

Ronald Reagan Presidential Library Digital Library Collections

This is a PDF of a folder from our textual
collections.

Collection: Reagan, Ronald: Gubernatorial Papers,
1966-74: Press Unit

Folder Title: Press Conference Transcripts –
01/02/1968, 01/10/1968, 01/16/1968

Box: P01

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library
inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at:

reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

PRESS CONFERENCE OF GOVERNOR RONALD REAGAN

HELD JANUARY 2, 1968

Reported by

Beverly Toms, CSR

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

---000---

GOVERNOR REAGAN: Happy New Year. No opening statement or resolutions to announce.

Q Governor, can you give us your reasons for letting your Public Health Director go or not re-appointing him?

A Well, Dr. Breslow left us to take a teaching assignment at U.C.L.A. I was called by someone at the University asking if it would be embarrassing to us if we would resent them offering him this. They sought him for this Professorship, and I said what I would say about anyone in Government, we wouldn't stand in their way or in his way if he wanted to accept such position.

Q Well, I understand, though, that had you offered to re-appoint him he would have stayed.

A Well, let me say this, in a term appointment here of Dr. Breslow there is no question but that there was a philosophical difference. He himself has expressed that he was not in sympathy with the philosophy of this administration and this would have certainly been taken into consideration. I think that when you take office in an administration you are going to try to implement your beliefs in the things that you random.

Q Governor, it's also been said that four of your top advisors urged the retention of Dr. Breslow against you and you did not take their advice.

A I don't know who those would be. There never was very much discussion about this.

Q Was he told that he would not be re-appointed?

A I don't know whether he had been told that or not. We round-tabled this with Spencer Williams and with some other people just as we would about any term appointment that was drawing to a close and we were aware of this philosophical difference. Now, whether he had been told before he accepted the assignment or not, I don't know.

Q What is that philosophical difference, Governor?

A Well, I think that it's very obvious, in his own words, that he believes that Government has a -- should play a greater part in certain areas, in the social structure than I believe, and that Government should play -- have a greater control in the field of medicine than I believe it should have.

Q What is it doing now, the State Government, that you would like to see it not do? Is it doing anything that you would like to see it not do in the Public Health matters?

A No, I must say that he -- he certainly -- there was no outward friction of any kind.

Q Governor, actually wasn't Dr. Breslow asked last December or January to resign?

A I think this is true, yes.

Q And generally, how do you feel about term appointments? Do you think a Governor should be able to come in and name all his own people? Governor Brown had several of these term appointments eliminated and made purely pleasure. How do you feel about it?

A I would hesitate to get in now as to where I think there might be any changes because I haven't given it that much thought. I don't think this should be changed, frankly, I think there are a number of them that a term appointment is a good protection against injecting politics into certain areas of Government.

Q Governor, speaking of appointments, is there any activity in the realm of your Finance Director leaving?

A Not that I know of.

Q Would you get back to Breslow for a moment. Do you think that the circumstances under which he left, because his is a rather specialized professional field, may make it difficult to find a replacement for him?

A Well, I shouldn't think so at all. As a matter of fact, Dr. Breslow had a number of very fine offers that he was interested in, and --

Q In terms of hiring a replacement, do you -- might it be difficult to find a permanent replacement for him?

A I doubt that. No, we are going to do our best to find one and I'm sure we will.

Q Governor, is there any truth in the report that you are planning further cutbacks in the field of Public Health in the coming year?

A Well, I don't know what you mean by further cutbacks, actually.

Q Beyond your 10 per cent reduction that you attempted last year in all departments.

A Well, that 10 per cent cutback was in those areas that are subject to administrative control, and we were talking plainly about the administrative overhead of departments. We were not talking about the reduction in the actual expenditure, as far as, let's say, the payment to people, in the service to people is concerned, and we were quite successful. The 10 per cent came out about 8 and a half per cent. What are called cutbacks usually are reductions in the increases that are asked by each department, and as I said the last time I was in here, there is no question but that we are not out of the woods, that we are going to have to cut back on the increases that have been asked by every Department of the State if we are to have a balanced budget this year, but I'm sure that that's something that happens every year, also, that each Department asks for more than it knows it is going to get or it can get.

Q Were there any specific economies that you are

contemplating in Public Health that the Dr. Breslow objected to?

A Not that I know of. This, I'll suggest that you take up with Spencer Williams.

Q Governor, you say you are going to have to cut back on the increases asked by every Department of State ^{Government.} ~~Governor.~~ Do you mean that -- have you arrived at a specific figure or are you cutting back by five per cent or 10 per cent or anything across the board in that connection this year?

A No, nothing of that kind, and I'm not prepared yet. We are, as you know, still putting the final budget figures together, so I'm not prepared to say anything about that or go into detail on the -- on the budget. But it just-- as we found out last year and have already found out this year, when each ~~Department~~ submits what it could do it is an understandable thing, I think any Department gets to seeing all the problems to be solved and reaction is, if we only had "x" amount of dollars we could do the whole job and everything all at once. Well, there aren't "x" amount of dollars for each Department unless you are going to eliminate somebody or take it away from somebody else.

Q Governor, in your final Task Force report, did the working committees make any specific recommendations to you on budgetary amounts for next year?

A No -- now wait a minute. I haven't gone fully into all of them. As I say, we are putting these together, but I don't think -- I think I'd be very safe in saying that no, the ~~Task Forces~~ didn't actually come in and give a flat estimate of what some departments should have. I think they gave recommendations as to things that could be done, particularly in the area of overhead and here and there gave some estimate of what they thought the savings might be if these recommendations were implemented.

Q Governor, are we to understand you are not going to ask this year then for a percentage cutback in expenses?

A No, no, we are going to ask for a number of specific things, some of them requiring legislation to implement many of these recommendations that we believe will result in savings. And again it will be a case of these savings will come to light if they are going to be made in the months ahead and in the coming year. As I said to you, I still -- a few weeks ago, I still think that while it is true a budget every year is going to have to go up about seven to eight per cent, based on the just normal work load increase, at the same time we mustn't let up on our efforts to make sure that we start from the proper base, that the budget is the most efficient, the most economical that we can have, and then the increase based on that, and I'm not sure we have arrived at that. That's why we want to implement so many of these recommendations and this is going to take time. You can't -- you can't guess, you can't build a budget on speculation as to what economies might be achieved. You have to achieve those economies first and find out what you can do, and base your budget from there, and as I say, I still think that given another year we will have much more knowledge and if we can get these things implemented we will be able to know that we are moving from a proper budget, that it's been as economical as it can be.

Q Governor, has your Task Force on taxes reported to you yet?

A I know that they are about ready for one. Whether this has been brought into Sacramento yet or not, I don't know. I just -- I haven't talked to Gordon Smith yet this morning, but I know in the next several days we will be having it, at least that's my understanding.

Q The consultant to the Task Force suggested he would recommend withholding personal income taxes to the Task Force. You don't know that that's in the report?

A No, as a matter of fact, that isn't quite accurate. In some forum or something he talked about withholding and what he felt about it, but this -- I understand in some

conversations that have since been held with him that did not reflect his total views or his recommendation.

Q Did he not say it was inevitable, though, Governor?

A I don't know, this was the term that was quoted in the press, but you could say that on the basis of thinking that just from the -- the pressures he might have been saying it regardless of whether he felt that it was desirably inevitable or not. He might have expressed a belief. I'm not -- I'm not that defeatist.

Q Governor, why do you have a basic opposition to withholding tax in the first place?

A Well, for a number of reasons, on withholding. First of all, one of the reasons about withholding is that there is a certain amount of dishonesty in what has euphemistically been called the recurrent windfall of withholding, and the current windfall happens to be the knowledge of Government that there will be "x" number of or millions of dollars each year that the People will overpay by way of withholding and they won't know they have coming back, and they won't apply to get it back, and I think there is something dishonest in a Government basing its revenues on the people mistakenly paying money they don't owe the Government.

Second is a great increase in the administrative overhead, and third, again, I believe, is the -- philosophically as I have said before, I think is the idea that as you make the -- as the Government takes over the budget in task for a family or a worker and as the Government makes this so easy, the Government removes some of the individual citizen's concern over how Government money is spent and how much taxes are going up. There is even an inflationary tendency in withholding. We have noticed that as the worker views his check only what's on the front of the check and not what's on the stub, that when withholding increases, when the tax increases, there is an immediate tendency to go in and renegotiate labor contracts and so forth to make

sure that nothing happens to that front part of the stub, regardless of whether production warrants such an increase or not. In other words, to pass on the tax increase in the form of increased prices. There are a number of things of this kind that I believe make it imperative for anyone if they have any regard for this system of ours, for the free economy and for the citizen's rights, to oppose some of these things that look so convenient and easy as, never mind, we will make it painless. And this is one of the factors that influences me.

Q Governor, one of the major wire services conducted a poll of the Legislators. It apparently showed that a large majority of them believe that the only way you are going to get your tax reform program is with an accompanying bill authorizing withholding.

A Well, I tell you, maybe they ought to take a poll of the people. Now, this -- this may be true, as far as the Legislature is concerned, but I've had a feeling that my position on withholding was based on the fact that the people themselves more or less made this an issue in the campaign. Wherever I was asked questions, and this was in almost every audience that I had, one of the questions and up near the top happened to be the issue of withholding, and I came out of the campaign convinced that the majority of people, and certainly those who voted for me, were opposed to withholding. And I think that I'm reflecting the will of the people.

