about. We have a local government task force working now to find ways to streamline the outmoded layers of government that may be costing the people too much.

Do we need hundreds of jurisdictions and thousands of special districts, each with a complete administrative structure and each authorized to tap the property tax for financial support?

We have another task force working on the problems of law enforcement. Already we have started many reforms in corrections and the criminal justice system.

We have asked the legislature to restore capital punishment, as the people of California demanded by an overwhelming vote last November.

Some people cynical about the political rivalry between the two major parties say it does not make any difference which party has a majority in the legislature.

But it does make a difference. The attitude of our opponents on capital punishment is a typical example of that difference. Already we have been told that the Democratic controlled legislature will not act to restore capital punishment as the people demanded last November. They say it is their duty when the people are wrong to make decisions for the people. We Republicans believe the people made a decision to put capital punishment back on the books, and we are going to do our best to see it is done.

Our opponents think government has some sort of ordained right to decide how much government the people should have and how much they should pay for it.

That is why they are so busy now figuring ways to spend the tax surplus while we are trying to find ways to return it to the people.

Millions of disenchanted Democrats voted for the President last November, refusing to go along with the advocates of the McGovern philosophy who had seized control of their party.

Last week, right here in Sacramento, those same advocates of big government, permissive law enforcement, and higher taxes instead of tax cuts; those who would give welfare a higher priority than work, proved they are still in control of the Democratic party in California.

Republicans, we have a great opportunity to reach out now and offer disenchanting, disenfranchised Democrats a program and a party they can support. Let us welcome them to our ranks, not as voiceless votes, but as active participants in our party's affairs. Where else can they go? Their party leadership has abandoned reason and restraint.

No difference in the two major political philosophies? Which party has a better record in proposing and enacting effective laws against crime, against welfare fraud, and abuse? Which party tries harder for economy in government, for lower taxes, and for more freedom for the individual?

It is no contest. On all those issues, the answer is "our party." If we can get that message across, in every county, in every precinct, the people will give us the support we need to give them the kind of government they want.

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(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes.)

2/9

OFFICE OF GOVERNOR RONALD REAGAN  
Sacramento, California 95814  
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RELEASE: SATURDAY A.Ms.  
FEBRUARY 10, 1973

PLEASE GUARD AGAINST PREMATURE  
RELEASE

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN  
CALIFORNIA NEWSPAPER PUBLISHERS ASSOCIATION  
SAN FRANCISCO  
February 9, 1973

Usually when we get together on this occasion each year, we have a question and answer session. And we will get to that in a few minutes. But perhaps I can anticipate some of your questions on a subject that is very much in the news---the plan we announced yesterday to return the state's \$850 million surplus to the people and to reduce taxes on a permanent basis.

First, maybe I should explain how we happen to have an \$850 million surplus.

To really understand why the legislature is now talking about cutting taxes instead of raising them, you have to go back a couple of years to a time when our welfare and Medi-Cal costs were going up three times as fast as our revenues. California was experiencing a downturn in revenues as a result of the national economic decline. We faced a cash flow shortage and seemed to be on a collision course with bankruptcy.

I am sure you remember that budget year. A great many voices were raised predicting a \$750 million deficit if we did not increase taxes by that amount.

We proposed instead the most comprehensive welfare reform ever undertaken in any state and promised such reforms would make a tax increase unnecessary and that there would be no deficit. Many of you supported our efforts. And for this, we will always be grateful.

After many months of negotiating with the legislature, we passed most of the reforms we had been seeking. The welfare caseload, which had been increasing at the rate of 40,000 a month, began to decline. We were able to tighten eligibility to eliminate the fraud and abuses that had crept into the welfare system. At the same time, family benefits were increased by 30 percent, and there were cost of living adjustments for the senior citizens, the blind, and the disabled. As of the end of December, we had 263,000 fewer people on welfare than when the reforms started.

Without those reforms and the tight budget policy, there would be no surplus or any talk of tax cuts or deferrals. We have not abandoned "cut, squeeze, and trim." It has been going on all the time.

When we went to Sacramento, the state budget was divided roughly 50 percent for local assistance and 50 percent for the state operations. The budget I sent to the legislature a few weeks ago is two-thirds for local assistance and only one third for state operations.

Since 1967, we have financed more than \$2.1 billion in direct tax relief, not counting the major \$1.1 billion tax reform and school finance bill we passed last year.

Since school finance has been such a controversial subject all these years, I would like to acquaint you with just how much more in school costs the state is now supplying to local districts. When we went to Sacramento, the state was providing a little more than \$1.2 billion a year for public schools (K-14). This year's budget provides more than \$2.4 billion. Enrollment has only gone up 11 percent. Not counting the community colleges, we have provided elementary and high schools a 92 percent increase while enrollment has increased less than 6 percent.

State scholarships and loans are up from less than \$5 million to \$38 million this year. I mention these figures to emphasize that we have not just pinched pennies to give me the veto record. We have changed state spending priorities to put the money where we think the need is greatest.

We are proud of what we have been able to accomplish. And I am proud of the men and women who have helped to bring about these reforms. But, after six years of economizing on everything from pencil sharpeners to typewriters, we came to this conclusion: all our reforms and penny-pinching has amounted to only a holding action against bigger and costlier government. We must make a fundamental change of direction in fiscal policy.

That is what we proposed in the brief television Report to the People I made last evening.

Because of time limitations, I was not able to go into as much detail then as I would have liked. So tonight I would like to give you the first comprehensive outline of the plan we have proposed:

--to return the state surplus to the people in a fair and equitable way, and

--to permanently reduce and limit the tax burden of the people of California.

We have had some of the finest minds and economists in this country at work on this for quite a while. About six months ago we established a task force on tax reduction with a steering committee headed by Frank Walton, our Secretary of Business and Transportation. It included key members of our cabinet and senior staff, fiscal experts from within the administration, and a group of nationally prominent economists and tax experts, all of whom have been consulted at one time or another and have made constructive contributions or suggestions based on their expertise in the subject of taxes and government spending.

If you don't mind a little name dropping, I would like to mention just a few of them so you will have an idea of the caliber of people who helped us formulate this plan. The list includes:

--Professor Milton Friedman of the University of Chicago;

--C. Lowell Harriss of Columbia University, a long-time advisor to the Tax Foundation;

--Economics Professor Phoebe Dwyer of UCLA;

--Peter Drucker, the famous management consultant who is now at Claremont College;

--Dr. William Niskanen of the Graduate School of Public Policy at the University of California, Berkeley;

--Roger Freeman of the Hoover Institution at Stanford;

--Craig Stubblebine, professor of Economics at Claremont Men's College;

--Dr. James Buchanan, of the Center for Public Choice at Virginia Polytechnic Institute.

Our task force has now completed its work, except for the final drafting. We have reached a unique point in time. We have both an \$850 million state budget surplus and a once-in-a-lifetime opportunity to permanently and systematically reduce the amount that government takes from the people in taxes.

Our task force traced the constantly upward trend of government spending and taxes. Maybe I am wrong, but I don't think you are prepared, as I wasn't, for the real cost of government; federal, state, and local. In 1930 it was 15 percent of the people's earnings, by 1950 it was 30 percent, and today government takes 43.8 percent. If you continue that rate of increase in 15 years, government's share will be almost 55 percent. We think that is too much.

Last year, as part of our school finance and tax reform, we included a ceiling on local taxes. Now we propose to make California the first state in history to institute a major and a permanent revenue control and tax reduction program.

#### First Phase -- Return of Surplus

The first part of our plan involves the one-time \$850 million surplus. It belongs to the people who paid it, and we propose to give it back:

--First, the one-cent sales tax increase scheduled to go into effect June 1 will be deferred until January 1, 1974. That will return about \$368 million.

--Next, we propose a one-time tax rebate on state income taxes. In April of 1974 you will compute your tax and then put 20 percent in your pocket and send us the rest. That will total about \$415 million.

--The balance of about \$65 million, as we figure it now, will be earmarked for refurbishing the State Capitol building in Sacramento, to make it earthquake safe, and for purchase of beach and park lands. We believe this is a fair and sensible use of the \$850 million.

#### Permanent Revenue Control and Tax Reduction

That brings me to the main part of this long-range plan. It is a step that so far as we can determine, has never been tried before, anywhere, at any time.

To permanently reduce the tax burden of our people, we propose that California adopt a Revenue Control and Tax Reduction Limit---a lid on state spending.

Of that 43 percent government now takes from California's personal income, the state's share is roughly 8.75 percent. Counting all the items in the budget and other revenues, that amounts to about \$9.75 billion. That is how much the state takes from the estimated \$111 billion personal income the people of California will have this year.

If the same growth trend of government spending extends into the future, without any changes, the state's revenues will grow to \$47.4 billion in 15 years.

I do not believe our people want nor can they afford that much government 15 years from now. So we propose:

----In addition to the 20 percent one-time tax rebate, that there be a permanent 10 percent reduction in income taxes beginning in fiscal year \$1974-75), and

--That we gradually shrink the state's share of personal income--- the amount it can legally take from the people in taxes.

This would be accomplished gradually, with a reduction in total taxes each year over a 15-year period.

As the income of our people grew each year, the maximum percentage the state would be allowed to take in taxes would gradually shrink from the present 8-3/4 percent to about 7 percent at the end of 15 years. From 8-3/4 percent to 7 percent is almost a 20 percent cut in taxes.

Some will immediately react that this puts government in a strait-jacket with no room for growth. Actually, it will leave ample flexibility for government to meet increased costs due to growth and inflation. At the end of 15 years it would permit a budget of more than \$27 billion. Surely no one can complain about restrictions in a tax structure that will permit doubling the budget in 10 years and trebling it in 15 years.

Legislature would decide which taxes to cut.

The legislature will retain full authority to decide which taxes to reduce and by how much. It would not be permitted to raise taxes permanently beyond the spending limit without a vote of the people.

This part of the plan is, of course, a constitutional amendment and therefore will be submitted to the people in an election called for that purpose.

Incidentally, this constitutional change would require a two thirds vote of the legislature to raise any tax but only a simple majority to lower taxes when reductions become possible under this program.

We have provisions for emergencies.

--Under the plan, California's total personal income would be estimated each year, just as we do now in planning the budget. After total personal income is estimated for the year, the state's share would be determined by the percentage tax limit. And that is all that the state will be able to spend or to take from the people in taxes.

--An Emergency Fund will be created, amounting to two-tenths of 1 percent of total personal income. This can be appropriated by the legislature to meet unexpected extreme emergency needs beyond the state's control and which result in costs exceeding the spending limit for any given year.

--If an emergency situation exhausts the reserve fund, we propose a further "safety valve" feature. Under this provision, the legislature could, by a two-thirds vote and with the concurrence of the governor, impose a tax increase to finance emergency costs beyond the spending limit after the emergency reserve is used up. But this temporary tax increase would only be in effect until the next general election when it could be cancelled or extended by a vote of the people.

--If the legislature decides a major new spending program is necessary and if it costs more than this spending limit, the issue would have to be placed before the people for a vote. The people would then decide whether the new services were worth the additional cost in higher taxes.

This idea of allowing the people to decide whether government should take more of their earnings in taxes may be a novel one to some. But unless they have an opportunity to apply a brake to spending, in a few short years, they will be paying more than half their income in taxes. There is no other way to effectively control government spending except to control the amount of revenue that government has to spend.

