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PRESS CONFERENCE OF GOVERNOR RONALD REAGAN

HELD FEBRUARY 3, 1970

Reported by

Beverly Toms, CSR

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

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SQUIRE: Have you announced, Governor, if there is any ground rules for this show?

GOVERNOR REAGAN: Yes, I will. Yes, Squire. I've decided the only way I can match Nancy in a press conference is bring my gang. At five p.m. today I'll present my proposed budget for fiscal '70-'71 to the legislature. I've already received the copies of that budget and have been briefed on its contents by Verne Orr, the Director of Finance. We have placed an embargo on the budget, on the budget release and therefore it would be inappropriate for me to discuss it or to answer questions about it at this time. So this news conference will deal exclusively with tax reform. State Controller Houston Fluornoy, Senator Howard Way and Assembly Speaker Bob Monagan and Assemblyman Bill Bagley, Chairman of the Assembly Revenue and Tax Committee have joined me to present our tax reform package to you. I'll open with a prepared statement, Bill Bagley then will cover details and we can open to questions.

(Whereupon the Governor read Release No. 71.)

Now, before calling upon Bill for the details, it is just possible here that you might like to hear a brief statement from Senator Way. Senator Howard Way, first.

SENATOR WAY: Governor, thank you very much. I just want to indicate to all of you and to the Governor and to Speaker Monagan that this property tax reduction measure which we have here today is a result of a good deal of study and a great deal of cooperation between the legislative branch and the executive branch and Controller Houston Flournoy's office over a period of many months. It's been gratifying to us to have this cooperation, and I want to stress that I feel in this measure that we are discussing today we

have some meaningful, some significant property tax relief for every home owner in the State of California, regardless of where he lives, regardless of what school district, there will be significant property tax relief. This is something we have been talking about doing for many sessions. Here it is. And as we now introduce this measure and enter into hearings and discussions on it, I am most hopeful and optimistic that this property tax reduction measure will do what we have been hoping to do and what we intended to do for the people of the State of California. And Bob, you've been in an all of these discussions, Speaker Monagan will certainly -- I'd like to, if you could, add to this.

SPEAKER MONAGAN: Governor, I just wanted to comment on the fact that some people may jump to the conclusion that this package is sort of something like put<sup>a</sup> together by a committee. But I want to assure everyone that it was<sup>a</sup>/very carefully designed program of property tax relief and reforms in the tax system and the closing of loopholes, each one, any one interrelated with the other and not just something thrown together in a package. It is based upon a long history and study and consideration of our tax system. I don't know how far we want to go back, but certainly we can go back as far as the Flournoy Tax Study Commission, our State Controller and his commission did a lot of work in giving us a foundation from which to proceed. The Governor had a program last year which was thoroughly considered and all of this and many of the facets of that are incorporated into the package. Last year Howard Way and myself decided we needed to put some new input into this and we called upon 30 of the top tax consultants and experts that worked for both the legislative and executive branch of government. They gave us an exhaustive report of the whole tax structure which we examined very carefully. We had the two tax Revenue and Taxation Committees from the Assembly and the Senate meet with us for two days to carefully examine and go through that report. In addition, the staff of our Committees, especially Assemblyman Bagley's staff in Revenue and Taxation in the Assembly, have been working on this. Kirk West in the Department of Finance and all of the people in the Department of Finance and the executive branch have carefully considered all of this. I think we can safely say that this is a very carefully drawn document that meets the criteria that we established for construction of a tax program and one that I think will get bi-partisan

support in the legislature and good public acceptance.

GOVERNOR REAGAN: Hugh, would you like to add to this?

HOUSTON FLOURNOY: My comment will be brief, Governor. I merely want to indicate that I think this program is a strong property tax relief program. I think it makes a tremendous stride in terms of improving the equity of the total tax structure of this state along lines according to criteria that we had an effort to indulge some study on and to make some recommendations about a year ago. I think that the consensus and all the efforts of all the interested people who have looked at the problem of restructuring the tax structure in California have come up here together in a proposal that is totally acceptable and that should have, as Bob Monagan indicated, broad bi-partisan support to relieve the property taxpayer, particularly the home owner and provide a better tax structure more equitable to everyone in California in sharing the burden that government imposes upon the taxpayer.

GOVERNOR REAGAN: Now, Bill, would you like to take off on some of the more details of this?

ASSEMBLYMAN BAGLEY: I shall try, sir. Perhaps you think I'm an anchorman at this point. I want to acknowledge that Verne Orr, the Director of Finance, however, is still at the helm.

GOVERNOR REAGAN: That's why we put him right beside you.