Now, if this changes, and based on their own knowledge and they have access to all the facts, and the People of California have undergone a great change and no longer feel this way, it would be pretty arrogant of me to stand in their way, but it is equally arrogant of a Legislator, and it is equally arrogant of the Speaker to simply say that he's going to put on his opinion withholding is the price of getting some legislation that is good for the State of California, and good for the People, because he believes in it and he doesn't care what the People believe.

I think it is time that we began caring a little more what the People believe.

Q Governor, wouldn't you like to perhaps check the attitude of the People again this year after the State tax increase is -- they have a chance to look at that?

A I'm perfectly willing. I'm always willing to find out what the People believe. This is one of the purposes of some of our reports to the People, but again I don't want the People changing their mind because someone has told them that 80 million dollars is being stolen, that there are that many cheaters in the State of California, because I doubt that that's true.

Q Well, Governor, if you carry this logic to its extreme, the People don't want taxes, period.

(Laughter)

A No, I could reverse that on you. No, it would be wonderful if we could run the shop free, but the People also understand that and I would only refer back to last year after we announced the need for the tax increase, described roughly what it was going to be, you remember there was a television report that gave the financial condition of California, what we are going to be needing in taxes to put us on a sound fiscal footing, and a survey not taken by us, but a public opinion survey in California revealed that somewhere around 70 per cent of the People in California agreed with the tax increase and said they understood the necessity for it. I just happen to believe that if the People have the facts, the People make pretty correct decisions.

Q Governor, on withholding, maybe you could clarify something. In your year-end news conference, ^{at} and one point you say that you are not convinced that a substantial amount is being lost by not having withholding, but you add that you could -- this could be proved, that there was a substantial amount being lost, that the responsible position would have to be a review of withholding. Is this what you meant, are you leaving yourself

a leeway there?

A No, I'm only saying this, that if these charges which I think are a little wild on the other side, if they could be substantiated and if it was plain that there was no other way to prevent this leakage, that anyone with any responsibility would have to review his position because obviously if there are that many dishonest citizens and I just find it hard to believe that -- if there were, then you don't expect the honest ones to subsidize them. Although, sometimes I get a little amused at some individuals' concern about whether the People are subsidizing someone else when they don't seem to be concerned about a number of very obvious subsidies that are going on, but the -- the thing is, as I said, we have already launched a study of a method of checking and trying to find out as accurately as possible what ^{is} the percentage of tax defects. And also to find out is there a method, if we can find out the amount, a method of -- by way of checking, of correcting this, and getting that without going to withholding. If we could do it without the vast administrative overhead, we seem -- it would seem that we would take away the principal argument that's being used by the advocates of withholding.

Q Governor, in this whole matter of withholding and attacking the Speaker here this morning, are you suggesting perhaps that he's engaging in dirty pool, political blackmail or what?

A Well, now ^I you've used a lot of words there that I haven't used.

(Laughter)

A I didn't think it was an attack. I just pointed out that I have based my position on what I thought was the feeling of the People, and the Speaker as well as some others who seem so completely dedicated to getting withholding by fair means or foul, have seemed to be concerned with their own position and they haven't the backing that I have or the belief that I have, that this

reflects the will of the People.

Q Governor, you said that your number one goal for '68 would be tax reform?

A Yes.

Q Now, by tax reform, are you speaking about property tax relief or are you speaking about an improper structure in the State taxes that you want to change?

A Well, we have to deal with the State tax structure, that's our responsibility, but certainly you know my feeling about property tax. I happen to be one that believes that it is outmoded in our society or our economy as a source of a large amount of revenue, and I would hope-- I haven't seen it, but I would hope that any tax reform to the State level could lead to a real reform, the finding of other sources of tax that are more equally distributed than the property tax.

Q What are some of the parts of the State tax structure that bother you that you'd like to see reformed?

A Well, the main thing is I want to -- I want to find out and again it is a case of learning where taxes that we might be dependent on now are regressive, where they are working against us having a good economy. The tax structure is one that as we know has grown through the years and this is pretty true of Government everywhere, and it's grown, emergency measures have been taken when there ^{has} been a deficit situation. They simply have added on and new sources of revenue. There's been very little study as to -- as to which are the ones that show the greatest return in proportion to the cost of collection and administration. And it is -- I think it is high time that we sit down with the basic rules of taxation as we know them and find out where we are ignoring -- perhaps it would be better to increase one single form of taxation that is completely and widely distributed and eliminate several smaller taxes that are cumbersome, that are costly to collect and that are nuisances. This is the sort of thing that you think of in terms of tax reform. And to have a tax system that's geared to the

economy so that it -- it goes up, the gross revenue, without increasing the rates over and over again, that it keeps pace with the economy, that it doesn't have you constantly going back asking for a change in rates.

The businessman and the individual should be able to base his planning over a reasonable period ahead on the assumption that he knows how many pennies out of each dollar are going to be taken as the cost of Government.

Q Governor, would you be inclined to include an oil severance tax in your tax reform package?

A Well, I'd rather discuss this once the tax reform comes in and we know what we are talking about.

Q Have you given this kind of tax any thought yourself?

A Actually I've -- I must say I've been waiting for the tax reform thing to come in. I think it would be dangerous for me to start making up my mind in advance or picking out areas. I'd rather wait until I see what this-- this group has presented to us.

Q Where do you suspect the greatest inequities and inefficient taxes are in State Government, just your own personal suspicions.

A Well, again I have -- I've hesitated to speculate on that, either. I would want to -- I'd rather wait till we know what we are talking about and have some specific recommendations here to discuss.

Q Governor, a number of the Legislators of your own party have sided with the Speaker on this withholding issue or, as a matter of fact, been out in front of him on it. Do you include them in your charge that they are seeking to feather their own nest, so to speak, and don't know what the People want?

A Well, now you say number, I don't know how many. I haven't met with them.

Q Well, those that do.

A I plan to do that in the near future. Perhaps it is just that they have been listening upstairs instead

of downstairs. Maybe we will have to talk to them and lay some of the facts before them, and see -- or perhaps they have some facts to lay before us. They have been talking to their constituency. I'll be very happy to listen if the People have changed.

Q Has Assemblyman Veneman discussed the withholding tax issue with you?

A No, but I have a hunch we will very shortly.
(Laughter)

Q Can we go to another subject?

Q I have one more question. A few moments ago you referred to a public opinion poll, you said not taken by you, which showed support of your proposals last year. If this same public opinion poll should come back to you this year encouraging withholding, would you tend to take another look at withholding?

A I have already said that if I'm -- and also if this public opinion poll is taken on the basis of the People having all of the information. In other words, having the information, if the People mistakenly accept some figure of "x" million dollars, whether it is 80 million or whatever, as being stolen from them by people who are cheating on their income tax, I would not consider that poll very reliable. I would want to know that the People had access to the information as well as it could be determined as to what is this factor. In other words, that they would know -- I'm quite sure if you simply went out to the People and convinced them that they were losing 80 million dollars a year by this device, they could-- there could very easily be a change in their opinion. But first of all, let's make sure we are telling them the truth. Let's make sure whether it is 80 million or not.

Q Do you know for yourself whether it is or not 80 million?

A No, I said, this is the thing that we are trying to find out. We believe that there are ways of finding this out and coming closer to it on a check basis,

and we are undertaking such a study and we don't think that we should rush into this great change because once you get it, -- I doubt that you'll ever repeal it. I doubt you could ever get it -- you could ever go back to the other way, so before you take this step, isn't it worth waiting a while to find out?

I've heard you could go all the way from the former Controller, Mr. Cranston, who just three years ago took a completely contrary position to his own party and to everyone else, and he was in the Controller's position and he said he believed that the amount of money being lost was so slight that it would be more than eaten up by the increased administrative cost of withholding. Now, this is not a usual source for me, to get backing in my view. But I think it is -- when you can go from that and I've heard the figure up to more than a hundred million dollars as an estimate, I think it is worth doing a little research to find out just what is the situation.

Q When do you expect to have a reply on that research?

A I couldn't tell you right now. I haven't -- I haven't checked on where we stand with it.

Q Well, Governor, when you have withholding tax without forgiveness, you can't call it anything else other than a tax increase, can you?

A Well, withholding without forgiveness, of course, this is the big lure of the last several years. It is that one-time windfall of getting two years tax in one, but there is also a great danger in that. Every once in a while when you use a gimmick or a one-time windfall to solve an immediate situation you find that Government has a tendency to declare that a normal income year and base its spending on that. It is like the motion picture business, you know that 1946, right after the war, they had the biggest year that the motion picture industry has ever had. And that now develops is the only normal year that the motion picture industry has ever known. They

base all their figures on it. Well, the same thing is kind of true of these one-time gimmicks. Then every Department comes in next year with a budget based on the income of last year and you find you don't have that gimmick going for you.

Q Governor, in your program to present to the Legislature this year, where does the issue of welfare costs range and have you any specific proposals to make?

A We will be making some proposals on this because there is no question but that welfare and all of the related programs with it and the area that are increasing far more than the normal work load, the normal seven or eight per cent increase. And there -- there has to be an explanation and an answer to California going up at a rate that is much faster than any other State in the Union in this regard.