#### Legislation -- Constitutional Amendment

Shortly, we will be proposing legislation to return the state's present surplus in the way I have described. And in a few weeks, just as soon as the language can be drafted to properly close all the loopholes that might allow higher spending, we will ask the legislature to approve putting a Constitutional Amendment on the ballot.

If we cannot achieve the bipartisan legislative support necessary to give the people this chance to vote for permanent tax reduction, we will ask the people to put it on the ballot through an initiative campaign. And then I will call a special election.

The revenues under this plan will be more than ample to finance the necessary cost-of-living increases for existing government functions and to finance essential new programs. But it will require the legislature and the executive branches taking a long, hard look at each item in the budget each year and deciding whether it is worth what it costs the people, or whether some other program deserves a higher priority.

If you have had a feeling that taxes are growing faster than your income, you are right. Government must learn to live within a planned budget, just as you must live within a planned budget to operate your newspapers.

More than a century ago, Bastiat wrote:

"The state, too, is subject to the Malthusian law. It tends to expand in proportion to its means of existence and to live beyond its means, and these are, in the last analysis, nothing but the substance of the people. Woe to the people that cannot limit the sphere of action of the state: freedom, private enterprise, wealth, happiness, independence, personal dignity, all vanish."

What Bastiat said then applies to our time and this state. We must demand a change of direction in spending. When government lives beyond its means, the people are forced to reduce their standard of living because they must pay higher taxes to finance government's excesses.

The tax limit we propose is a reasonable program and it will work. It is simply designed to permit the take-home pay of our people to grow faster than the taxes deducted from their paychecks.

This is the time to act, not next year, but this year. Our population growth has slowed. School enrollments are growing at a much smaller rate and may even decline in the years ahead. There is not the same need for massive tax increases to maintain our current level of services.

We can clamp a lid on government costs once and for all. We can start planning tax reductions every year just as we decide how much to budget for schools and for parks. This is an idea whose time has come.

It is a great chance for our people to regain control of government growth by permanently controlling the growth of government's revenues.

And now if you have some questions:

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(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes.)

2/26

Governor Ronald Reagan today sent the following message to the members of the California legislature:

A HEALTHIER CALIFORNIA

In my State-of-the-State message, I said we seek a healthier California. Our goal is to insure that high quality health care is available to all our citizens at reasonable cost. By the same token, we must protect the public from poor quality health care and increasingly high costs.

The state also has an obligation to recognize the rights and responsibilities of the health professionals and institutions who provide services and to assist them in planning the most effective delivery of health care.

Unfortunately, the proliferation of health care facilities since the advent of Medicare and Medicaid in 1966 has in some cases resulted in a breakdown of quality care. We have received an increasing number of reports about unsanitary conditions, indifference of attendants who are untrained or poorly trained, inadequate diets and failure to follow medical orders.

To close the gap between mediocrity and excellence in providing health care, equitably and reasonably, I ask your support for legislation to be introduced by Senator Anthony Beilenson and Assemblyman Frank Lanterman. This is a bipartisan effort to bring about better distribution of health care facilities, through effective planning, in order to insure that all citizens have access to quality health care at a price they can afford.

This legislation stems from a growing concern that the number and types of hospital beds in California are too many and often the wrong kind. The net effect of overbuilding and misdirected health care has been an inflationary push on costs because of ineffective statewide planning. We believe the health planning function should be restructured to eliminate the fragmentation that now exists. We also believe the state should play a more effective role in determining the need for and the distribution of health care services. These objectives can be achieved through legislation in three specific ways:

Message to the legislature:

1. Strengthen areawide comprehensive health planning agencies for performance of the local planning function which was their original mandate, by freeing them of construction approval responsibilities. Their areawide plans will contribute to a yearly updating of the state plan for health facilities.

The legislation will establish uniform standards for composition and operation of areawide planning agencies in order to eliminate existing problems in developing and applying local plans that are consonant with overall California health needs. Transfer of the health facility approval process will eliminate present inequities in approval procedures and enable the state to assure proper distribution of health facilities. Moreover, the participation and cooperation of these community-based agencies will continue to be a vital part of the health planning process.

2. The legislation will assign specific functions to a new state governmental entity. This will be the "California Health Facilities Commission," which will replace the existing California Hospital Commission.

On the effective date of the Health Facilities Commission's establishment, it will assume responsibility for granting or denying health facility construction requests, now the statutory responsibility of areawide comprehensive health planning agencies. The commission will utilize the resources of the state Health Planning Agency and consider priorities established in the state plan for health facilities when it decides on new construction or change requests from health facilities.

In addition to determining the need for a health facility in a specific location, the commission will also determine the need for special services to be offered by the facility, such as a renal dialysis unit or a cobalt radiation therapy unit. This determination, again, will be based on planning information obtained from state and local sources and on other considerations.

At present, the state has authority under Phase III of the federal Economic Stabilization Program to review health care price increase requests. When federal wage-price controls are discontinued, the new commission will have developed a plan for a "California Health Facilities Economic Stabilization Program" that will be submitted to the legislature. The purpose of this proposal is to provide controls necessary to protect the public from inflationary health care cost increases.

3. The legislation also addresses the need to eliminate many overlapping and obsolete functions in health facility licensing and certification, and to build effective planning into regulation of health facilities. At present, the state Departments of Public Health, Mental Hygiene and Social Welfare are involved in licensing or certification activities. These licensing functions primarily relate to physical facilities, in terms of sanitation and safety, and standards vary from department to department. Facility planning has been fragmented and ineffective because responsibility has been diffused among the departments and in the state and areawide comprehensive health planning agencies.

The legislative proposals would consolidate all health facility licensing functions in the new Department of Health and establish a certification program in tandem with the licensing authority. The licensing concept itself would be changed. The characteristics of community hospitals in Los Angeles and Sacramento, Willows and Susanville, for example, can be quite different. When new health facilities are constructed in California we want to be sure that the right number and the right kind of hospital beds are being provided. Therefore, the Health Facilities Commission will depend to a great extent on more effective health planning to tell us where the needs are now and where they are likely to be in the future.

The Department of Health will be authorized to issue a basic license for health facilities with common characteristics, such as surgery, 24-hour care, nursing services and so on.

In addition to the basic license, certification will also be provided by the department for health facilities where the commission has determined that a need exists for special health care services. In cooperation with California's health care practitioners, the Health Department will set standards for quality for all health facility services and will certify only those which meet the standards for each kind of service. In this way, the community, the patient and the physician will be assured that only services which are needed and of high quality will be offered by a health facility. The certification procedure will apply to all acute hospitals, nursing homes and intermediate care facilities in California.

This legislative proposal, although far-reaching in its implications, will not impose another set of controls on the private practice of health care professionals. It will consolidate and simplify existing regulatory programs. We have shown in California that we can plan for the health needs of our citizens and that it can be done without undue interference with those who provide health care services.

I urge your support of this health facilities legislation.

3/7

REMARKS OF GOVERNOR REAGAN  
AT  
FUND RAISER

Eureka, California

March 3, 1970

GOVERNOR REAGAN: Assemblyman Frank Belotti, Mrs. Belotti, Reverend Clergy, my own Chairman here from the counties of Humboldt and Del Norte, Bob Barnam, Darryl Schroeder, and our County Chairman, Jerry Scott, you ladies and gentlemen.

This is wonderful to be back here again and to have such a warm welcome, and I thank you for the kind things you said. And I think you ladies and gentlemen should know that it may not seem as if some of us get up here too often to visit, but I can assure you that as long as Frank Belotti is in Sacramento the northwest coast is on the mind of people in Sacramento and in the capital a great deal of the time. He sees to that. (Applause.)

I know we all miss Congressman Don Clausen, but it was good to hear from him and to have his greetings here tonight.

You know, I've been sitting here remembering because it doesn't seem as if it's been so long between dinners here in this particular room. But I was remembering the first one and that was back in the 1964 campaign. And right after dinner, several of us rushed into another little room here where they had taken a tape off the -- a sound tape off the television debate between Senator George Murphy and that other fellow, whatever his name was. (Laughter.) And then we listened to the sound tape that we'd had to miss by being in here for the dinner. Oh, when you get remembering, though.

I even go back so far I can remember when people use to brag about only living a stone's throw from the campus. (Laughter and applause.)

Sometimes, you know, I believe that insanity is inherited. We catch it from our kids. (Laughter.)

But, no, let me seriously say something about that: Don't be fooled and let the tiny dissident minority that has been creating so much trouble. Don't accept them as a stereotype of our young people today. I can say that and I've had a little experience in that line. But let me just remind you of this one encouraging thing: When you see a demonstration of that kind of lawlessness, remember you're seeing all the force they can muster. There are no more or they'd be out there. And the vast majority are just what we want them to be -- just the fine young men and women that we can find on our campuses and in our society. And keep your eyes focused on them because they have problems, too, and it's about time we started devoting some time to their legitimate problems instead of spending all of our time trying to appease that hungry little mob of dissidents. (Applause.)

I know that in the few times I've been here since the '66 campaign and all, I've now and then taken advantage of you to tell you a little bit about some of our troubles in Sacramento and some of the problems of the job. And yet I keep thinking back and now that we've gotten a little farther away from them, I keep thinking back to those first dark days.

I remember a story of an old-timer in the woods who was teaching a tenderfoot in the woods how to catch a porcupine. And he said the big thing was to avoid that flapping tail with all those spears on it. And he said, "You watch out for the tail and you slip in real quick and you drop a tub over him." And the fellow said, "A tub?" And he said, "Yeah, that's so you got something to sit on while you figure out what to do next." (Laughter.) It's a little like that.

I've had some days when I felt like the scuba diver that was on his way down to set a new record. And he'd gotten down beyond the fish. And there he was with all his breathing apparatus and his tanks of oxygen and he looked over and here was a fellow with nothing but a pair of bathing trunks, no breathing equipment at all. And he swam over to him and he took that slate they have, and he wrote on the slate. And he said, "How is this possible?" He says, "You're down here without any equipment. What are you doing?" And the fellow took the slate from him and wrote back, "I'm drowning." (Laughter.)

Well, there's one thing I learned, though, these last three years: If at first you don't succeed, you get an awful lot of advice. (Laughter.)

You know there was a -- one of the things that's the hardest, I guess, to move in government is -- when I was talking out on the campus about the day the permanent structure of government -- the -- those people that have been there and doing things the way they've decided to do them through several administrations. And then you try to change things.

There was a young bridegroom once who asked his bride why in cooking a ham she always cut both ends off. She said, "Because that's the way my mother did it." So one night the mother-in-law was over for dinner and he said, "Is this true that you always cut both ends?" And she said, "Yes." And he said, "Why?" And she said, "Because that's the way my mother did it." So came the holidays and grandma dropped in. And he couldn't wait. And he told her about this and he said, "And you were the one -- you always cut both ends off the ham before you cooked it?" And she said, "Yes." And he said, "Why?" And she said, "I didn't have a pot big enough to put the whole ham in." (Laughter.)

Oh, I tell you, there was a time up there in Sacramento when I was taking so many tranquilizers that I found myself being nice to people I shouldn't have been speaking to. (Laughter.)

Speaking of Jess -- (laughter and applause) -- Jess has a great gift for finding things that no one has tried to hide. (Laughter.)

Well, I had a letter the other day from a little girl. She was in fourth grade and I thought it was wonderful. They'd been asked to write what they thought the Governor did. And she wrote and said, "The Governor gets up in the morning and has his breakfast, and then his friend comes over and they walk together -- walk to work together. His friend is named Jesse." And then she said, "The Governor is twenty-five years old." Well, of course, she's a little wrong about me and Jess going to work together, but she's right on that other part.