ASSEMBLYMAN BAGLEY: What I would propose to do for you is simply go through, if you want to take the chart or the tabulations that are before you labeled "tax program," go through those to some extent and explain what I hope needs explaining. First of all, I've got to comment by a one sentence preface, and I mean this very deeply and very sincerely, what you are seeing here today, those of us here working together, I think epitomizes -- I know epitomizes the tremendously good and on-going relationship which the executive and legislative branch both have today. And that may be nice and comfortable for us, but much more importantly, I think, it is very good for the people. And I think the end result of this tax program, this property tax relief passing at the end of this session will put an exclamation point after that preface.

I want to very quickly, without the table, just list the loophole closing aspects of this property tax relief package, because they are strewn all through the arithmetic and the concepts, but very quickly, they are, number one, the collection of income tax

through the withholding method which obviously gets the quite, unquote dropout. They are closing that loophole. A rather drastic reduction of the depletion allowance which I will explain. That is a loophole closer. The imposition of the minimum income tax, and let me say right there, we are not talking about taxing minimum incomes. It is a minimum tax on large incomes, people who make more, for example, than a million dollars a year, but because they have accelerated depreciation and gift allowances, but have bought a piece of property for a thousand dollars, but it is worth \$50,000, they give it away and can deduct \$50,000 from that year's income, that type of provision we propose to eliminate or if we don't eliminate them at the very least we will impose a minimum income tax on those people who are in the very, very high brackets, but pay no taxes on a given year basis.

Fourthly, the capital gain treatment has been proposed to be less preferential. Taking into account, however, the inflation aspect and not taxing inflation but at least not allowing the loopholes that do exist to continue to the extent that we have them now. There is four loopholes for you which I submit round out the program that I will now attempt to discuss with you. Just going down and as briefly as I can, but try to anticipate also some of your questions and number one, of course, it says home owner's exemption. We now have, as you know, the \$750 assessed evaluation exemption. This means that the State right now is paying more than \$300 million dollars to local government to replace that \$750 assessed valuation exemption. We will increase that exemption to a thousand and then we will add, and this is very important, a flat across the board 20 per cent of the taxes to be paid by the home owner as an additional deduction. And if I can just give you an example, you will take a -- I have to flip a page, you would take a home --

GOVERNOR REAGAN: Same case.

ASSEMBLYMAN BAGLEY: -- at \$20,000, take a \$10,000 income for this person -- this married couple that has a \$20,000 home, without doing all of the arithmetic for you, the additional home owner's exemption and the 20 per cent across the board outright flat deduction, plus the reduced burden of welfare which I'll get to, will bring a gross of \$200 property tax relief. A total of \$200 property tax relief, you subtract from that an additional tax that



a \$20,000 home nets \$200 -- nets \$150. He has a total of \$200 property tax relief, that is close to 40 per cent of his tax burden. His property tax burden, which is around \$500. This treatment, instead of simply having an assessed valuation exemption which is hidden because of the complexities of assessment and then tax rate computations, the treatment will be right on the tax bill. So the property taxpayer will see that he should pay \$500 instead he will be exempted so much on assessed valuation, that will be calculated out to his tax rate and then 20 per cent of his otherwise tax will be again deducted and obviously replaced to local government by the state and his tax bill will then show a reduction which will average statewide 20 per cent, but which on the average home will be close to a 40 per cent reduction. And very important in that regard, and the Governor has covered that, that reduction will be guaranteed because we propose as part of this program an expenditure limit based upon -- for schools and counties, based upon population growth and inflation as the only areas of increase. Any additional expenditures which would go to the property tax would have to be voted for by the people. This, incidentally, is a much better mechanism than a tax rate increase -- than a tax rate limit which is arbitrary and has no relation to assessed valuation. If you put the limit on expenditures then it can go up in a school by ADA and inflation. It can go up in the county by population and inflation. Your expenditure limit grows with the economy but it does not grow beyond the means of local growth and therefore the property taxpayer.

Renter relief is very simple, we simply give up to a \$50 per person credit on the renter's income tax. The renter who pays an income tax will get a credit up to \$50 as a replacement for what would have been a property tax cut, he, the renter paying no property taxes.

Inventory relief -- inventory tax. We now exempt permanently at 15 per cent for two years, at 30 per cent. We are now funding that 30 per cent forever and adding another 20 per cent to a 50 per cent inventory tax exemption, cutting in half the discriminatory inventory tax which has been on the backs of business in the State of California over the last many years.

Welfare, Medi-Cal, very simply expressed the State will take over 70 per cent and leave 30 to the counties, for the welfare burden.

Welfare expenses increase on the county and on the backs of the property taxpayer by 16 per cent a year. There is nothing we, the State, can do about it. This is a federally imposed program. There is certainly nothing the counties can do. Therefore, property taxes continue to grow by 16 per cent a year on welfare.