Q Governor, are you at this time contemplating vetoing the Federal grant to the California Rural Legal Assistance League?

A No, as a matter of fact we just received this -- this program for the coming year as of last Thursday. So we haven't had time yet to receive what changes they may have proposed or what the nature of the program is as it is now proposed. So I don't think it would be proper for me to comment now, in past experience, until I see what it is that they have proposed.

Q Can you give us your ideas of the operations of California Rural Legal Assistance ~~Assistance League~~ as it now stands? You are opposed to it, apparently.

A As it took place in the last year. We have no quarrel -- please be sure of this, we have no quarrel with the idea that city or rural, our citizens who don't have the means when they need legal aid, that they should be denied that legal aid. They should have it. It seemed last year that the number of individual cases of the kind that originally caused such a program to be established, were lining up and backlogging while the

program engaged itself in -- well, you might say kind of a Legislative process of trying to get Legislative changes and reforms in Government programs, and we thought that there was an undue emphasis on this and sometimes at the taxpayer's expense, when one part of Government fighting another part of Government, and what is needed and what originally caused the program to be established was the need of the individual, was a civil action who has to go to Court to obtain back pay or regressive agrievance and didn't have the money to hire a lawyer. This is what the program was established for and there seemed to be as nearly as we could determine last year, a great backlog of this kind of case. They were so busy with the other things they weren't taking care of these.

Q Based on that negative evaluation, would it therefore be -- would you therefore veto the program on that account?

A I'm not going to comment until I see the program.

Q You'll have to be making plans for -- very soon -- to the composition of your Favorite Son Delegation. Can you tell us what you'll do to make sure that the -- it would be Rockefeller, Nixon, Romney representation on this?

A As a matter of fact, very shortly -- I can't give you the date because we are still putting it together, a Statewide committee will be announced that will be involved in the selection of delegates and I think when you see that Statewide committee, it will speak for itself as to whether we have made an honest attempt to cover the broad spectrum of the party because we are making every effort to do just that.

Q Governor, when that delegation is formed and is at the convention, could you explain to us now they are pledged to you as a Favorite Son for the first ballot, and so far as you are concerned, are they free agents after that or will you attempt to solidify them behind one candidate or the other?

A I think if you are going to have a Favorite Son Candidacy for the purpose of using your strength, your state strength and influence to play a part in national leadership, I think you are going to make every effort to see if you can't operate as far as possible on a unit basis so that you do have some strength, so that you don't just scatter and go your separate ways, and there have been instances in the past, both parties, where California has thrown away opportunities to have some influence on the national scene and influence which would then, following the election serve the State purposes to the best of ability or the best welfare of the People and you try to avoid that. There does come a point, of course, where you are not going to insist on an individual delegate going completely contrary to what his views may be, but up to that point you do try to use that delegation to have some -- some national power.

Q Are you asking for a unit rule pledge from the California Delegates?

A No, You wouldn't ask for that again because then, as I say, again you might come to the point where you have to ask some delegate to go completely contrary to his views.

Q Thank you, Governor.

PRESS CONFERENCE OF GOVERNOR RONALD REAGAN

HELD JANUARY 10, 1968

Reported by

Beverly Toms, CSR

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

---oOo---

(The following excerpt is transcribed out of order.)

Q Have you given any thought to Senator Miller's resolutions urging that you stay home this session?

A Yes, I gave a certain amount of thought to Senator Miller on that, and I figure I'd make a deal with him. I'd be happy to stay home if he'd leave.

Q Governor, also in your State of the State, you referred to the reduction in mental health patients due to the out-patient clinics that you were going to seek additional funds. Would these be greater funds than the amount that was cut from the clinics, cutting the clinics out last year?

A We didn't cut, we increased the amount of money for regional and local cuts there last year, and we intend to pursue this to the ultimate to where it can do the job. As a matter of fact, our people in mental health believe that if we can continue to expand at that level, that we will eventually -- eventually in a few years, get down to probably a permanent level, a patient level in the hospitals of around 13,000 total for the State; that this will represent those who require the custodial care.

Q Just this is more money to the counties for their out-patient clinics and not the State?

A We believe, yes, that this is far -- this was the thing. The State clinics were experimental, and in some areas they -- they still must be continued. In other areas, such as in Los Angeles, for example, where we had three or

four State Clinics only handling a few hundred patients, and the County had taken over to the place where they had 18,000 patients, it was ridiculous for us to continue these few experimental clinics. It makes far more sense to turn the additional funds over to the County.

Q Have you at all, Governor, analyzed or do you -- are you concerned about the absence of applause during your State of the State message? What was it, resentment in general among the lawmakers?

A No, I felt a little bit like Lincoln must have felt at Gettysburg. I realize I was standing on a great battlefield.

(laughter)

Q Governor, do you have any response to Speaker Unruh's reshuffling the Committee Chairmanships and how those changes might affect your program?

A Yes, it would seem that it takes more than a change of tailor to change the image of Big Daddy. I think he made it very plain, that in spite of any words to the contrary, the Speaker has every intention on the partisan basis of blocking a program of the administration, and as I said, I think that the People of California deserve better.

Q Governor, Speaker Unruh has accused you of being the driving force in efforts to unseat both himself and Senator Burns. What is your reaction to these charges?

A Well, first of all, it is an awful temptation to take credit for it. The truth of the matter is I had nothing to do with it. Senator Burns, you can question him, you can ask him. I talked to Senator Burns. I had some Senators in with regard to this only because I felt a responsibility to relay it to them, some of the concern that was being expressed to me by a rank in file of the Republican Party. But I apprised Senator Burns of what I was doing, that I had asked no one to vote or to change a vote, that this was a Senate affair. With regard to the Legislature, I'm sure that the Speaker, Big Daddy, would like to have this get down to a contest between himself and myself, but this isn't

true. I didn't know what was going on in the Assembly until they came down and told me what the vote was, and I must confess, there is a side of me that wished I had known a little earlier it was that close.

Q Governor, why do you call him Big Daddy?

A What?

Q Why do you call him Big Daddy?

A Well, I just thought that perhaps some of the conduct yesterday and the Committee changes and so forth indicate that perhaps it is proper.

Q Governor, can you conceive of any set of circumstances ~~nces~~ that might lead you to campaign in your own behalf before the last of the Presidential campaigns in Oregon or any other State?

A No, no, I can't. I have no such intention. This one trip that Mike referred to as my annual trip back which I did a year ago, and will do again, and I think is rather customary to meet with the -- our Congressional delegation, give them the program, tell them what we are trying to do and in that one I did make my final swan song. I accepted some speaking dates, going to and coming from, but I have no plans for going out now that the Legislature is back in session.

Q Governor, a two-part question for you, Governor. Yesterday in your speech you mentioned the possible formation of a couple of committees, one on human resources, and the other on economic development. My two-part question is this, who is working on the formation of these committees, and will they in any way conflict with Federal, State, local or private groups who are working in the ~~same~~ area?

A Oh, not at all. As a matter of fact, any such committees, this will be round-tables and cabinet decision upstairs, but we will -- anything we do in that line is going to be geared toward working with and in cooperation with all of these efforts. For example, we certainly wouldn't do anything to in any way interfere with the fine work that ~~the~~ Chad MacClellan's group is doing with regard to minority employment, and very shortly I hope to have more

specific reports on that for you of the success and what has been taking place in the Chad MacClellan group.

SQUIRE: Any more questions? Thank you, Governor.
(The following is the first portion of the Governor's Press Conference.)

---oOo---

GOVERNOR REAGAN: Now, everybody looks like they survived the holidays.

Q Governor, was the omission of any reference to the Rumford Law in your State of the State message intentional, and if so, why?

A Intentional only from the standpoint that from the time that we said there would be -- that we were considering legislation on that, we found that legislation is being drawn up. As a matter of fact, several different sources and we decided before we joined in we'd wait to see what was being advanced by others who are concerned with it.

Q And you have no position on it right at the moment?

A We are drawing up no legislation till we see what some of this other legislation is going to be.

Q Mine's on another topic, Governor.

A What?

Q Governor --

A Wait a minute.

Q Well, on the Rumford Act, then, do you favor a -- are you going to press for some sort of a modification of it or a repeal of it? Could you state your position on the type of thing you'd like done to the Rumford Act?

A Well, I think my position hasn't changed. I supported the bill as amended last year that failed to pass~~age~~ which was in fact a modification and that had to do particularly with the -- the principle involving the individual owners' right to possession and control of his property.

Q Governor, who's drawing up this bill that you speak of?

A Huh?

Q Who's preparing this?

A There are several that we are -- that we understand are being prepared and we are going to wait and see what they come up with.

Q Senator Smith says he's waiting on you to take the lead in this.

A Well, we will be glad to tell Senator Smith some people he can talk to then that are doing this.

Q Governor, on another topic. A statement from the Controller's office, dated August 25, said that the unpaid Medi-Cal bills from last fiscal year were being accounted for under last year's expenditures, and yet your Finance Director contended up until almost the present time that those bills represented deficits that would have to be paid out of this year's budget. Why did it take almost four months to discover that mistake?