A few months ago, I got a strong feeling that there might be an election in the offing. It was quite a surprise because it seemed like we'd just had one. But then the days are shorter in Sacramento, and things have a way of sneaking up on you. What caused all this was the loud scream that greeted my reference to the environment in this year's State of the State Message. Those fellows that Frank was mentioning who'd been in the majority and been in charge of things for about eight years prior to 1967 suddenly were screaming that I was a "Johnny come lately" in this field, that environment was their bag. Well, I apologize. But with trying to find the Eel River and to pick out that one redwood tree I wanted to save, I wasn't aware that California's air had been preserved until 1967 in wine-like purity, that every stream and river that was crystal clear, with even the San Francisco Bay untouched by sewage, until our administration. And that somehow the trash and the garbage had never cluttered California's meadowlands prior to my Inauguration.

Well, now having discovered all this, you got to admit that we've been pretty forthright about offering to clean it up and do something about it since we've been there.

Seriously, I would like to talk to you about what we've accomplished, what we're trying to do and how we're trying to maintain a proper balance between those extremes in the field of environment,

for example, which would on one hand would say, no more roads, no more factories, no more cars, no more people, do nothing but preserve the ecology. And those on the other hand who would justify everything and every kind of destruction in the name of progress. We're going to try extremely hard to avoid those extremes.

Progress for our people and preservation of our environment are compatible goals. It is the refusal to work together for a proper balance that is incompatible with the needs and the hopes of California.

Jobs and payrolls and our growing economy don't just happen. They're the result of several dynamic forces: Risk capital, managerial know-how, skilled labor and public demand for the product. Here in the northwest we have a good example of the vigorous industry that is bringing new and better production facilities in providing the need for employment opportunities.

The investment in two new pulp and paper mills demonstrates industry's confidence in the future and the future of the timber supply in the northwest. We must assure this supply by supporting a program for increased timber production on public lands within our general conservation and multiple use concepts.

Multiple use of our forest resources is the key. And through it, we can find the balance between conservation and production. Now, this will call for more creative policies on both the public and the private owners of timberland.

An example of achieving a proper balance in our environment is the agreement that preceded the start of the construction of the Humboldt Bay Bridge. The importance of fish and wildlife values that are result now of a joint agreement between the state resources and the business and transportation agencies.

Today, esthetic and ecological values are given an equal weight with engineering and the cost factors as we build roads and build bridges. And we've managed to bring this about with this whole new approach of saying no longer will highways just simply be the shortest distance between two points.

We will try to preserve the points of historical interest, preserve the ecology, preserve the esthetic values. And the proof that we've succeeded in this is the fact that just recently the National Transportation Agency made nine national awards in the United States. Four highways and bridges that were built with regard to environment and that were built with regard to esthetic values, and California won five of the nine awards and one honorable mention.

In December, the Mad River salmon and steel ad hatch reel go into operation. It should revitalize the diminishing resource and stimulate both sport and commercial fishing interests.

As we enter the decade of the '70's, it's important to continue the development of the well-rounded program of conservation education for our children. An initial step in this direction was taken in 1968 when the education code was changed to require studies of man's relation to his human and his natural environment.

Last October, the Advisory Committee on Conservation Education called for a comprehensive program in this field. And this will complement the work that is being done now by private and state groups.

The State Board of Education has been asked to fund the pilot program of conservation education as an experiment in 12 school districts in the coming year.

Now I know that many of you are aware of the outstanding programs in conservation education that have been undertaken by the Redwood Region Conservation Council. And now the cooperation with the State Department of Conservation we've developed Operation Springboard,

which is aimed at the kindergarten through third grade student.

All of these educational efforts, through both the public and the private programs, are designed to help us preserve the magic of California for future generations. I might add that our own park people are going beyond this now in a kind of human salvage also. They've set up a program for our state parks of going into the disadvantaged areas of our crowded urban centers, our cities, and taking children to whom outdoors and nature is -- are just words, and arranging tours of our state parks, taking them up into the camping areas and showing them the magic that is this land of California.

We figure that it's time as this program continues they're seeing enough of the ugly side that they begin to see America the beautiful.

Three years ago I said that government could be run efficiently and economically, employing common sense -- the same common sense that we all apply to our businesses and in the running of our homes. And I think we've proven that this can be done in these three years.

Now, it's been charged that in doing this, I have brought California to a halt, to a standstill. Or was it a standstill to move this state in three years from eleventh to second among the states in the rehabilitation of the physically and the mentally handicapped?

We're first in the nation in the treatment of the mentally ill. We are achieving the new staffing standards of increased staffing, medical treatment, medical personnel for the inmates in our hospitals for the mentally ill. These are the American Medical Association Standards adopted in 1967, and we will achieve those standards in June, four years ahead of the schedule that had been laid down for us.

Was it a standstill to impose procedures that will require all state construction projects, from highways to the water program, to conform with the long-range environmental goals; to establish a mechanism for the protection of our coastline and our estuaries.

We've imposed the strongest controls for the purity of air and water that have ever been adopted by any government anywhere in the world. And we did these things without practicing the prophecy of doom that seems to be so popular among some these days that would have you believe that our days are numbered and that we can't achieve the cleaning of our air and our water. We've achieved them without becoming political stunt men and trying for publicity instead of results.

No, I didn't put on a wet suit and plunge into the Santa Barbara Channel to discover that there was oil on the water, nor did I go over to the Bay area to be photographed standing by a sewer in time to make the 6:00 t.v. news. But it's true that we've brought some things in California to a halt.

Three years ago this state was spending a million dollars a day more than it was taking in, and we brought that to a halt. Three years ago this state was adding five thousand or more employees each year to the total staff of state government, and we brought that to a halt.

By the end of this year there will be fewer employees in state government than there were when we started three years ago. Three years ago they were planning to build more buildings to house more bureaus, to give more programs to the people that the people never asked for and I doubt if they want or need. We brought that to a halt. We cancelled the construction of the buildings and we eliminated more than 30 bureaus and agencies.

Now, they were going to build a bridge over Emerald Bay at Tahoe. And they were going to continue a fiscal program that was based on gimmickry and deception and enlarged government by hacks and

cronies by bringing in more hacks and cronies, and we brought all of that to a halt.

We have moved from ninth lowest among the states to fifth lowest with regard to the size of government in proportion to population. And we're not going to stop until we're number one in that; having the smallest government in proportion to our population. (Applause.)

We started a prairie fire. More than a dozen states have sent staff members out to California to find out how we've been doing some of these things, and they would then go back and do likewise.

Now, we've submitted a budget for the year that will begin July 1. And then a short time as that budget comes under discussion, brace yourself. You're going to hear screams that would curdle your blood. They're going to be screams coming from the same people who have been complaining about high taxes in Sacramento among our opponents. But the same ones who, when they were a majority until we achieved that bare majority that Frank told you about, passed legislation that would have increased the spending of state government \$330 million a year, all legislation that I had to veto.

But these people are going to charge that we're selfish and that we are lacking in compassion because we've asked the Legislature to help bring welfare under control. But unless it is controlled, welfare is going to put us in a position to where one day we won't even be able to help the deserving needy.

Welfare is increasing in costs faster than our economy can expand to bring us the revenues we need, and it has gobbled up all the savings that we've been able to make in our economies in government.

Edith Green, Congresswoman from Oregon, classifies herself as a liberal Democrat, asked the Library of Congress the other day to give her a hypothetical case of how much could a single family in the United States legally get from the welfare programs that are available. And they gave her two cases: one, a widow with four children spanning the ages from preschool to college; one, a widow with eight children spanning preschool to college. And they told her that the family of four could legally take advantage of all of the available programs and that family could get \$11,500 a year tax free. And the family of eight could get \$21,193 tax free income legitimately in welfare programs.

Now this is part of the importance. Incidentally, in our own state, we are faced right now with law suits against certain changes we want to make in welfare and certain changes we have made to try and bring the spending under control. If these cases are decided against us, they will add more than \$300 million immediately to the costs, the annual costs, of welfare. The cost now is one billion one hundred million dollars at the state level. And I think there is every reason to believe those cases will go against us.

To show you how ridiculous this situation can be, there is a man who has never been on welfare in this country, who is working, self-supporting, fully employed, and who is suing the United States Government claiming that they must give him the difference between his income and what he could get on welfare if he could quit work and go on welfare.

This is the importance or part of the importance of this coming election. We've only begun to unravel what has been done in the recent decades. But we have begun. And now it's necessary that we carry on.

Last year for the first time, you gave us a majority to show what could happen for that first time and with that first majority, we passed the most comprehensive anti-crime legislation that just went into effect in January. We passed the anti-pornography laws that the Legislature had been trying to pass for eight years or more that I know of and certainly for the three that I've been there. All of this came about just because we had a majority.

Now, I'd like to do something for a few remaining moments here, if you don't mind rather than going on.

I got another letter from a little girl. And this little girl wrote and told me what the Governor does. She says, "The Governor owns the state and he tells the people what to do and then he goes out and makes a speech." (Laughter.)

Well, I don't own the state and I don't tell the people what to do and I'd like to stop trying to make a speech. And I would like to have a dialogue that we haven't had for a long time. I don't know whether you're prepared for this or not. But it just seemed to me in talking about some of these things we've been doing that I'm bound to miss some of the points or some of the things you'd like to know about. How would you like to just finish out what limited time we have here by throwing a few questions up here, and I'll try to answer them? Sing out if you have one. I'll repeat the question so the microphones can pick it up. Don't be bashful. Someone should ask a question because I've missed a lot of points.

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN  
CALIFORNIA LABOR FEDERATION  
AFL-CIO EDUCATIONAL CONFERENCE ON JOBS AND THE ENVIRONMENT  
SAN FRANCISCO  
March 7, 1973

I am very happy for the invitation and the opportunity to be here. I think that this subject of the environment and jobs is one of the most important; and I don't think that anyone has said it any better than John Henning himself when he said "...the development of a sound approach to meet the nation's environmental crisis without blindly disrupting the jobs and economic life of thousands of California workers and their families is clearly essential." It is!

And I would like to point out something. First of all, the fact that you have gathered here and, secondly, the fact that you are going to have people who will express views on both sides of this issue, is the most important thing. Communication is needed. It is absolutely vital. Communication is not only somebody talking but somebody being willing to listen.

I have my own program of conservation going on right now in addition to the one you are going to discuss. In my 1966 campaign I made a remark to the effect that I thought it was vital that we keep California green and golden. I am trying to return to the people of California, right now, some of the green and some of the gold that they have been dishing out to the state in copious quantities.

I thought I ran into a kind of anti-conservationist theme when one of the opponents to this policy of giving the money back stated "...giving the taxpayers back some of their own money was an unnecessary expenditure of public funds."

Recently, I addressed a banquet that was recognizing a group of young people who had done some outstanding things in California in the field of environmental protection. And I don't find anything inconsistent with having addressed that group and endorsed their aims and now addressing you and endorsing the aims that brought you together here.

One thing that has not been pointed out, and one that I think is very significant, is that the great upsurge of interest in the environment of this state came about a few years ago---not because we were not doing anything about it, but because we were.