A Well, for part of the reason might be communications, but it also must be considered that we still had the six months provision the Legislature has now given us the permission to change from 60 days, from June 30th till January you still had no way of knowing exactly the bills that would be presented. If there was an error, it was on the side of caution. At the same time, and I'm very happy about the fact that it looks now as if we could pay off last year's over -- over-charges on Medi-Cal that were far and way above the budgeted amount, that we can pay them off out of last year's revenue. But if this is true, and it appears to be, some large part of the credit for this should go to the fact of -- that we were able to reduce the scale of spending not only in that program, but in other programs so that there was available money from other economies to apply to these bills. Now, it is still a happy -- happy fact that not one of which I'm going to be reluctant to take advantage, -- the fact that this has been paid, but I would also like to point out that the Legislative Analyst as late as yesterday testified before the Senate Committee, has said

that even though we now have gotten out from under this load we still cannot pay for this program in its present shape in the future on the basis of our present tax system, and this is what we have been contending and will continue to contend and why we are asking for legislation.

Q On the basis that there was an unpaid deficit from last year's bill you went to the Supreme Court to appeal Judge Perluss' ruling, called a special session which I understand cost about four hundred thousand dollars. At the same time Legislators were saying all the time that there was no deficit and now the Finance Director Smith says yes, they were right. Precisely why did it take so long to get this information, to find out that it wasn't necessary?

A You want me to answer your questions or you want me to answer your statement? Because your statement is somewhat in error.

Q Why does it take that long to get information which apparently the Legislators had?

A The Legislators were arguing that the program was not over-spending, and this program started out last year, budgeted at \$151 million dollars. A month before we took office it went up to \$179.7 million dollars, and their estimate, not ours. By Spring, we knew it was costing \$202, and we thought we could make it come in for \$202. It was apparent as the bills began to come in and the piping, this was not so, and we immediately told not only the People but the Legislature that it wasn't going to end up at \$202. And it wound up costing \$263 million dollars, which is more than a hundred million above what had been budgeted at the beginning of the year, and almost 62 million dollars more than what we had estimated even as late as late Spring when we had that crisis and had to ask for additional money for the program. Now, the argument that was going on with the Legislature was not our deficit, it was over whether the program -- whether we were giving them the true figures as to whether it was over-spending. In the meantime, however, and starting from the first, back in the Spring, Spence

Williams began implementing all the economies that he could within the flexibility that was given him in the program. And I think that he deserves a great deal of credit because I think the deficit or the over-spending would have been much greater had it not been for those economies. Now, he effected them. We closed it out and due to this and other economies we have been able -- we didn't know at the time to pay -- pay it out of the revenues, the accrued revenues, which did not and could not be totalled up until mid-September. Remember, that in the switch-over of this last year to the accrual system, the revenues from July, August and half of September, were accrued for the payment of last year's bills. Now, once this was over, as I say, if we erred, it was on the side of caution, and I would do it again, and I think we should do it again. I think it would be far wrong of us to simply sit back and let the deficit go on so that we could wind up with a doubtful satisfaction of saying, "I told you so," at the end of the year. And I'm very proud of the cuts we were able to put in. Now, we did not call -- and this is where I'll correct your statement, we did not call an expensive special session to deal with Medi-Cal. We were in special session, called because of the need for reapportionment and when the Supreme Court decision was handed to us, we immediately put it on the calendar and asked the Legislature to give us additional flexibility because, as I repeatedly said under the Supreme Court ruling the only flexibility left us is the dropping of people from the -- from the Medi-Cal program, which we don't think is a -- would be a proper procedure.

Q Wasn't there information available at the time when Judge Perluss ruled against you and you said this means we have to cut 160,000 needy from the program and then made the same statement and the Supreme Court upheld Perluss? Wasn't the information available at that time to show that this in fact wasn't necessary and that you did not need to cut the program?

A No. You can argue about that if you want to, but

it isn't exactly true, and I quote again the statement I just made of Allen Post. We are talking about this program and whether it can logically not just sweep by one year, but whether this program can continue. And what we asked for was the flexibility to do other than the thing left to us by the Supreme Court. The Supreme Court decision said in effect that the only flexibility we had was to drop people from the program and we asked that rather than have it limited to that, which we do not want to do and did not want to do, we wanted the flexibility to do other things. Now, part of the economies that resulted in holding down the overspending, as I said yesterday, in my talk to the Legislature, part of this was temporary. The Federal Government knowing we were overspending, answered our request and gave us temporary permission to delay \$13 and a half million dollars worth of expense which is required by the Federal Government. Now, they can ask us to put that \$13 and a half million dollars in upgrading of nursing homes into effect immediately. And this, as I say, is hanging over us and we can't count on that as something we have permanently saved.

Q Governor, the big amount of money was the \$40 million dollars that came from the school fund. Now, this money has been available for some time. Why didn't you know in -- several months ago that you could use that \$40 million dollars for Medi-Cal?

A I'll have to tell you that I didn't know it then because I don't know it now. We are still -- we are still getting a report on how and where these funds came from, and there is controversy now over whether there was this \$40 million dollars or not. This is what's -- true, this was a \$40 million dollars that belonged to the People incidentally because it resulted from an increase in their property taxes.

Q But, Governor, your Finance Director said the \$40 million dollars was available, there were no ifs or buts at all in his statement.

A Yes, but since that I'll -- and someone can

correct me if I'm wrong -- isn't this true, we are still checking on that, as to whether the 40 was part of the fund that we had available, that did make it possible to pay that off or pay that overcharge.

VOICE: The Director's final report is not in. He suggested that this is a probability, referring to the 40 million dollar school fund.

Q Was there a question there may be a deficit of all, then?

A No, no, we are checking now, on trying to get a score for you, a more accurate score of where these funds came from.

Q Gordon Smith indicated, Governor, in a conference with several reporters that the economies were known before this Medi-Cal was added to the special session. Are you -- are you saying that he was wrong in any way in saying that? That all of the economies were known before the special session -- Medi-Cal was put on the session?

A No, I'm saying -- I, myself, have been saying that we believe we achieved \$23 million dollars in other economies. You've heard me on a number of public addresses use that figure. But you've also heard me at the same time say that in attempting to reduce the cost of Government by effecting economies, you cannot base your budget or your planning in advance on the economies you hope to make. This is one instance in which they -- you have to work and make sure that at the end of the year you can look back and say yes, this department did operate successfully and efficiently at this much less -- lesser money and therefore we can now say this economy can on a continuing basis save this much money, and we have saved this much. I have repeatedly said you have to wait until you save the money before you base a budget on it. We set out last year to save, as we told you, \$20 million dollars. We could hardly have based the budget we are now on in this year on the -- on the fact, say in advance we are going to. We know we can succeed in saving that amount. Now, it seems to me that the Legislature -- or not the Legislature, some

Legislators are playing some rather political games. If we are supposed to be put in the position that we -- at the end of the year we can come up and turn back and say, yes, we have saved the people this amount of money, we'll now take this into consideration on future budgets, for them to turn around and make out as if it is some kind of sin and that we would be better if we were able to stand at the end of the year and say, well, we spent every dime and we need more money. And we are going to continue to implement economies, recommendations to the Task Forces. We believe and are very optimistic about what we think they'll save, but we cannot afford in advance to guarantee they are going to save that until we actually operated the government with those recommendations and know what we are going to save.

Q Well, Governor, if you are not sure if you have this \$40 million dollars in school fund, how can you be sure you have enough money to complete the Medi-Cal obligation?

A Well, because the accrued funds are in as of September -- well, about the middle of September, I don't know the exact date. And we now know that revenues that were in and we now know the total bill because now anything that's in the pipeline now is on this year's budget and not on last year's. They had until January, any bills that came in for Medi-Cal up until January were on last year's -- were on last year's Medi-Cal bill.

Q Can we go to another subject?

Q No.

A Wait a minute, there's some frantic hands here. I don't think you can.

Q There is some confusion about this. I don't understand, have you paid the \$60 million dollars that was left over from last year's bills? Has that money actually been transferred to the Medi-Cal fund, the money from the school fund and the other \$20 million dollars has been transferred and paid out?

A Yes, the bills are paid.

Q What is the dispute about then? What can't you figure out, where the \$40 million dollars came from? If

you already spent it, I don't understand that.

A Not only -- the only question -- I join you. That's why we are trying to get an exact report of where and what totalled up the funds that made it possible for us when -- when we didn't -- when there was great doubt in our mind.

Q You paid the money, but you don't know where it came from?

A That's right.

Q You paid the money, b t you don't know where the money you paid came from?

A That's right. We know that the revenues --- we apparently know that the revenues that came in accrued were just about what had been estimated. Therefore to have money for this unexpected -- well, not unexpected, but this overage in the cost of Medi-Cal over and above what everyone had hoped it would cost or thought it would cost had to then obviously ~~come~~^{come} from increased efficiencies and economies in the running of the government, funds from other programs that didn't go over, but went under, as a result of economies that were implemented, and we are trying to find out exactly. Now, I was convinced myself that part of it had to be the \$40 million dollars from the school fund when the accountants tell me, hold up on that, wait a minute, until we check. Then I'm going to wait until I check.

Q The money, the dispute then is not over whether the money has been paid?

A No, there is no dispute over that.

Q Where you got the money?

A Where it came from, that's right.

Q Governor, can we move to another subject?

A Now, wait a minute.

Q Governor, was Mr. Smith then premature in saying that \$40 million dollars was available?

A Well, I'll let you know better when I get that report. It may be that he was right on the nose with it. Of course, someone else in the Department said wait a minute,

let's check further on this -- over in the budget department. I'm going to wait and check further.

Q Is the \$40 million actually needed -- I'm sorry, is the \$40 million actually needed, whether it is there or not? Isn't it probable that you are not going to need to use the \$40 million?

A Oh, no. No, now wait a minute. According to the Controller's report, the year-end report which is now in on total revenues, and total expenditures.

Q Of '66?

A Yes. We have finished out the year with a few million dollars, tiny, like one-tenth of one per cent or something surplus over and above the expenditures. So that no, the money has been used. Otherwise we'd have \$40 million surplus.

Q But you -- he said on the 25th of August that that bill had already been accounted for in the previous year's expenditures and you still had a surplus.

A Well, look, why don't you go ask him instead of telling me what he said and then asking me to comment on what you say he said.

(Laughter)

Q Governor, next week you are going to be leaving on another fund raising --

Q Wait a minute, are you all done on Medicare?

A Now, wait a minute, our lady over here.

Q Governor, there is one contention that the two sources of funding Smith announced were not touched at all, but that the deficit was paid out of last year's budget. Can I get a clarification of this -- was paid out of last year's budget, the surplus and then we in fact wound up with \$9 million dollars surplus on top of that and that we will have \$61 million dollars more in this year's budget.

A No, because we were -- no, we never -- we couldn't reduce -- we did -- in the \$305 million dollar budget for this year for Medi-Cal we did factor in some amount on the belief that we would be stuck with bills that were in the

pipeline in this six-month period, and so there will be due to the economies that Spencer Williams put in and due now to this being paid off, we have got a good chance of coming in some millions of dollars under the \$305 for this year in Medi-Cal. But that was because we had in the beginning factored in into the budget the possibility that we would still have some deficit from last year.

Q My question, though, was that deficit paid out of last year's budget?

A Yes, out of the accrued revenues as of the middle of September, we knew that the revenues were there, yes.

Q Governor, you are going to be leaving next week --

SQUIRE: Wait a minute, there is a couple of more Medi-Cal.

Q Can I ask one more Medi-Cal question. This year we are spending something less than \$305 million dollars and your Finance Director and I suspect you agree with this, has said that -- that funds for the expenditures for next year, unless there are some controls put on it, will reach more than \$400 million dollars.

A This is what?

Q What level would you like to see the Medi-Cal expenditures at in the next fiscal year? Would you like to see it \$300 million dollars next year or \$400 million dollars next year? Have you arrived at a figure?

A You are asking me now to express what could only be a hope without the knowledge ~~that~~ the people that have to run the program. I'm almost fearful of saying out loud what is the great imponderable that hangs over us, because it is almost like an invitation. The truth of the matter is in this program, unless it is corrected, we estimate that only about half of the people in California who are eligible are taking advantage of it so far, and this is like waiting for the fellow upstairs to drop the other shoe. There is really no way. We took the bills at the last cabinet meeting -- or before this last one, took the bills from one of the largest counties in the State, the monthly bills as

submitted, and for anyone to be able to -- remember, this program has only been in operation two years -- for anyone to make an estimate or a proposal ahead and we have to always deal in estimated revenues and estimated costs till the end of the year -- I think it is remarkable that they have been able to come within about one half of one per cent of estimating those things, back for 30 years. But we took those bills and one month's bill was three times the subsequent month's bill. The next bill went up another seven million dollars over this smaller one. They fluctuated that much. There is no pattern and there is no time for us to know what's going to happen.

Now, the other thing, as I made a pledge yesterday to the Legislature, I'll make to you. I realize that part of the confusion has been when we have alternately talked in terms of the whole budget figure for Medi-Cal which is paid in part by the Federal Government, the County and the State, and we have -- and then this is where the \$810 million dollar figure came in, and suddenly the \$800 we were talking down at \$300 million or we are talking \$60 million overage. There is confusion between talking the whole over-all figure and talking what it actually costs the State. From now on I'm going to talk in what actually costs the State, but I would like to also point out to you if we seem to have been overly cautious on this, to save the State any money, we have to make between two and three times the dollar cut in the administering of the program, because to -- we can't just cut the State's expense and the Federal Government and the County will go on spending. It is on a matching basis; so to save 35 or 40 cents for the State we have to cut the program by a dollar. But from here on, as I say, I'm going to talk to you in the terms of what's the State's spending and the State's budget and we will let the Federal Government and the counties worry about theirs.

Q Governor, if we could --

A You want to get me out of town next week. Go

ahead.

Q Governor, you'll be leaving on this trip next week, fund-raising speeches for the Republican party. I was wondering have you been approached by anyone at all in the Republican State organization from New Hampshire for any speeches between now and middle of March?

A If I have, I don't know about it and if I had, I can tell you the answer would be no.

Q You would not. You would not accept an invitation to speak in New Hampshire?

A No.

Q Will you explain why?

A Huh?

Q Will you explain why?

A Yes, because I've done everything in the world I can in New Hampshire to stop that -- an attempt at a mail-in campaign and so forth, or a write-in campaign, and I certainly wouldn't stick my neck out by going there and opening up a lot of cans of peas that I think we have managed to keep the lid on.

Q Governor, is there any particular reason why you would not speak in New Hampshire yet you -- I think you have spoken in Wisconsin and other States where primaries are coming up? What separates New Hampshire?

A It was a long time in advance of any primaries and as a matter of fact, as I told you earlier, the fund-raisers I've done have been at the -- the locales have been chosen pretty much by the Senate and Congressional Campaign Committees on the basis of where we have the greatest need and where we can do the most good, and on some of those I said that I would -- if we were going to be in the sensitive spots of that kind, that the only way to do it would be to do it so far in advance that wouldn't in any way be a factor in a primary. But I would also point out that the one you named, the Wisconsin one, actually was a commitment made before they had changed their primary system. Wisconsin was no problem to us, they hadn't adopted a legislation that

put them in the category of those other two States at the time we accepted the date.

Q Governor, you said in your speech yesterday that you expected to see the Task report on taxes yesterday afternoon. Did you see it and does it contain a recommendation for a food tax?

A The Task Force report was delivered at 4:45 yesterday afternoon. I'm not going to go into detail about this because obviously between then and now there's been no time to go into this, and study it. It is a broad -- it was not a report in the -- in Legislative form. In other words, they did not return to us a proposed bill for tax reform. They gave us in broad terms a study of our present tax structure and then alternatives and proposals as to making our tax system -- gearing it to our economy. I can tell you that they have in their -- they have pointed out how a broader based sales tax, coupled with a reduction in the rate of the sales tax and coupled with an actual cash rebate to the people in the lower income brackets at the end of each year, a flat rebate of the tax, could make that tax more equitable and reduce or remove some of the regressive features which now make it a little out of proportion in the lower income tax brackets in its present form. But we have, as I say, just received it and will go into the study of this whole report and go to legislation, accordingly.

Q In your speech yesterday you also said the State's concern should be to see that each citizen pays the same percentage of his income on State and local taxes after his payment of Federal Taxes. You mean as part of your tax reforms you will seek to abolish the graduated features of personal income tax?

A No, and I was very interested to see that some people, Assemblyman Warren and some others, perhaps the Speaker, jumped to that conclusion. I thought that I had said it plainly, but maybe I didn't make it plain enough. I used three examples of the property tax, the sales tax and the personal income tax. No, the idea is that in the over-

all State tax structure, it should be on a proportional basis. Now, there are some taxes that just cannot help but have regressive features, and these then are countered by some that would have progressive features, so that the sum total comes out on the proportional basis. What I was trying to point out, and as the Task Force has recommended, the State cannot join the Federal Government, either cannot join it or counter it in its open and devoid use of the tax structure at the Federal level to redistribute income. The State has to be ~~in~~ a different basis or you'll have capital and labor moving out of the State in large numbers. So if -- if you have a percentage of the total income of your State after the Federal tax has been paid, a percentage that then must go for the State government, then it behooves you to see that your total tax structure is so arranged that it is proportionate and that you don't find someone with an \$8,000 a year income paying 15 per cent of his income while someone at a much higher income only pays 5 per cent of his aftertax income for the support of the State. They should pay a proportionate percentage.

Q Governor, aside from the Task Force report, do you have any personal feelings or opinion on extending sales tax to food?

A The only way that I could see broadening the base would be in the context in which it is outlined there. The context of making this a more equitable tax and removing the regressive feature. At the moment, some elements, segments of our society, organized labor for one, has been constantly opposed to a sales tax on the basis that it is regressive, and they have tried to -- we have tried to cure the regressive, or help the regressive feature by exemptions. Now, if someone could show you a better way of doing it and that you would actually benefit the lower income groups and make it more equitable by broadening the base, then I would think this is something we should give very great consideration to.

Q What is the -- do you favor a sales tax on food?

A Well, I thought I just answered that question, I'm favoring a sales tax that can in any way, as I said, if broadening the base of the tax can be used in such a way, coupled with rebates and lower rates and so forth, to make it less regressive, to make it more equitable and that the lower income people are not paying a disproportionate share, then as I said, I think we ought to look at that very -- and consider it very seriously.

Q Did they mention only food, because there are many other --

A No, they did not. They mentioned a -- a wide broadening of the base.

Q Governor Reagan, would not spreading the sales tax to food or groceries be more regressive than what we have at the current time? Would not it penalize the people who can least afford to pay?