If anyone wants to look back in the historical records, they will find that several years ago we put together a joint committee of people in the resources field, as well as the highway building field, and the construction field, to make sure that the highways and the freeways we were building in California respected aesthetic values, and historical monuments. The committee proved that it did not take too much more concrete and effort to go around a grove of trees instead of bulldozing through them and that the shortest distance between two points was not necessarily a straight line.

Almost instantly, California won 9 of 13 national awards for highway construction that represented these very values and showed we were the leader in that field. It was from this, and from a review of the entire water project, to make sure that we were not harming ecological values in California, that suddenly, particularly on many of our campuses, young people got the word and began militantly marching and calling attention to the problems of the environment. It was not bad that they did this.

There were people who needed to be reminded that this is a factor. But it could not be, and must not be, as portrayed by some environmentalists, as an uprising of the people because nothing was being done. Plenty was being done. And we are continuing along that line.

The people today in this country are aware of these problems. We do not need to waste effort any more in long marches and various stunts and devices to arouse the people's attention or to call to their attention the need for environmental protection.

At that recent banquet of young people I spoke of, the Environmental Protection Agency of Washington sent a regional deputy. He stood before that group of environmentalists and told them that as of today, California leads the entire nation in the entire field of environmental and ecological protection. And we have done that in these last several years at the same time that we have applied common sense to these problems.

In a meeting of this kind, you are going to hear views from both sides, and that is good, but we should not gather here in an adversary position. You have started something that can be the answer.

People of good will, but of common sense, meeting to decide that you do not have to listen to that little minority, over on one side, that in the name of progress, would cover the whole state with concrete and punch holes in it for the houses. But equally wrong is that extreme group on the opposite side who would tell us that we cannot build a home for ourselves unless it looks like a bird's nest or a rabbit hole.

The Mammoth decision was made and a great deal of misunderstanding has come out of that. The legislative intent when we passed the environmental report program was based on the idea that the environmental reports were not to be used to stop progress or to stop creating recreational activities. It was a program that was designed to make all levels of government, with regard to public projects, do what the state has been doing for the last five years. That is, to take account of this look at this idea, and then let this be a guide to our activities and not just a prevention.

And yet today in our great park building program.....and no state can equal us in our preservation of wilderness areas and beauty spots in California for parks.....the minute we acquire, at great cost to the taxpayers, thousands of acres of land adjacent to one of our biggest cities in California, as a place where the people in that city can get out and picnic in the park, the kids can play softball on green grass, other people can rent a horse and go for a ride, others can go for a hike in the hills, a little group of so-called environmentalists, but who are protectionists, step up and say "oh no, now that you have acquired it you mustn't use it. You must keep it sort of as a beauty spot and look at it."

Well, it was not bought for that purpose. It was not a natural ecological wonder that we acquired, as we do so many of our beauty spots, because there is nothing else in the state like it, it simply was an open piece of canyon, hillside, hilltop, or valley land, adjacent to the city, where people could get into the outdoors within a half hour's drive

And the park people of the state should be allowed to make it a park where people can go for recreation and enjoyment and not just a something that they must stand on the edge and look at it because someone wants to go in there and study the bushes that are growing.

Now Proposition 20 has caused a great deal of bitterness between our people. I don't mind saying that I was opposed to Proposition 20 and I think you were opposed to it. Let me tell you why we were opposed. Not because we don't want to protect this 1,072 miles of coastline of ours and make it available wherever it is needed for the people to get to the beach and enjoy this great ocean that we have.

We were opposed to it because in 1967 the legislature passed a bill, setting up a study commission. And the commission, for four years, studied the coast as no other natural resource in this country has ever been studied. And they delivered to us a stack of paper three feet high. The most comprehensive study ever made.

Our people in the Resources Agency were going through this report to come forth to the legislature with a plan as to what we should do for the development and the protection of our coastline. We did not need another four-year study on top of this.

I hope with all my heart that the commissions that have been created by Proposition 20 will accept the study that has already been completed and not sit down and plow the same ground for the next four years. No one is out to build a Chinese wall between the people of California and the ocean. But I say this; part of our approach to the plan was that those beauty spots along the coast, that should be preserved for all the people of California, should not be preserved on the basis of going to a fellow and telling him that he has the land and has to continue paying taxes on it, but he can't do anything with it.

If those pieces of land are beautiful enough that they should be preserved, then the state has the obligation to go in and buy them and make them public preserves.

Our thinking has been affected over these last decades by a twenty-year boom, between 1946 and 1966, in which we doubled the population of California. But the time has come now to assess where we stand and what some of the pluses are in this field.

For example, you know words are a funny thing. You can talk about a barrel and say "It is half empty" and can also talk about a barrel and say "Hey, it's half full." Well we have in public ownership today 40 percent of the California coastline.....400 miles of that 1,072 miles is already in public ownership. No one has been sitting on their hands in California.

The population growth has doubled our population in a twenty-year boom period, after the war. But the current population growth of California is 1 percent. And we happen to be the most urban society of any of the fifty states.....91 percent of the people of California live in urban areas.

But since 1941, in all of this panic about overbuilding California, only 2 percent of the land area of California has been subdivided. More than 40 percent of the whole nation's counties have less population than they had 50 years ago because people have been moving into the cities.

You could move all the population of the United States into California and Texas and the population density of these two states would be no greater than that of the Western European nations. Now nobody wants to do that. It would leave us a heck of a national park in the other 48 if we did. And it does not mean that we want to relax because we are not as crowded as the countries of Western Europe, as yet. But it does mean that we should approach this with common sense and not with hysteria.

I have said there are three kinds of pollution affecting us today. There is real pollution and then there is hysterical pollution which leads to political pollution.....the grandstanding of introducing environmental bills that you know haven't a chance and couldn't be made to work, but they sound good when you talk about it to the people back home. Well, let's have an end to that kind of pollution. Let me give you an example of it.

The United States Senate passed a water pollution bill. The ultimate cost of that bill could shake the economic foundations of this country. It is called zero discharge and calls for the elimination of all pollutants, no matter what the discharge outlet would be. The water that is turned back into the streams and the oceans of this country must be 100 percent pure. Well you do not get to drink 100 percent pure water. There isn't any body of water that is 100 percent pure. But let me give you what the economics are. We can make the water discharge into any of those bodies 90 percent pure for \$60 billion, spread over the next 20 years---\$3 billion a year. And it will give us 90 percent purity in the water and that is about as pure as most of us are drinking. Now to get the next 9 percent, and make it 99 percent pure, it will cost \$119 billion more. Now you have 99 percent pure water and I will guarantee you are not drinking that kind of water. But to get the last 1 percent of purity which this Senate bill calls for, will take another \$200 billion. Surely we can find something better to do with \$200 billion in this society of ours than try for that last 1 percent.

What would it mean in jobs, in consumer prices? Well I can tell you, in the steel industry alone, to bring their water discharge up to total purity would require capital construction that would amount to more money than the entire profits of the steel industry for the last five years.

Now there is a common sense answer to this. Yes, water that is treated to 90 percent purity, or even less, is being used right now, out of some of our sewage disposal plants, to irrigate golf courses, campus type grounds, parks and pasture land. There is absolutely no hazard or danger to it. You don't have to get it pure enough to drink. They are turning out this water and it costs about one fourth the cost of the water that we are delivering throughout the state in our water project.

The same is true of air quality. It is self-defeating of our resources if we are going to insist that we get air down to a purer quality than it is just naturally. They tell us that we must remove sulphur dioxides from the air, and that's fine. But if we eliminate every bit of man-made emission of sulphur dioxide in the air in the world today, we will only clear up two thirds of it because one third is natural and is coming out of such vents as that volcano off Iceland that is erupting right now. So we do not have anything to do with one third of the pollutants.

You cannot live and be a human being without polluting the air.....  
we are polluting it every time we take <sup>/a</sup>breath in this room. So some place along the line we must set a realistic standard. I say that we must beware of those who say that we must even be willing to sacrifice freedom for the common good.

There have been two freedoms in this country that came to being, one of them at the time of the Revolution. Few of us realize that the right of a common workingman or woman to own a piece of God's earth and stand on it and say "this is mine" was a right that very few working people ever had any place in the world. For thousands of years the land belonged to the king and it was only through the king's grant that someone could own a piece of land. It was in this land that we made it part of the American Revolution.....the right of anyone to go and stake out a piece of property, or buy it, and then stand on it and say, "This is mine." And that is the very fundamental basis of freedom.

We must be very careful in our environmental programs, that in our enthusiasm, we do not sacrifice that, and go back, not to the king, of course, but to saying "No one but big brother, some form of government, may let you have a deed to it (property) but don't think you have any control over what you do with it."

The second freedom that came to this country, believe it or not, was the invention of the automobile. For the first time, every man had the access to freedom of mobility. He could go where he wanted to go, choosing his time of leaving and the time of his arrival and the route by which he would travel to get there and he did not have to look at a timetable or wait on a corner or ask anyone's permission, or join the rest of the group and go by a pre-chosen route.

Of course we have found that there are certain drawbacks. We did not understand for a while that that method of mobility was polluting the atmosphere. But I will tell you something, if we had stuck with the horse we would have had another pollution problem by now. The answer is not to force government to create congestion by refusing to build streets and highways to force you back into a system of transportation that denies that individual freedom of mobility. The answer is to clean up the motor and to get rid of the fumes that are coming out.

I think in California we have proven over the years that in a common sense manner, having some patience, because it cannot be done overnight, we can accomplish that. In short I hope that what will come out of this meeting is the understanding, by all of us, that people are ecology too.

I read a piece of history the other day about Stockton, just a few miles from Sacramento. It made you wish that you lived one hundred years ago. As a matter of fact, it was not even one hundred years ago. It said that in that area you could get up in the morning and step out the doorstep and in one half hour's walk you would cross over streams that were teeming with salmon and trout, you would pass herds of antelope, you would see half a dozen grizzly bears. And it sounded so bucolic and wonderful I said "I wish I was back in those days." What have we ever done to that?

Well stop and think for a minute. People are ecology too. It may read well, but if people are going to live there who wants to open their front door in the morning and send their kids off to school if they have to pass six grizzly bears?

The grizzly bears have got to move back....as long as we preserve a place where they can live too.

Then I think it is all right for us to make sure the bears or antelopes are not in the front yard when we open the front door. I am quite sure that fleas are a part of the ecological cycle, but I doubt if a dog thinks he is doing something to destroy ecology by wearing a flea collar.

Now you have a great opportunity to focus the spotlight on the truth and the facts. I think that Proposition 20 was passed by the people of California because it was a classic example of their not understanding the facts. They did not know that there was a plan in the mill to protect the coastline. And I have to say on the other side, that those who were opposing Proposition 20 stupidly decided to fight it by lying instead of telling the simple facts and the truth.

You know this better than anyone else: in the field of organized labor if you tell the people the truth in this country they will not make a mistake. It is only when you hide some of the facts from them and pervert the truth that the people might vote the wrong way.

I think that the problems that we have to solve can provide the jobs we need for our people in California, can give us the standard of living that we have worked up to, and that we will not have to throw away the electric blankets and all those nice things. If we put our faith in the vast energy of our people and in the technology that we have developed in this country we can have all our luxuries.

We will not solve the problem by cancelling out the technology and going back to grandpa's day. We will solve it by making that technology work for us. And I commend you for this kind of a seminar that you are having and I wish you well with it.

As I say, hear both sides of all of this because there is some right on both sides. We can neither destroy the green and gold beauty of California and be happy, nor can we go so overboard in any one direction that will destroy the ability of the people to get out and have the means to enjoy the green and gold of California.

So listen to all viewpoints and then let us go at this with the common sense approach that is needed rather than the hysteria that has characterized so much of this problem over the last few months.

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(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes).

3/8

Governor Ronald Reagan today sent the following message to the members of the legislature:

TOWARD A SAFER CALIFORNIA

In my State-of-the-State message, I called for major redirection of the state's penal system. It is time to face the reality of the crime problem. We must take steps to separate the hard-core criminal from the wayward youth.

Each year we spend approximately \$20 million on state facilities and programs to control and rehabilitate one out of every six juvenile court wards in California.

We propose to take this \$20 million being expended on state facilities and programs for youth and redirect it to local community programs. Through the infusion of these new funds, plus a one-time capital outlay of state funds for constructions or remodeling of county detention units, we can significantly improve our entire youth rehabilitation program in the state.

We are not proposing the return of these wayward youths to the community without controls; such action would not be in consonance with this administration's objective of increasing public safety. Rather, we are proposing the development of necessary local detention facilities, through state financial and technical aid, to end the "college of crime" syndrome inherent in programs which exposes impressionable youth to hard-core criminals.

The movement toward community-based correctional programs for youthful offenders has been endorsed by the President's National Advisory Commission on Criminal Justice Standards and Goals, by correctional experts throughout the nation and in the study made at my request by the state Board of Corrections. All emphasize that correction close to the community is the most effective way to reverse the trend of criminality, particularly for the youthful offender.

This proposed program will increase state expenditures by approximately \$10 million for the period 1973-74 through 1975-76.

## Message to the Legislature

Each county will be receiving an average cash payment of \$9.700 per juvenile court ward, or \$5,300 more than they can presently receive per case under existing law. These increased funds may be applied in any manner deemed appropriate in each community, from delinquency prevention to detention and rehabilitation.

To provide an accurate statistical means of measuring the effectiveness of our state or county correctional programs, this proposed legislation will establish a performance measurement system to monitor all youth programs. By constant evaluation and comparison of results, we hope to isolate the truly effective factors of each rehabilitation program for regional and statewide application.

This proposed evaluation system will be designed so that it can be expanded to incorporate measurement and evaluation of adult correctional programs as well.

The system will be geared to two major goals: assuring the protection of the law-abiding and providing more effective rehabilitation of those offenders who can be salvaged from a life of crime.

The third major part of our proposal involves the administration of correctional programs at the state level.

Currently, the state operates two departments---the Youth Authority and Corrections---to administer the state's control and rehabilitation systems. Redirection of the juvenile court wards from remote state facilities to more effective community-based control will reduce the Youth Authority workload by approximately 50 percent, leaving only those hard-core youthful offenders in state youth facilities.

We recommend that separate programs for these young felons be retained, but that the administration of these facilities and programs be combined with the adult corrections program in a new Department of Correctional Services.

This single department will be able to improve coordination of all correctional programs throughout the state, as well as contain a functional organization charged with evaluation of all ongoing programs. This branch will be able to recommend improvements and implement changes in a more responsive manner, while also improving planning for future correctional needs at the community, regional, and state level.

Message to the Legislature

The new Department of Correctional Services will be further charged with continually improving the inmate classification system, assessing program needs, and devising success indicators to provide better recommendations to parole authorities regarding the effectiveness of individual rehabilitation programs.

Consistent with the realignment of administration functions at the state level, we also are proposing a major overhaul of current parole boards. We presently have four such boards at the state level: the Adult Authority, the Women's Board of Terms and Paroles, the Youth Authority Board, and the Narcotic Addict Evaluation Authority. We propose the consolidation of the Adult Authority, Women's Board of Terms and Paroles, and the Youth Authority Board into the new California Parole Authority. No change is proposed in the Narcotic Addict Evaluation Authority.

The chairman of the Parole Authority will designate two sub-boards: one for adult criminals and one for youthful offenders. This single board will provide more flexibility in coping with the constantly changing population within the state penal system.

In summary, we propose broad new programs to expand community capabilities to eliminate juvenile crime at the source, while we concentrate state efforts on programs to control hard-core criminals. In keeping with these objectives, we propose the formation of a unified Department of Correctional Services which will be better equipped to monitor and coordinate these activities statewide.

The bill introduced by Senator Craig Biddle will accomplish these objectives. I urge your support of this vital legislation.

(For additional information contact Frank Grace, Health and Welfare Agency at 2-2595).

# # # # #

Gray

3/19

CALIFORNIA JOB CREATION PROGRAM

To the Members of the Legislature of California:

In my State of the State message, I emphasized that we would significantly expand the job creation efforts in the State of California.

The California Job Development Corporation Law, or Cal-Job, and the State Small Business Assistance Program have operated quietly since 1969 to create or retain over 2,500 jobs in California. Our actual costs during this four-year period have been just over \$920,000. State revenues and indirect returns have far exceeded our investment, in county and state taxes paid by the new companies, in welfare grant reductions realized by the creation of new jobs, and in the kind of economic improvement any new venture such as this brings to a community. In other words, this program has been paying for itself while enhancing the economy of the state.

The majority of government programs in the job creation area have been funded with grants. When the grants run out, so do the jobs. Under the current Cal-Job program, loans are made to small businessmen in economically disadvantaged areas who cannot obtain regular financial assistance. Through this cooperative venture, the state assists the individual in gaining a sense of self-reliance and independence. We are creating real jobs, not temporary make-work.

Because of these successes, it is time to restructure and expand this promising concept. Accordingly, I urge your full support of the California Job Creation Program legislation which has been introduced by Senator George Deukmejian and Assemblyman Kenneth L. Maddy.

This legislation consists of three major components:

--To realign the Cal-Job mechanism and increase the amount of state funds available for loan guarantees;

--To expand the Small Business Assistance Program to provide broader management and technical assistance to small businesses; and

--To add a technology transfer component to take advantage of the tremendous product opportunities resulting from industrial research and development in California.

This program will emphasize the utilization of state and federal loan guarantees to small businesses which will employ persons in areas of chronic high unemployment, including the disadvantaged and the disabled, and young people in areas of high youth unemployment and delinquency.

The proposed expansion will increase the state's appropriation to \$5 million over the next three years and will generate up to \$33.5 million in private sector loans to these businesses. The State Loan Guarantee Fund will be of a revolving nature designed to attract other government guarantees and private capital.

To avoid duplicating services or productivity of already established firms, a marketing analysis will be made for each applicant to ensure that the community has room for the new products or services to be provided. This is a vital step to ensure that we do not create through state support which force out independent businesses businesses/of a similar nature. To ensure the viability of the new ventures, the Job Creation Program will also be able to furnish follow-on loans for working capital if needed.

The technology transfer function being proposed will take advantage of the literally hundreds of potentially marketable products being developed each year by research and development units in California industries, particularly in the aerospace field. These "spin-off" products are often neglected by the developing firms unwilling or unable to risk venture capital in developing production of marketing capability. They are willing, however, to join us in establishing new businesses in economically depressed areas. The state can provide the liaison function to bring industry and the new small businessman together, to benefit the economy of our state and attack the unemployment problem at its base. We have already initiated contacts with the National Aerospace and Research Centers and the National Science Foundation, as well as several major California companies. We are confident of their support of this program.

As the Manpower Task Force I commissioned reported in 1971, "the name of the game is jobs." The California Job Creation Program is a major step in aiding the unemployed and lifting the economy of disadvantaged areas. I urge your wholehearted support of this program.

# # #

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(NOTE: For further details, contact Frank Grace, Health and Welfare Agency, 322-2595)

3/  
29

OFFICE OF GOVERNOR RONALD REAGAN  
Sacramento, California 95814  
Ed Gray, Press Secretary  
916-445-4571 3-28-73

RELEASE: THURSDAY, P.Ms.  
MARCH 29, 1973

PLEASE GUARD AGAINST PREMATURE  
RELEASE

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN  
AMERICAN TEXTILE MANUFACTURERS INSTITUTE

Hotel Fairmont  
San Francisco  
March 29, 1973

Last week Nancy and I were privileged to have as guests in our home some of our returned prisoners of war. It was an unforgettable experience and one I am happy to say we shall repeat several times until we have hosted all our Californians who endured that long separation from home and loved ones.

Seeing these men and how they have grown even stronger---stronger in their love of country, faith in God and yes, faith in their fellow Americans, I could not help but wonder---where do we find such men?

The answer, of course, is we found them where we always have, in the small towns, the cities and the farms of America. We produced them in a society which, with whatever faults it may have, is still the most generous, most just system of human relationship ever devised by man.

But with that answer, another question came to mind: when their almost Rip Van Winkle homecoming loses its newness, when the wonder of new styles and fashions has worn off, will they see other changes they will find harder to get used to?

Have we here at home lost some of the self reliance which was their very salvation? Is the voice of the demagogue and false prophet a little more strident---able to attract more listeners than in the past? Do we quarrel when we should pull together?

Since World War II, our country has been a benefactor to the world, rebuilding the economies and the industrial plants of those countries which suffered so much damage in war---friends and foe alike.

We have been a generous, even an indulgent trading partner, we have opened our markets to foreign goods and have been more than patient with the tariffs and other trade barriers imposed against our goods.

The countries we helped are now our most sophisticated competitors in world trade.

But it is now clear that no economy---even one as strong as ours---can keep on indefinitely shouldering the burdens we have piled on the American economy. Yet voices are continually raised blaming this free way of ours for our troubles. A political and economic mythology which denies the immutable laws of economics has been created. There is a widespread lack of understanding as to how our system works. Right now, the President is struggling to bring inflation under control.

Among other things, he has put a brake on federal spending which has brought charges that somehow he has seized unusual and dangerous powers that threaten our governmental system with dictatorship.

Actually impoundment has been a prerogative of the chief executive since Jefferson's time. Jefferson refused to spend some \$50,000 appropriated by Congress for a gunboat on the Mississippi on the grounds that relations with the Indians had improved sufficiently so that it was not needed.

President Nixon has impounded 3.5 percent of the federal budget and some Congressmen find this a threat to Democracy. Yet in 1961, the late President Kennedy withheld or impounded 7.8 percent of budgeted funds and the next year 6.1 percent. Lyndon Johnson impounded 6.5 percent of the budget in 1966 and 6.7 percent in 1967. And yet you cannot recall any outraged cries from the Congress. Nor were there any charges that these two Presidents were a threat to our democratic institutions.

But now things are different. Powerful blocs in Congress and in the bureaucracy regard an unspent federal dollar as some sort of mortal sin. They talk of the need for new taxes. Raising taxes to cure inflation is like taking another drink to sober up.

The opposition the President is encountering in his battle against inflation comes from the very people who told us a few years ago that America could afford guns and butter, too---that we could finance a war in Southeast Asia, undertake a massive expansion of government at home and not disrupt the economy or cause inflation. Indeed, we were told inflation is good for us.

We were asked to accept a dream world that never was and never will be. Inflation doubled and tripled and set our country on an inflationary treadmill that the President is determined to slow down for the simple reason that unless we do, this nation, and that means the world, is headed for the biggest bellyache we have ever known.

We have been riding an economic roller-coaster, an inflated prosperity induced and sustained by war and crisis and financed by borrowing against the future.

And guess what? The future is here. It is now that inevitable morning after and we find there is a new world we have to adjust to--- particularly in this matter of peaceful competition in world trade.