A If you kept the present rate and spread the base of the tax without the other elements being introduced, yes. This is-- the exemption, the necessary. Like food was only brought about by -- to mitigate some of the regressive features. As I say, if there is a better way of doing it and there very possibly could, according to figures that have been presented, it is possible that you could broaden the base and using the rebate system remove the regressive features that might -- that do now exist in the present tax.

Q Governor, how would you rebate?

A Very -- oh, one simple suggestion simply would be be a claim up to a certain income level, a claim filed with the Income, State income tax return, and thus those who pay no income tax would still file a return in order to get the guaranteed rebate.

Q Governor, you said yesterday you wanted to increase the contribution to the State Water Project.

Q Can we stay on taxes?

A Somebody on taxes, yes, sir.

Q Did the tax reform recommendation have any consideration of broadening of the property tax base, such as

removing the church exemptions, the veteran's exemptions?

A Well, again, I just received it. I've talked the little bit that I've been able to glance at it here so far. I know that all I can tell you is that generally and I don't know the details, apparently from what I saw in the brief glancing at it, their report recognized that the most regressive tax in California is apparently the real estate property tax, particularly in the home owner. That here the small home owner, the low income people are paying a completely disproportionate share of the cost of government and so I gather from those remarks that in their recommendations they are going to deal and in that report are dealing with changing this.

Now, what method they are going to us to change it, substitute other taxes and so forth, I don't know, because we still haven't been able to do more than glance at it.

Q One of your objections to withholding has been that many citizens would not realize they had money coming back at the end of the year. Wouldn't the same objection apply to your sales tax rebate?

A No, I think there is a great difference. I think someone who's paid an income tax and has overpaid has no way of -- other than his own, he has to sit down and compute and try to figure and know the law enough to know whether he has a rebate coming. That is a little different than the People of California, if such a thing as we are talking about went into effect, the People of California being told everybody up to "x" number of dollars has "x" number of dollars coming each year from the State, and all you have to do is file a State income tax return to get it. I think this is a great difference and I think the responsibility would be on the State to disseminate this knowledge and to repeat it each year and to make sure that the People knew enough to send in this return.

Q Has this tax rebate plan been suggested as an alternative in your Task Force report?

A This is a part of the -- I thought I made that clear.

This is a part of their discussion of this whole thing.

Incidentally, there are several States in the country that already have such a system with regard to their sales tax, and I am going to suggest that we do some checking with those states and find out how it is working.

Q Are you going to make -- can we finish on taxes.

A Except somebody --

Q He wants to change the subject.

Q Please, you are going -- you advocated increasing the contribution to the Water Project from the State Share of Tideland to \$25 million. Does that mean that the money which goes into higher education capital outlay for higher education will be dropped the \$14 million that you are adding onto the Water Project?

A Well, however it works out, it will not be in such a way as to in any way lessen what higher education gets. This is a recommendation of our people and I can't give you the details as to whether this is all from augmented oil income. It is estimated to be up anyway by that time or whether it is an alteration of the present divisions of it, but obviously it would not be taken from some other source without replacing that with the other source.

Q You would have to replace it with some other source of revenue?

A That's right.

Q Like tuition?

A No, high taxes.

Q Governor, are you going to make your Task Force Report on taxes public and if you are, when are you going to do that?

A Well, I think what -- actually you've gotten it aired before we have even had a chance to study this and find out. I think that what we would prefer to do is probably -- well, I shouldn't say that, I was going to say to probably make our -- come out of this with our own recommendation of proposed legislation. But I'm not sure but what maybe we'd rather make plain or make public some of the recommendations. We haven't even had a chance to talk about it. I mean --

Q Are you going to let us know next week when you are going to make that public?

A All right, yes.

Q Well, this is a policy matter. On all of the Task Force reports has there been any position taken the whole of the report should be ^{made} paid public so that the public could be informed of the flaws and discover remedies proposed?

A Well, I think you've got to recognize that in any of these things, we get what could be called a working paper and I don't see any necessity for the working paper to be made public. That's for our use and for our figuring out how we can implement and put into effect recommendations. And we will make a report of all of the Task Forces public but it will not necessarily be the literally thousands of pages, additional support and of all the pros and cons that

PRESS CONFERENCE OF GOVERNOR RONALD REAGAN

HELD JANUARY 16, 1968

Reported by:

Beverly Toms, CSR

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

---oOo---

GOVERNOR REAGAN: Before we begin, I don't have any written statement here, but I want to say something. We had a theoretical discussion last week here with regard to the Task Force report on reform of the tax structure. Obviously we have not had time and it will take a great deal longer than a week for us to completely study and come forth with a tax program. When that is done, I want to make it plain that just as we have done with every major issue during the past year, we will inform and through you the people of California in detail of what it is we are recommending, so that they will have time as they have had in the past to register their agreements or disagreements with whatever it is we are proposing. But I can tell you the results of one week's attention to that program now, I do not believe nor do any of us believe that broadening the base of the sales tax to cover food is necessary or desirable to remove or correct whatever regressive features there are now in the sales tax, and we will not be advocating extending the sales tax to food.

Q Governor, in your announcement of the Steering Committee that is going to set up the Favorite Son Delegation, something was said you will ask them to stick till you -- unless you release an order. Does that mean you'll ask them to sign an affidavit like Goldwater in 1964?

A No, I don't think there is anything of that nature that's necessary and we will meet with this Committee and

then meet with the delegation with regard to how they want to proceed as to whether it will be their decision as to whether they want to adopt unity rule or not, but we did want to establish the fact that we don't want the delegation this time to do what has happened in a couple of instances in the past, when a California delegation of both parties has been still in caucus when the decision was made on the floor. We want the California delegation to be able to participate and have a sizeable position in making whatever decisions are made.

Q Governor Reagan, do you have to know Saturday to make a decision with reference to the California Rural ^{Legal} League of Assistance? Can you give us your decision this time with reference to vetoing the federal grant?

A No, because the decision hasn't been made. As you know, we submitted several alterations as we have done in a number of OEO programs in the past for their consideration, but in the period between now and when the decision must be made, we are continuing to meet not only with OEO here at the state level, but also in consultation with the state bar, which shares our concern about this program. As you know, the state bar had opposed the establishment of CRLA and then finally went along on the basis of some -- some observances of law cannons and so forth that are -- were included or incorporated in the CRLA setup and the state bar is disturbed because at the moment that agreement has not been lived up to by CRLA, so we are meeting with them, we are meeting with the state OEO and this is one of the purposes of the trip to Washington. We are going to meet at the national level with OEO on this.

Q Mr. Lorenz in a news conference in Los Angeles yesterday called the action you've taken as impossible and said he would resign if these restrictions weren't lifted. What is your reaction?

A Well, I'm quite sure that Washington wouldn't find any difficulty in finding someone else to take the job.

Q Governor, in eliminating this sales tax on food, and that you were not interested in broadening the tax base

in that area, does that indicate that you would be interested in broadening the tax base in other areas?

A Well, now --

Q What would they be?

A I could get into a theoretical discussion here every week and have to come back the next week and give you a step-by-step program. No, as I said, we've -- that's as far as we have gone in any study. When we have -- there were a number of alternatives presented in this plan, they didn't present a hard and fast plan and I have given you the only one upon which a decision has been made as to now. I couldn't tell you what -- where we will be going from ~~here~~.

Q Governor, would you find out if there is ~~any~~ more questions on taxes.

A Any more on tax?

Q Can you elaborate a little bit on why you decided against the food tax?

A Well, this seemed to be of the greatest interest. You made that evident last week and it certainly was one that we have had a great deal of experience with, and in the state here and we have had a great deal of information on it so we -- we just went at that.

Q Governor, Speaker Unruh yesterday suggested the state take over the administration of welfare which would be indirect tax relief for the counties. What is your reaction to that?

A Well, I haven't seen or heard that statement. I'd rather wait until I see what it is he recommended before I comment.

Q What is your --

Q Governor, was there any public reaction against the sales tax on food as evidenced by ~~letters~~ to your office?

A Not that I know of. I didn't see any.

Q Governor, are you going to make public the report of the task force on taxes as well as your other task force reports, after you've looked at them?

A Well, you know, we haven't even discussed that, as

to what it is.

Q You said last week that you'd let us know when and if you were going to make these reports public.

A Well, yes, as a matter of fact, the task force reports, along about the first week in February, they completely summarized, with all the pertinent facts and will be made available to you.

Q Does that include this task force?

A Not that I have to tell you, we haven't even discussed it. This being a study, as it were, without specific -- the specific recommendation as was incorporated in the other task force reports, in that this had alternatives and so forth, we haven't even gotten around to anything about that.

Q Governor, what is it about the sales tax on food that you don't like?

A I just don't believe that it is necessary in complicated formula to correct, as I say, what regressive features -- I believe there are other methods in which we can balance up the -- the tax system without going to this.

Q Does this still include the rebate proposal discussed here last week?

A Oh, no, that wouldn't be necessary, as it looks now.

Q On that same topic, Assemblyman ~~Lander~~man is introducing legislation to broaden the tax base to include sales tax on gasoline with a local option to vote, to take care of local transportation needs. How do you feel about that?

A Well, it is -- as you know from our State of the State message, we have under consideration the allowing of each one of the areas where rapid transit is a problem to by vote of the people decide number one, whether they want it and number two, method of financing.

Q Are you supporting the ~~Lander~~man Bill then?

A Well, let me see the bill.

Q Can we get back to the Rural ^{Legal} League of Assistance?

A Can we move on now? If we do, I have one question here first.

Q I'd like to get back to the delegation since we seemed to jump around. That was the second question. Didn't Mr. Smith make clear in that release that even though they might not have to sign an affidavit that this would be a condition of their appointment, that they would stick by you until released?

A No, I saw a copy of that letter, and yes it asked them to -- this is what prompted the question. The letter asked them to stay until released, and then as I recall it made reference to the fact that regard to the procedures then, from then on these would be taken up in a meeting of the delegation. Now --

Q Mr. Horan of the federal OEO office apparently has rejected the administration's condition that you suggested. The very fact that this has been rejected at that level, still leaving your mind open though as far as a veto is concerned?

A Well, I hope that he is still keeping his mind open because we are continuing to meet and meetings are scheduled, as I say, with the bar, state bar, ~~xxx~~ with the state OEO and at the national level. So I have to assume that there is some reason for those meetings.

Q Governor, on the CRLA, one of your -- Mr. Clarke talked about there not being enough activity for them, they shouldn't work in the realm of landmark cases such as the ~~m~~ Medicare and this sort of thing. Mr. Lorenz said there was 11,000 cases that they have handled. Is this not worth further maintenance of the group?

A There's never been any quarrel or any idea about the maintenance of the group. The idea was to provide and we are in favor of legal assistance for the poor. The thing that we have criticized could best be described as these quasi-legislative matters such as the -- the best example is the one with regard to the importation of supplemental labor last year where they challenged nothing of the

state but they challenged the federal government's rule or administrative decision on the admission of supplemental labor and they were able even though they lost -- they were able to delay the importation until extensive damage had been done through the rotting of crops in the field, while they delayed getting adequate farm labor in here. And this is the -- let me make it plain, there is no quarrel on our part with providing legal assistance, legal legitimate assistance for the poor and the action we have taken is in answer to a great many complaints that we have received from California citizens about their inability to get their cases taken care of because of some of these other activities which were taking up the time of CRLA.

Q Governor, to change the subject, have you had a chance --

VOICE: No, don't change the subject.

SQUIRE: Not yet.

GOVERNOR REAGAN: All right.

Q Governor, in the criteria which you list for continuing the CRLA, you mention that they will have to stop their legal activities. Would nuisance legal activities in your mind include such cases as the one in which they got the courts to prohibit the cuts in the Medi-Cal program?

A No, I would think that the description I gave a moment ago would fit better. I think the action, for example, against the Secretary of Labor with regard to the importation of supplemental labor was a better example.

Q Didn't you just -- I'm sorry, didn't you describe that as harassment though at the time that they first got the Perluss decision? Didn't you use the term "harassment?"

A I don't recall that I did or not. But you could be right.

Q I wonder if you'd changed your view of that particular court case in light of the subject.

A If you are asking me am I in disagreement with the decision made by the court, yes I am.

Q Governor, this is a change of subject.

VOICE: No. I have one more.

Q Governor, if one of your contentions is protection of the poor because of going to court, why couldn't we continue the support of the CRLA going against big government? You say yourself the big government is so big the little person doesn't have a chance. Isn't this the purpose?

A No question about a legitimate cause of an individual against government, and no one has challenged this. As I say, I gave -- I think, a pretty good example in the labor matter of what we are talking about.

Q Do you support the concept of low-cost -- low-income housing and grants proposed yesterday by Assemblyman Monagan?

A I haven't had a chance to look at his bill, but I tell you this, the goal certainly fits in ^{with} which my own philosophy and what I've been saying. I have challenged that one of the weaknesses of public housing has been that the failure to take advantage of the price of personal ownership, that perhaps we could solve -- I have advocated as a matter of fact, at least an experiment in providing public housing in such a way that the individual winds up with a deed to his property instead of simply being a tenant of public housing in which there seems thus to be a great lack of pride in that public housing, and no concern as to how it is abused.

Q Governor, have you found out yet where the \$40 million dollars came from that paid last year's Medi-cal bills?

A Yes, as a matter of fact we have. We now do know that of the amount that was used to pay the over-expenses of the -- the excess cost of Medi-Cal, was \$40 million of the -- the \$40 million that the department of education had as a result of the increase in property taxes last year, was not doled out to the school districts. The balance of it was -- had to be and was the result of the economies and the savings that we instituted throughout the year, because in truth there was an actual reduction in the

estimated revenues for the state due to last spring's business slump. So the combination was, as we originally stated, the \$40 million dollars from the educational fund and money surplus in other areas of the operation of state government, other departments that was the result of economies.

Q Governor, over the week-end Assemblyman Speaker Jesse Unruh accused you of launching what he called a bold attack on the elderly and poor in California. How do you respond to that latest --

A Oh, I think that that's in the context of an election year, and I think he knows very well that that's an election year oratory and it is not true. I would like to have him cite where we have launched an attack on any of our citizens.

Q Governor, how close will the University of California come to getting the \$305 million it asks for and how close will the state colleges come to getting what they wanted in your budget?

A Well, as there's been in every department, I think there will be some reduction. I can't give you the details as of now because this -- the formulation of the final budget is still in process, but we have had to make cuts, as is typical and I think this happens annually no matter who's in this job. We have had to make cuts in the original requests of virtually every agency.

Q Now that the University Regents Committee has come in with their proposal on tuition, have you decided how much the state college charge that you are going to ask will be?

A No. As a matter of fact, we are waiting yet to see what is going to be the action of the Regents on the proposals committee.

Q Governor, the University last year took a big cut under the theory that it was a one-time emergency and now this year they are kind of expecting to return to their former base. Will that happen?

A Well, remember that a large part of the cut was not an actual cut in spending by the University, but was their willingness for one year to use Regents funds in lieu of general -- of the general fund of tax sources and as we agreed then that would not be true this year, we would not ask them again. We would from the general fund allocate that more than \$20 million which they put up from the Regents funds and this we are going to do.

Q Did I understand you to say that the actual revenues that the state level left you were less than anticipated?

A Yes. It was a business slump last spring. You'll recall we made an announcement at the time that -- that we had to re-adjust our estimates of revenue.

Q But there was still a surplus in spending, in expenditures or money left over to help pay for Medi-Cal?

A There were other departments that effected economies that enabled us to have some money for the one area where there was overspending.

Q Have you had a chance to see, hear or read Governor Romney's policy paper on Vietnam that he delivered yesterday?

A No, I haven't.

Q So you would have no --

A I can't comment on it. I haven't read it. I've never been so happy about being ignorant on a subject in all my life.

(Laughter)

Q Governor, what is your personal reaction to the latest purported peace offer from Hanoi?

A Well, I haven't been able to read too much about that. I'd have to be filled in as to the details of it. The only thing that I know in these last few days, because I've had some other reading to do, is it sounded to me from just the leads and the headlines, and you can correct me if I'm wrong, that Hanoi has simply been repeating the same thing, if you stop bombing, and we are willing to talk.

Q Well, the words seemed to be different. This time instead of "could start talking" they said they "would start talking."

A Well, that's something to be weighed very carefully.

Q Governor, Assemblyman Thomas has written you a letter asking you for a top level meeting of all fish and marine officials telling about the dangers of this Russian fleet off the coast. Do you share his concern and are you going to have a meeting?

A Well, we have forwarded this on to our own people, the proper departments, this request. So far as we have been able to learn back we are talking in an area that directly involves the federal government and I'm sure that we will do some talking about that back in Washington. But so far the presence of the ^(fishing) Russian ships off our shore have been outside the 12-mile limit and thereby international law, outside of any control on the part of this country.

Q Governor, during the 1966 campaign, you said that your campaign was one among Californians, you were not soliciting money outside of California. The group supporting Max Rafferty for Senate, says it is going to solicit 2 million non-Californians for money for his campaign. Do you think that's a good idea?

A Well, I think everybody has to make up his own mind as to his decision how he campaigns and what will serve his purposes better. Very frankly, it just seems to me last year that with a great tourist trade from the other side, there was no sense in overcrowding the motels by my bringing in some additional people.

Q Then you have no objection to his campaigning?

A Huh? No.

Q You have no objection?

A No.

Q Governor, can you tell us what the theme will be of your speeches in this tour you are leaving on this afternoon?

A I wish you'd -- this term "tour", I'm going to be

gone two and a half days and about a day and a half of that I'm going to be spending in Washington meeting with our own people. I have one speech which I think is an obligation to the State of California. I was very greatly honored to receive an invitation from the New York Economics Club and I think it is a great opportunity to talk about California, what we are doing, what our goals are, before some 2,000 of the leading industrialists of the nation. I think that this is at least in keeping with our proposal to try and broaden the economic base of California and attract industry here. The others are a couple of fund raisers and there I will be pretty generally talking the same subject that I've talked in the fund raisers to date, which is party unity, and need for us to stick together if we are going to make a change in '68.

Q Governor, can you give us your reaction to the latest new Harris poll that shows that you lost some of your voter appeal and you now are -- three other Republicans are leading you across the nation in possible presidential candidates?

A Since Mr. Harris was referring to voter appeal for another office and not voter appeal here in California for Governor, I'm not at all disturbed and as a matter of fact I can only say that it is a tribute to my unceasing efforts to convince the people that I am not a candidate for President.