## American Textile

One of our troubles is the shocking decline of productivity in American industry, the needless expense of massive strikes that cripple whole industries and cause American business to lose customers to our competitors.

In the decade of the '60s, Japan's industrial production increased almost five times as much as ours and the Soviet Union more than doubled our 74 percent gain. Between 1965 and 1970, the amount of goods and services produced per man hour in America was the lowest of all the 14 major industrial nations.

Somehow, in these past 40 years or so, we have lost sight of just what made America great.

We are still the same creative people. But we have to remember a few of the fundamentals. No one gave America its high standard of living. Our people earned it---by out-producing every industrial society the world has ever known.

We must demand that other nations pay more than lip service to the principle of free trade. Your industry, I know, is acutely sensitive to this problem.

In 1950, America ranked number one in steel production. Today, the Soviet Union is number one in this vital industry.

Two decades ago, we owned 42 percent of the free world's gold reserves, now we are down to about 8 percent.

As our balance of payments deficit grew bigger, our gold reserves flowed out of America to settle foreign accounts.

The devaluation of the dollar is supposed to help stabilize the world monetary situation and I am not prepared to argue that it will not. But let us not kid ourselves. To say that it is a solution in itself is like telling the pale fellow leaving the blood bank that he will feel better if he goes back in and gives another quart. The plain truth is the holiday is over and we have to get back to work. And that means turning off those voices who would have us believe we can sit back and leave everything to government.

For one thing government's record is not all that good.

In the 1960s, government declared war on poverty. Poverty won.

When government sets out to solve a problem the cure may not be worse than the disease. But it is bigger and it costs more. Government does not really solve problems; it subsidizes them.

And it does not produce a dime of revenue. It can spend only what it first takes from the pockets of the working men and women of this country.

In the past few years, there has been an increasing assault on the very economic system that built America from a small backward country into the world's strongest. You as business men are blamed for many things you have not done and given little credit for a number of things you have done very well. Under the guise of consumerism, environmental protection and just the old bromide "Big Business and Big Labor require Big Government"---an assortment of activists for one cause or another are attempting to assume the privileges of management without accepting the responsibilities.

To some people, profit is a six-letter dirty word. Business is viewed with suspicion while government...big government is hailed as a panacea. There is an appalling lack of understanding of the simple workings of the market place and the competitive economic system.

Right now there is concern over the high price of food. But food for the family even at today's prices is only a third of the total cost of government---federal, state, and local. Indeed, the average citizen pays more for government than he pays for food, shelter and clothing combined. He works almost more than five months of the year just to pay his taxes.

Some weeks ago I asked the National Association of Manufacturers and I ask you: when do you start fighting back? When do you start correcting misconceptions...presenting the facts...because the facts are on your side?

No government agency can match the genius of the private sector in solving problems, in meeting new conditions, in providing services for the people.

Nowhere has the political demagogue had more success than in the area of taxes and the idea that business can be made to pay the costs of government, relieving of course the citizen of his need to pay.

Only it never works that way. People pay taxes. You can take the demagogues' ammunition away by telling the people once and for all, the simple truth that business taxes are paid by the consumer in the price of the product.

Just as excessive regulation can stifle creativity, excessive government spending becomes a drag on the economy, a barrier to prosperity.

## American Textile

The critics of free enterprise and American business complain about high prices, but they never mention government's role in high prices.

Why shouldn't business silence the political demagogue once and for all by explaining that business does not pay taxes. Business collects taxes for government---the kind of hidden taxes that are so favored by the demagogues.

Yet we are told that if business is just taxed a little more, this would produce more than enough money to finance whatever spending scheme anyone could dream up. Of course the inference is that we can have more goodies from government at no cost to the people.

This has gone on so long that many of you have succumbed to the Karl Marx theory of inevitability. The greatest myth of all is the idea that government is too big to be controlled---that our problems are too complex to be solved, that government spending must keep going up and up and the people cannot do anything about it.

Permit me to tell you of our experience here in California.

Until two years ago, the cost of welfare in California was going up more than three times faster than our state revenues. The whole system was smothered under thousands of loosely-written regulations that invited abuses. It was unfair to the taxpayers and to the people who really needed help. And the state was headed for bankruptcy or an every other year increase in taxes. So we set out to do what we were told could not be done---reform welfare.

We did not listen to the cries of doom and gloom and finally, with the people's support, most of the reforms were adopted. When we started, welfare in California was increasing by about 40,000 people a month. Now just two years later, there are 274,000 fewer people on welfare than when we started. Eligibility standards to eliminate fraud have been instituted. We have been able to give an almost 30 percent increase to the truly needy, plus cost of living adjustments for the senior citizens, the blind and the disabled.

We are implementing a work program for able-bodied adult recipients so they can earn their welfare check or learn a skill that will enable them to become self-supporting.

The total savings is approaching \$1 billion in state, local and federal taxes. And 42 of California's 58 counties were able to reduce their basic property tax rates in the year after our reforms were enacted.

## American Textile

But we still think government costs too much; the total tax burden is too high. So here we go again. We are proposing a constitutional amendment to limit the amount of taxes the state can take from the people---a lid on state spending.

Some critics call it a visionary concept, a drastic change of course for government. I will not quarrel with that. Our very system of government in America was a visionary concept when it was proposed 200 years ago.

And it was a drastic change in government, it gave the rule of government to the people. Well, we propose to give our people the opportunity to decide how much of their income state government can take from them in taxes. We believe it is an idea whose time has come. Again the political mythology has kept people from realizing the real cost of government and its rate of increase. Back in 1930, the total cost of government was only about 15 percent of the people's income. By 1950, that had grown to 32 percent. Today, the combined cost of government---federal, state and local---takes 44.7 cents out of every dollar the people earn. If this rate of increase is allowed to continue---if we do nothing to change it, in 15 years government's share will be 55 cents and still going up. In our state this means state revenues which are presently \$9.8 billion will grow to \$47.4 billion in 15 years. And make no mistake about it, if government is getting \$47 billion dollars, government will spend it.

We do not believe the people of California can afford that much government.

Under our plan, the state's share of personal income---the amount it could legally take from the people in taxes---would be gradually reduced from what today is 8.75 percent of the personal income to about 7 percent 15 years from now. There would be no dislocation of present services and indeed there is ample revenue for growth, inflation and even innovative new programs. But the people's take home pay would grow faster than the deduction for taxes.

We have made provisions for emergencies. And if the people ever decided they wanted some new program that would push state taxes beyond the allowable tax limit, they could vote for it. But, even with this Revenue Control program, there would be enough revenue to permit the state budget to double in 10 years and to triple---to \$27 billion by 1989. Very simply we would for 15 years reduce the percentage of the citizens earning taken for taxes by .1 percent each year until we reached the 7 percent limit.

This would amount to roughly a 20 percent reduction in total taxes over those 15 years. In only 5 years, this could mean a 25 percent reduction of state income taxes.

In 10 years, there could be a 60 percent reduction in state income taxes or a 2 cents cut in the state sales tax. Or any combination of tax reductions could be made, as the legislature determined.

The important thing is: we will be establishing, once and for all, a maximum amount that state government can take out of the earnings of the people.

We have asked the legislature to put this program before the people. But the philosophy that government should have an unlimited credit card, payable by the taxpayer, is pretty widespread. Because the legislature's majority has said it will refuse to allow the people to vote on this issue, we are launching a petition campaign to gather enough signatures to hold a referendum. We think the people have a right to decide how much of their income government may take.

I should add that when I said this was an idea whose time had come I had a few facts to substantiate it. Thanks to our welfare reforms and some other economies, we have an \$850 million one-time surplus we propose to rebate to the taxpayers and an ongoing surplus which will permit an across-the-board cut of  $7\frac{1}{2}$  percent in the state income tax.

When an individual spends beyond his income for a long period of time he ends up bankrupt. When government does it, the extra spending comes out of the pockets of the people through higher taxes. The people are forced to reduce their standard of living to pay for government's excesses.

We must impose some reasonable fiscal restraints. You can lecture your teenagers about spending too much until you are blue in the face, or you can accomplish the same goal by cutting their allowance.

We think it is time to limit government's allowance---to put a limit to the amount of money they can take from the people in taxes. This is the only way we will ever bring government spending under control. And controlling spending is the only way to permanently reduce taxes.

# # # # #

(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes).

4/10

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN  
CALIFORNIA MANUFACTURERS ASSOCIATION  
Woodlake Inn, Grand Ballroom A  
Sacramento  
April 10, 1973

President Lawson, our two distinguished honorees, members of the California Manufacturers Association, guests and ladies and gentlemen:

I am especially pleased to take part in your Junior Achievement scholarship award.

And I cannot think of any program that is doing a better job of acquainting the youth of America with free enterprise than the work of Junior Achievement. And I cannot remember a time when it has been so important that we explain the free enterprise system---not only to our sons and daughters but to all our people.

It has always been an article of faith with me that our free way of life was best...and that freedom for the individual was our highest national purpose.

It is time to begin answering the false prophets who keep telling us that we should change our system to one of more government control, higher taxes, and one which redistributes the people's earnings. We are a generous people. There is no question about our willingness to contribute to those who need our help. But we must remind those who would confiscate and distribute, that for one man to get something he has not earned, another man must earn something he does not get.

Our society provides more freedom for the individual---and generates prosperity for more people than any other economic system ever devised by man.

American agriculture employs only 6 percent of this country's total work force---and produces a surplus. We export \$9 billion worth of farm produce.

By comparison it takes 25 percent of the total work force in the Soviet Union...and they still cannot produce enough to feed their own people.

But the greatest proof of our system is the fact that Russia, some years back, had to let their farmers have small plots of land on which they could raise things for themselves---an acre or less in order to keep them working on the great state-owned farms.

## California Manufacturers

These tiny private plots constitute only 3 percent of the cultivated land in the Soviet Union, but today they produce and sell on an open market:

--one fourth of the total Soviet farm output.

--two thirds of the potatoes

--half the eggs and

--one third of the meat and milk...all this on 3 percent of the land

A man free to enjoy the fruits of his own labor...has the most powerful incentive for prosperity ever known.

Unable to explain why collectivism never seems to work in other countries, the advocates of bigger government throw up a smoke screen of criticism about America and its economic system.

More often than not, their complaints are totally false or distorted. No one pretends our country is perfect. And I hope we will never be so smug as to think that we are. But we should base our public policies on facts...not on distortions. And the facts are that no country in the world has done a better job of distributing the fruits of man's labor to more people than the United States.

With 7 percent of the world's land area and 6 percent of the population, we produce a third of the world's production of basic goods and services.

More young people go on to higher education in the United States than in all of the nations of Western Europe combined. Even with today's price food costs Americans less of their total income than any major country in the world.

This brings a charge that America is too materialistic...that other things are more important.

But at the same time that we have been working up to the world's highest standard of living, we have done more to heal the sick, feed the poor and uplift the downtrodden than any society in the history of the world.

Most of the great medical advances that have taken place in the last several decades can be labeled made in America...but we have been more than willing to share them with the world.

Two decades ago polio was a dreaded childhood disease which killed and crippled hundreds of thousands of young people every year. Today, it is a fading memory.

The diseases that killed and maimed millions when you and I were growing up are only footnotes in a history text for today's young people. The generation that today often questions the value of the work ethic is taller, healthier, better fed, and better educated than any generation that ever lived.

And they live in one of the few places in the world where young people have enough leisure time to question the "system" and assail the "establishment." In most other societies, the young are consigned to back-breaking labor just as soon as they can prop up a hoe handle.