Q Governor, have you been contacted by the National committee about taking a direct roll in the ^(Republican) convention, such as chairing a committee or making a speech to delegates?

A No, I have not.

Q Would you accept an offer to speak to delegates?

A Well, if -- whatever was presented to me that I thought that I could be of help in the convention and help the Republican cause, I'd do it, but I'd weigh any invitation on the basis of my own limitations and where I thought I could be effective.

Q Governor, there's been a lot of recent criticism of the state horse racing board on a bi-partisan basis,

even a suggestion that it be placed under the PUC. Do you share this criticism?

A Well, I -- I have always thought and have known and I've been connected with the horse race business for a number of years by way of a breeding farm. It has seemed to me that by and large for a number of years horse racing has been very well run in California, and I would not now suddenly jump and think that there had been a great reversal, but I would oppose the putting of the horse race board under PUC, very definitely.

Q Governor, is there any further word on possible write-in campaign for you in New Hampshire? Have you heard? I know you officially discouraged it, but have you heard any more of it?

A The last word I heard was that -- it wasn't even -- like an iceberg, it didn't even have 10 per cent above the surface, that it seems to be virtually at a standstill.

Q Governor, on the University. Do you -- is the report of the Regents Committee on tuition acceptable to you, the figure of \$156 increase in the way they propose to use that?

A Yes, I could approve this. I have some reservations about the -- the methods that have been proposed for using the money. I think some of them perhaps are not the most effective use of hard won dollars.

Q On the matter of horse racing, do you have any reaction to proposals to increase the size of the board from the present three to five or seven?

A Well, I know we once considered that ourselves, and then decided against it because we were looking at a pretty proven record of success. I'd have to take a long hard look before I'd go along with that. Some of the proposals to increase the horse racing board have been based on the idea that you should begin to have representation of all the various elements of racing. And here again, I think you can get into quite a clambake.

Q Would this long record -- this long record of

success of the administration of horse race board, do you feel that any of their actions in the recent months, since the extension bill was passed, might mar that record a little bit?

A Well, actually, I couldn't comment because I just haven't paid that much attention to that.

Q Governor, by what date do you expect to have your budget before the Legislature?

A You know, tomorrow morning you are all going to get a briefing from our controller here, Hugh Flourney and from Gordon Smith, the director of finance on the financial situation, and I wish you'd wait and ask that question to him because I just didn't bother to find out what date we are planning on entering it.

Q Governor, would you clarify your out-of-state speaking plans for the rest of the year?

A As I said last week, I have no -- no plans for making any trips. I have talked and been approached by our neighbors Jack Williams in Arizona, and Governor Laxalt in Nevada for possibly doing something as they have done for us back and forth across the border, which would mean no more than flying over the end of a working day perhaps for dinner or something, and this I have considered. We are working very closely with Governor Williams on the water project and we are working equally close with Paul Laxalt on the Tahoe problem. They have been gracious in helping us. Governor Laxalt has come over here to speak, that sort of thing might take place, but I have no plans and as far as I'm -- as I feel now, I'm determined not to take any extensive trips of any kind. May I point out with regard to this, this seems to be part of the assault from upstairs, also. Without -- almost without exception, every speaking engagement I've had has been tied to either going to or coming from a legitimate function of my office, which was either to Washington, to our legislative session as early as last year, or to governor's conferences and I don't feel that I have been doing any extensive touring outside the state.

Q Governor, you sort of preferred trains yourself, as I recall. Are you alarmed over the proposals of the Southern Pacific that closed the overland route from here to Chicago, no passenger service?

A Well, I'm always alarmed about the decline of trains. I always feel maybe they are giving up too soon because I still have a dream in my heart that one day I'm going to get back on a train again for a long ride across country with no telephones and a locked door. And I'd hate to find out that when I eventually do get the time there won't be any to ride on.

Q Governor, on this out-of-state traveling, how long does that last, through the legislative, through June, through the year or what?

A Certainly through the legislation session. I'm sure I'll leave the state next August.

Q Governor, General Ames, the Commander of the military department is back east now reporting on how the national guard operates in California to control riots and disorders. And there's every indication that the California national guard is preparing for more riots, particularly this summer. Are you aware of this and is the administration preparing to control riots, if so, if they ^{break} ~~brake~~ out in California?

A I think the very fact that he's back reporting on that is the indication that in someone's mind California must have had a very adequate and esteemable plan for that. We hope that they won't happen and we are going to continue to do the things that we hope will prevent their happening, but from the very first and at my insistance we have had a plan and I think throughout the last summer it was very evident that it was an effective plan. It is a plan that constitutes or that includes complete liaison between the disaster office, the highway patrol, the attorney general's office and it established around-the-clock liaison with the police forces in our principal cities with representatives also here in the Capitol building and this is perhaps what he's telling them back in Washington and we are going to

continue and even improve that plan because I think that it is -- in view of what took place last summer, it is absolutely imperative.

Q Governor Reagan, back to Medi-Cal for a moment. There have been reports published recently about doctors here in California making \$70,000 and even in one instance \$120,000 in one year off of Medi-Cal. To your knowledge, are there instances of doctors making this much money and if so, how do they do so?

A Let me say yes, there have been instances, but also it should not be simply labeled "doctors." What we should be using is the term "vendor" because there have been abuses -- some abuses, not only in the ranks of the professionals, but in the ranks of those purveying drugs, and so forth, and I use drugs now in the good sense, and in every instance Spencer Williams' department has been on this and charges have been brought against the few violators in the Medi-Cal profession, and the others.

Let me also say, so there is a proper balance, because it is very easy to pick someone out to be the scapegoat in this program, there is an even larger number of doctors who are apparently voluntarily continuing to charge only the charge that they used prior to Medi-Cal when they did service for the county, which is far below their usual fee. And I think that the medical profession by and large has continued to do the wonderful job they've always done, in being good citizens and in adjusting their rates, not their service, to meet the ability of the individual to pay. And this shouldn't be overlooked in the fact that yes, there were a few who obviously set up shop in the more disadvantaged areas and just simply went into the business of treating Medi-Cal patients.

Q Well, did those larger figures, though, apply to individuals or to units, that is where clinics, like -- or drug store, where there might be more than one pharmacist?

A I'd rather refer you to Spence Williams on the specifics on that because as I say, it is not fair to say

that those total charges were to individual doctors alone. They included individuals -- included clinics, included vendors of material.

Q Governor, on the -- getting back to the horse race board, you said you haven't paid too much attention to it. Has your general services director talked with you about his concern that the board is number one, damaging the prospects of the success of the State fair, and also contributing to the development of a monopoly by Santa Anita, Hollywood or a joint ownership of horse racing ^{whole} throughout the/state?

A No, he hasn't talked to me. The only conversation I've had with him about the Exposition was one on an optimistic note when yesterday came into my office for the signing of some contracts which bring in and involve the private sector and private investment into the Exposition and at the time he was very optimistic and very enthusiastic about the progress that's being made and the success of our policy of pay-as-you-go. I have every confidence in General Lolli and perhaps he hasn't talked to me in the other because General Lolli can take care of himself pretty good with any boy.

Q Do you have any concern about the conflict in racing dates between the bay area and the new Exposition?

A No, I know this, that in the implementation of this new program, there's going -- there are going to be some spots that have to work out and I'm sure there are going to be some mistakes made because some of the areas we are going to have to use trial and error. Some of the fairs are greatly concerned now that any overlap, if a major track is running at the time they -- that they hold their fair that this might militate against them, but in the broadening of the racing program, it was believed that the industry is now big enough in California and the state big enough to afford simultaneous racing in various parts of the state. We will have to find out about this and as I say, some of it will be trial and error.

Q Governor, you said that there were some uses which the Regents Committee proposes to put that charge that you don't agree with. What would these uses be?

A Well, I just simply said that I had some reservations about the program that has been proposed, and I still-- frankly, I still favor the proposals that I have made. I propose -- I had proposed the using of half of the money for grants and loans to students to make it possible for more lower-income groups to go to school. This I still favor and in this part I'm in agreement with the Committee. But my term of faculty enrichment have not considered the augmenting of counseling and so forth. I had thought that perhaps the students paying the increased fee could benefit directly. We made it possible by using some of that money to substitute new chairs, new teaching chairs in the campuses, that this could go a long way toward answering the problem of professors engaged in research and not teaching and also the fact that any time that you have to economize, the first thing that must give way are new programs. You find yourself involved with just keeping up with the increased work load, and for this reason I still would like more consideration of that -- of that feature.

Q Governor, you have this one last clarification on Medi-Cal. The \$60 million deficit was paid out of last year's budget with the year-end surplus, is that correct?

A Yes, due to the \$40 million that unexpectedly turned up from the school fund and due to the economies that we were able to accomplish between January and June.

SQUIRE: Governor, one question in the back row there.

Thank you, Governor.

---oOo---

OFFICE OF THE GOVERNOR
Sacramento, California
Contact: Paul Beck
445-4571 1.16.68

MEMO TO THE PRESS

To clarify a comment made by Governor Reagan at his press conference today, he would like to point out that while he personally has fond memories of passenger trains and enjoys riding on them, he also is aware of many economic factors involved in their operation. The governor feels that no business, whether it be a railroad or another enterprise, should be forced to operate at a loss.

#