We support more symphony orchestras, more museums and have more parks and other recreational areas than any other country in the world.

These are desirable things in any society. But there is something far more important: it is the freedom that all Americans enjoy...a freedom that all of us inherit as a birthright.

And this so-called materialistic society of ours has paid a fearful price for liberty---our own and that of our allies. But we paid it willingly because we know that freedom is far more precious than any of the material advantages we are privileged to enjoy.

It is not enough that you and I know all this. We must start speaking out to correct the mythology that has been created about our system and what makes it work.

To hear some of the more liberal economists talk, "profit" is a six-letter dirty word. Yet there has grown in America a people's capitalism with a widely shared ownership in productive industry. The stockholders are millions of Americans...young and old...who have invested their life's savings in America. Pension funds hold millions of shares of stock in American enterprise.

And without those dividends there would be fewer pension benefits for teachers, public employees, retired workers from every occupation.

Even the apostle of liberal economics, John Maynard Keynes, called profits the fuel of free enterprise.

To the man who works for a living, "profit" is what he has left after taxes and all the other deductions. And at today's rate of taxation, I doubt if any working man or woman would say there is any such thing as "excess profits."

I have just said the secret word: taxes. That is my sneaky way of getting around to the subject I really want to talk about. Some one once said we should invest in taxes---they always go up.

In 1930, government---federal, state and local---cost the people of America about 15 percent of their income. Twenty years or so later, the figure reached 32 percent. Today, the total cost of government is more than 44 percent...and if this upward trend continues and there is no indication whatsoever it will not, government will be taking almost 55 percent of the people's income in just another 15 years.

The time has come to apply the same reasonable restraints on government spending that every business and every housewife has to apply to budget income to cover the company or family's expenses.

We have introduced a proposal to slow down government spending and return the dividend from the savings to the people in the form of lower taxes. This Revenue Control and Tax Reduction Program really amounts to a lid on spending by the state government...a limit that will gradually reduce state government's cost to the people from about 9 percent of their total tax burden to about 7 percent.

That may sound like a modest goal. But it adds up to a savings of more than \$118 billion in a period of 15 years.

I am sure by now most of you have heard or read about this tax limit proposal. But charge and counter charge have possibly created some confusion.

Briefly, the first part of our plan involves returning to the people the one time \$850 million surplus we have this year. We have proposed giving back \$415 million in a 20 percent one time rebate (or tax credit) on 1973 state income taxes handled the same way we provided the 10 percent tax rebate in 1970 and the 20 percent tax credit last year.

For the balance, we have proposed deferring the scheduled one-cent increase in the state sales tax---from June 1, this year to January 1, 1974.

The rest of the surplus...about \$65 million or so...would be used to bring the State Capitol building here in Sacramento up to meet earthquake safety standards...and for the purchase of additional beach and park lands. One opponent of giving this money back has called this plan "an unnecessary expenditure of public funds."

In addition to the rebate, we are asking for an ongoing cut of 7½ percent in the state income tax. In this as well as in the 20 percent rebate we are asking for a wiping out of all state income taxes for families with incomes below \$8,000 a year and individuals with \$4,000 earnings.

## California Manufacturers

Then we have a permanent plan to slow down the growth rate of government spending. Right now, the state's share of your earnings is \$9 billion and will grow to a staggering \$47 billion in just 15 years. By that time, total government costs will be more than half of every dollar you earn.

We do not need that much government. We do not believe the people want that much government. And no economy---not even one as strong as ours---can possibly stand that kind of a burden on a permanent basis.

We put a Task Force to work to come up with a long range program that would leave more money in the hands of the people, to spend as they want to spend it, for things they need to improve their family's standard of living. Our task force included key members of the cabinet and senior staff. We asked a group of America's most distinguished economists to help us with the plan.

The plan they drafted in more than six months of work represents a unique opportunity for our people to regain control of government spending.

Very simply, it will establish a limit on the amount the state can take from the people in taxes. Right now, the state is taking about 9 cents of each dollar you earn. This would be reduced in steps of one-tenth of one percent each year over a period of 15 years, until it reached about 7 percent.

But in five years, this could mean a 25 percent reduction in state income taxes. Or we could trim one cent from the state sales tax. In 10 years, there could be a 60 percent reduction of state income taxes. Or a 2 cents cut in sales taxes, or a combination of the two, or reductions in other taxes.

The whole idea has made a few waves.

It is said that such a limit would impose a strait jacket on government, leaving no room for progress or growth. The truth is, this plan provides more than ample flexibility for government to meet increased costs due to population growth and inflation.

And it allows reasonable costs for new programs. With this limit the state budget could double in 10 years to \$18.6 billion. In 15 years, state spending could grow to \$27 billion---triple the present budget. Now tripling the budget in 15 years is hardly a fiscal strait jacket!

Government certainly needs flexibility, but that does not mean it should have a blank check to be filled in later and paid for by the people. That is how government spending got out of hand in the first place.

## California Manufacturers

Some say placing a revenue ceiling in the Constitution would tie the hands of the legislature. Well, we already have a Constitutional requirement that the state must have a balanced budget each year.

Does anyone honestly think California would not have had deficit budgets in the past two decades if we did not have this Constitutional requirement?

We have heard the false charge that our plan favors the rich and discriminates against the poor. But I have already told you, people with incomes of less than \$8,000 would pay no state income tax at all this year or in the future.

We have made provisions for an emergency fund that could be appropriated by the legislature to meet unexpected needs beyond the state's control. And there is an additional safety valve feature that would permit the legislature to raise taxes to finance emergency costs, but this would remain in effect only if the higher taxes were approved by the people at the next regular election.

Finally, we have included a provision that will allow the people to raise the limit on government spending any time a simple majority of the people chooses to do so.

The claim that government needs blank check taxing authority because of "emergencies" is a little far-fetched to say the least.

World War II was a pretty fair-to-middling emergency, for government and everyone else. We had total mobilization of the entire American economy. We drafted manpower, froze civilians into their jobs, rationed food, gasoline and other essentials, and even enlisted the aid of our school children to collect scrap paper and old metal.

But with all the demands World War II created, the total cost of government in America then was only about 28 percent of the nation's resources!

The truth is: those who object to slowing down government spending are the same people who want to spend the \$850 million surplus.

They are the same legislators who wanted to raise taxes \$750 million just a few years ago when they said we were going in the hole by that amount. But we did not raise taxes; we reformed welfare instead--- reducing the rolls by about 274,000, and now we have an \$850 million surplus.

## California Manufacturers

In these six years I have vetoed more than a billion dollars of new spending proposed by those who claim that government must have a blank check taxing power.

More than 100 years ago, the French economist Frederick Bastiat said: "...government offers to cure all the ills of mankind. It promise to restore commerce, make agriculture prosperous, expand industry, encourage arts and letters, wipe out poverty, etc., etc. All that is needed is to create some new government agencies and to pay a few more bureaucrats."

We have heard that tune many times since Bastiat made that observation.

Why is it unreasonable for government to have to establish spending priorities and live within its income---the way every family and businessman must do?

We now have an opportunity to achieve realistic tax relief for our people. We have a chance to restore a degree of fiscal balance to the government, by allowing the take-home pay of our people to grow faster than the deductions from their paychecks for taxes.

School enrollments have slowed dramatically. The number of students in grades K-12 this year is only 5.7 percent more than the total we had seven years ago.

We know there is going to be a slower rate of growth in many other types of public activities, simply because population growth has slowed.

There is no justification for constant and massive tax increases. We can maintain the state's present level of services, meet the higher costs due to inflation and population growth, and provide enough additional revenue to pay for reasonable new programs.

We can do all this. And at the same time we can reduce the taxes our people must pay to support state government. We can systematically plan for tax reductions, instead of allowing the uncontrolled spending that causes regular tax increases.

Over the 15-year period, an average family will save more than \$17,000 in taxes.

The people will have \$118 billion more to spend for their needs, on things that improve their standard of living.

This in turn will generate more jobs and greater economic opportunity in California. It will be good for business because we will have demonstrated that in California, at least, the people are determined that there is a limit on how much government can take from the people's earnings.

We are circulating petitions now to put this plan on the ballot so the people can vote on it. May I urge you to get a copy of the program, study its provisions and support our effort to put this before a vote of the people.

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(NOTE: Since Governor Reagan speaks from notes, there may be changes in, or additions to, the above quotes. However, the governor will stand by the above quotes).

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Governor Ronald Reagan today sent the following message to the members of the California legislature:

MANPOWER ACT OF 1973

In my 1972 State-of-the-State message, I recommended that California come to grips with what has become a maze of governmental manpower programs. As the first step, I appointed a task force of business, labor, and education leaders to develop a "Manpower policy for the State of California."

One of the task force's recommendations was to establish a systems approach to the manpower problem. They stated, "Existing programs should be coordinated within that system, and those programs which have proven to be ineffective and wasteful should be eliminated."

California has already made some good first steps. From our years in the manpower business, we have gained a great deal of experience in delivering manpower services and assisting disabled people on an individualized basis to overcome their vocational handicaps and become employed.

We have developed the knowledge and skills to assist both the job-ready and potentially employable disabled or disadvantaged to take advantage of job opportunities and to meet the manpower needs of employers. In addition, we have had the California Job Development Program (Cal-Job) which has been highly successful within its limited resources in creating new job opportunities by stimulating new businesses in disadvantaged areas.

We are now at the point where we need to formally establish a balanced and comprehensive program of manpower services.

This proposal is in concert with progress being made at the federal level. In the President's manpower report, he described the steps already taken to decentralize manpower program management and decision making and to break down the boundaries between categories of programs. He indicated that in fiscal year 1974 the principal trend will be development of a comprehensive manpower delivery system with manpower programs tailored to area labor market conditions and to the needs of an area's target population.

California is working with the federal government not only to develop flexibility in the use of manpower funds, but also to assure the coordination of manpower programs through a State Manpower Plan. This will assure that the needs of all our citizens are met, for example, by earmarking rehabilitation funds for services to the disabled.

As I indicated in my State-of-the-State address in January, we now propose to implement the findings of our Manpower Policy Task Force and the federal progress toward decategorization by establishing a program to streamline job finding and placement services and consolidating all manpower, vocational rehabilitation, and job creation efforts in the Health and Welfare Agency into a single Department of Manpower. This department will develop a comprehensive statewide program for effective coordination of all existing state and federal manpower projects.

In this new program we will be able to provide more placement and job development services to disabled people who are job-ready. In addition we will provide manpower services to the disadvantaged using the techniques which have proven successful in vocational rehabilitation. The program will meet employers' needs by providing them with qualified, job-ready applicants.

We intend to emphasize and expand efforts to create new job opportunities. Through a community labor market information system we will have the capability to predict future manpower needs and coordinate these predictions with educational and vocational training programs. By creating more flexibility in the use of manpower funds and coordinating all community manpower programs, we can be more responsive to community needs.

We have already begun establishing Community Manpower Centers to emphasize placement and employability services to the total community, including the disadvantaged, minorities and the physically and mentally disabled. Local job information will be provided in each Community Manpower Center to enable many of those who are job-ready to assist themselves. This will also allow more time and resources for those who need help or training to find employment.

Within each labor market area, one or more Community Manpower Centers will be maintained for the delivery of all placement and employability services. The program of the Community Manpower Centers is designed to provide a full spectrum of service. Some applicants for manpower services are potentially employable but are in need of intensive services to overcome vocational handicaps caused by social circumstances or disabilities. For these people individualized employability or rehabilitation planning will be available. Intensive services will be provided by case responsible persons to these applicants. These services will include a comprehensive evaluation of the factors which interfere with employability and the provision of any services needed to eliminate these factors.

Other applicants for manpower services are employable but need some directed assistance in planning an effective job search or in overcoming minor barriers to employment. These people will be provided with employment exploration and job development services. Direct employer contacts for job referral or job development may be made for some of these applicants due to special circumstances such as disability or other factors which may impair the person's ability for self-help.

Many people applying for manpower services are job-ready and occupationally competitive. Their only need is for job-referral and labor market information. These services will be available for those who are capable of self-help.

I want to stress the fact that in the Department of Manpower we expect to maintain and enhance the services we have been providing to disabled people in the past. The legislation establishes three separate boards to be appointed by the governor: an Employment Services Board, a Rehabilitation Services Board, and a Board for Services to the Blind and Visually Handicapped. In these and other ways the legislation assures that the needs of all individuals including the disabled will be identified and met in the new department.

Because the needs for manpower services are becoming more urgent while our programs are becoming more fragmented, I urge your full support of the legislation introduced by Assemblyman Bill Greene and Senator Robert Lagomarsino in order to create a meaningful and responsive program of manpower services for all of the citizens of this state.

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OFFICE OF GOVERNOR RONALD REAGAN  
Sacramento, California 95814  
Ed Gray, Press Secretary  
916-445-4571 4-26-73

RELEASE: FRIDAY P.Ms.  
April 27, 1973

PLEASE GUARD AGAINST PREMATURE  
RELEASE

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN  
ASSOCIATION OF CALIFORNIA WATER AGENCIES LUNCHEON  
Sacramento, April 27, 1973

The agencies you represent and the work they do are important not only to agriculture, but to the entire economy of California.

And that is not just polite conversation. Right now, everyone is concerned with food prices. The strange thing is that some of those complaining the loudest have---in the name of the environment---been advocating a lot of unworkable and totally unrealistic policies that would really cause the price of food to skyrocket if they were ever implemented.

How much more would food cost if you and your predecessors had not had the vision, and the determination to develop stable water supplies in California? The pioneering work of irrigation districts, of the type many of you represent, made the deserts bloom, and turned barren land into fertile valleys that produce an abundance of food and provide jobs for millions of our fellow citizens.

We produce 40 percent of America's fresh fruits, vegetables and nuts---the kind you eat. We have had a bumper crop of the other variety too...the kind who would have us turn back the clock, forget about developing and maintaining the water supply we need for crops, for people and for industries.

In just a few weeks, we will be dedicating the last part of the California Water Project.

Certainly, there is a valid need to preserve the environment. But this does not conflict with agriculture or with the water agencies that supply agriculture's needs. Farmers are among the strongest conservationists in this land. They earn their living from the land and they know man has to be careful with this precious resource.

The California Water Project is one of the greatest engineering feats in all of man's history. It is essential for the future prosperity of our state.

If we were to listen to the gloom and doom criers who want to turn the clock back, how would America replace California's massive food production?

The answer is we could not.

California is doing more now to save the environment, to clean up the air and the water, to preserve areas of scenic beauty, than any other state. And we are not going to abandon those efforts.

The truth is, the orderly development of California's natural resources---especially water---is absolutely essential to our efforts to preserve the environment.

We have tried to apply common sense to our pollution problems. I have said before, there are three kinds of pollution today: real, hysterical and political.

To listen to some, you would think we will soon be standing shoulder to shoulder in the tiny center parkway of a giant freeway.

You could take the entire population of the United States and put it into the land area of only two states---California and Texas---and you would still have a population density lower than that of most of Western Europe.

Now, this does not mean we should not be concerned about the environment or that we can go on with practices that led to pollution---the real kind. We can strike a reasonable balance.

A few weeks ago, I had the privilege of addressing a labor group on this very subject. They are concerned about the environment but they are also concerned about jobs. We do not have to choose between---we can set a common sense course between those who would cover the whole state with concrete in the name of progress and those who think you should not build a house unless it looks like a bird's nest or a rabbit hole.

Well, I got off on a little different subject than I intended to discuss here today. I would like to take advantage of you and talk about taxes and what you have to pay for government.

Most of you are leaders in your own communities. And I am sure you have heard or read about the Revenue Control and Tax Reduction plan we have proposed to the legislature and as an initiative campaign.

You may also have been confused by some of the charges and counter charges made about this proposal and the plan we have suggested on how best to use the state's surplus. That surplus did not just happen.

It is the result of a combination of things, including the welfare reforms that in two years have trimmed 274,000 people from the welfare rolls and made possible reduced property tax rates in 42 of California's 58 counties.

I am sure you remember the criticism when we proposed these reasonable reforms. Some of the same people who now oppose our tax limit plan said we would have to raise taxes \$750 million mainly to cover the increased costs of welfare.

We reformed welfare instead. And now we have a surplus but that surplus is like that water you helped dam and channel and save. If we just leave it where it is, it will not be there long.

Already, bills totaling more than \$1 billion have been introduced in the legislature. And the cost of many of these spending proposals are not simply one-time costs. They would recur again next year and the year after that and this would mean increasing taxes.

We do not think the surplus is the state's money to spend. We think it belongs to the people who paid it. Since it was not needed, it should be returned in the form of lower taxes.

We want to use part of it to defer the scheduled sales tax increase from June 1 to January 1 of next year. This would take up about \$368 million. This scheduled change in the sales tax is not really an increase. It is a tax shift. It subsidizes a reduction of the property taxes of every California homeowner, every property owner, and provides tax credits for renters.

Deferring this increase by using part of the one-time surplus will return some \$368 million to the taxpayers. About the same amount will provide a 20 percent rebate of your state income tax next April.

What is left of the surplus can be used to make the state Capitol building earthquake proof and to purchase additional beach and park lands.

We also propose an ongoing cut in the income tax of  $7\frac{1}{2}$  percent. But the most important part of the plan involves a Tax Limit and Revenue Control Program.

We are asking that the people be given an opportunity to have their say at the ballot box on how much of their income government should be allowed to take in taxes.

Regrettably, some leaders of the majority party in the legislature have said they will not permit the people to vote on this proposal.

So we are taking this plan to the people in an initiative campaign. We believe they have a right to vote on it, just as they voted on the bond issue for the Water Project.

We must gather 528,000 valid signatures in the next six weeks or so to qualify the tax limit plan for a special election which I have promised to call in November.

Actually, this is not a partisan issue at all. High taxes are a matter of critical concern to every businessman, to every family trying to stretch its income to meet today's cost of living.

The cost of government affects us all---Republicans, Democrats and Independents. And it will take a majority of all California voters to bring state spending under what we believe are some quite reasonable controls.

The Constitutional Amendment we are submitting to the people is simply a proposal to slow down the growth of government spending, by putting a lid on state revenues, a maximum ceiling on the percentage of California's total personal income that the state can take in taxes.

This plan was drafted over a period of six months by our Tax Reduction Task Force which included some of the finest economists in America.

The philosophy behind it is simple in concept, but it represents a major departure from the prevailing attitude that government has some sort of ordained right to take the largest slice of everyone's income.

Our task force traced the growth of government spending and discovered that in 1930, taxes took about 15 percent of the nation's income. Twenty years later, this had gone up to about 30 percent. And this year, the combined cost of government---federal, state and local---takes more than 44 percent of California's total personal income.

The state's share of that 44 percent is about 8.75 percent.

If we do nothing, if we permit government to grow at the same uncontrolled rate it has grown in the past, in 15 years, government at all levels will be taking almost 55 cents out of every dollar of income in California. The state's revenues will grow from \$9.3 billion to \$47 billion in 15 years.

And if government has \$47 billion of revenue, it will find a way to spend \$47 billion.

As Milton Friedman says: "Government expenditures rise to absorb any tax increase and then some."

We propose that the state gradually reduce its share of California's personal income from that (8.75 percent) we are taking today to a little over 7 percent in 1989. For 15 years we would reduce the state's share by one tenth of one percent each year.

Cutting the state's share from 8-3/4 to 7 percent may appear to be a modest reduction. But when you calculate that percentage into dollars and compound the savings over a period of 15 years, it adds up to a total tax savings for the people of California of \$118 billion.

Instead of constantly higher taxes that force our people to reduce their standard of living to finance government, the people will have that money to raise their standard of living.

Think how much this will mean in increased savings, increased investment opportunity, and how many jobs this can generate in the private sector!

Some of the critics say that this would put government in a strait-jacket. What is wrong with that? What is wrong with forcing government to start living within its income instead of living it up on the people's income? But it really is not true.

This is a reasonable plan. It assures flexibility for government to grow to meet the needs of an expanding population and to take care of the inflation factor.

And it provides more than enough to finance new programs. In ten years, with this revenue control program in effect, the state budget can double to \$18 billion and in 15 years, it can triple to \$27 billion. That is a pretty loose fit for a strait-jacket---three times the size of the present budget in just fifteen years.

But there is one thing this program will not do. It will not just hand government a blank check. That is what we have had up to now and that is why the average family spends more to pay for government than they do for food, clothing and shelter combined.

That is why they must work almost six months of the year just to pay their taxes.

The program returns to the people the right to decide for themselves how much more government should cost.

If they ever decide that the limit should be raised, they can do so by their own vote.

One of the major criticisms we have heard so far is that we may have an emergency and a tax ceiling would get in the way. Well I told you, government now takes 44 percent of the people's earnings.

Yet at the height of World War II government was only taking 28 percent. I doubt that we will have a greater emergency than World War I. But if we do, the plan provides for a permanent emergency surplus and if that is not enough the people can vote for a higher tax limit.

Another charge is that this program favors the rich. But our proposal totally eliminates state income taxes for every family with an income of \$8,000 or less---this year! And for every single person with an income of \$4,000 or less.

By putting this plan into effect, in five years, we could finance another 25 percent reduction in the state income tax. In ten years, income taxes could be reduced 60 percent. Or we could reduce the sales tax by two cents---a full one third. Or there could be any combination of tax reductions.

This plan does not accept the idea that government costs should always go up. Instead, it is a reasonable and practical way to assure that the take-home pay of the people grows at a faster rate than their tax burden.

Those who oppose this plan---some without even reading it---do not believe the people can be trusted to establish a reasonable rate of taxation for themselves.

They are the same ones who told us a few years ago that we should raise taxes instead of reforming welfare. They are the same ones who believe that government's role is to decide what the people need, figure up the cost and send the bill to the people.

We think the people should decide how much they can afford to pay for government and government should establish the proper priorities so as to fit within that amount.

That is hardly a radical idea. It is the same kind of budgeting every family must do to keep from going bankrupt.

Some other groups have said they do not like the principle of a tax ceiling, they do not think things like tax ceilings should be in the Constitution.

The answer to that is simple. We already have a Constitutional requirement that the state have a balanced budget every year.

If the people had not written that provision into the Constitution, does anyone doubt we would have had some deficit budgets in years past?

Limiting government's share of your earnings is the only way to bring government spending under reasonable control.

We believe the people of California want lower taxes. And apparently the only way we will have them is by allowing the people to vote for them---Heaven knows nothing else has worked.

More than money is at stake---we are actually voting for freedom.

Justice Oliver Wendell Holmes said, "Keep government poor and remain free."

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