SENATOR WAY: The 70-30 ratio is above the 20.

ASSEMBLYMAN BAGLEY: Yes, if we take over -- 70 per cent of that burden we have done a very, very significant thing to relieve the property taxpayer, and that 70 per cent that we take over can never grow back on the backs of local government because we, the state, will be paying it. There is a modification, a formula which is written here for you, indicating that the counties will pay the first 25 cents, one hundred per cent of the first 25 cents per one hundred dollars assessed valuation and then the State shares the 30 per cent -- the 70 per cent and the county 30.

As you can see, this costs about \$164 million dollars in its first year of impact. If we were to take over welfare totally it would cost a year \$300 million dollars. I can say, not speaking for anyone than myself, I can -- I consider this a first step toward the total takeover of this part of the burden from the property taxpayer.

Open spaces program, we will do two things. It will reimburse the county at a dollar and a half for prime land, 50 cents for non-prime land per acre for those lands put in the land conservation contract with the counties. It will also mandate counties to make these contracts available. This obviously helps the counties who are in these programs and also helps preserve the -- and mandates the preservation of more open space.

On the revenue side, I think it is almost totally self-explanatory. Item Number 1, I need not comment. Item Number two goes into gear a little later as we pick up and this is important. The increase in the franchise tax and the bank and corporation tax picks up in later years as our proposed inventory relief program goes into full gear. And there is an obvious juxtaposition of a burden on business and a little bit of an increased burden on business in order, however, for business to be relieved of the discriminatory inventory tax to the extent that we can, i.e. 50 per cent.



Capital gains, we have schedules and tables for you in this material. I need not go through them. Basically, what we have tried to do is tighten up on the preferential treatment given to short range and short run capital gains. Income tax changes are pretty much self-explanatory, as you can see.

I want to comment, however, -- did I miss oil depletion? Thank you. Number three, thank you, Howard. In oil depletion, what we propose, and as you know now -- up until now the federal government has had a 25 and a half per cent depletion allowance and we, the state, had followed suit. Federal government this last year went down to 22 per cent. We propose to take a different tact. We have been told the latest studies, and they are somewhat old, several years ago, the latest studies have showed that the 27 and a half on going forever depletion allowance in some instances gives an operator in California about 40 times his cost as a deductible item. This obviously is too much. What we are proposed then is to say we recognize that some motivation for further exploration is necessary but certainly not to the extent of 40 times cost. Our proposal is to allow the deduction of cost of exploration five times not forty times. And that's in the tax here, converted into percentage arithmetic, this is comparable to a percentage depletion of somewhere between 10 and 15 per cent, depending upon the circumstances of the people, of the operation involved.

On withholding, for about a paragraph. I want to emphasize that the program includes full forgiveness. No one-time windfall. This is the very heart of the argument that we, the Republicans, in 1963 and 1965 had with former Governor Pat Brown. He then was proposing withholding as a bit of budget gimmickry, using the one-time windfall of four or five hundred million dollars to balance the next year's budget, forestalling the day of a tax increase. He wasn't successful in obtaining that kind of budget balancing gimmickry because we wouldn't let him. We obviously do not propose to use any windfall to balance budget, to balance budgets or to increase state spending.

Incidentally, withholding in the last several years, because of the growth of the reliance upon the income tax and because of the necessary increases that have had to take place, is gaining not just more and more support from the general public, but also from the

business community. Last year before our Revenue and Taxation Committees any number of times the California Manufacturers Association, Retailers association, Cal-Tax Associations, all business oriented groups commended us for proposing withholding and supported the concept.

Lastly on our list is number six, selective conformity with some of the federal income tax reforms, including the minimum income tax which I've covered.

I don't really want to burden you with my voice by going through a list, we will have this list available. It will be in bill form. Basically we deal with depreciation allowances and the so-called minimum income tax. Depreciation on public utilities, expanded moving expense deductions, these are reforms that we have felt should be made and would make our tax structure better. I think that's about enough of my voice at this point.

GOVERNOR REAGAN: Bill, thanks very much and now the only reason I haven't called on Verne to volunteer, he's only here to keep us on the track because he can correct us when we get off wrong on our -- any answers to your questions, whatever questions you may have of whichever one of us you want, fire away.

Q Governor, I have a question, although there is no windfall for the state in this ~~the~~ taxpayer still would be paying more in a twelve-month period than they would otherwise, is that not true?

ASSEMBLYMAN BAGLEY: It is as untrue as we could make it.

Q That's not the question.

ASSEMBLYMAN BAGLEY: It is untrue except that there is a period of time when you first impose withholding, the first couple of years where there is a delayed action. People are paying some taxes that maybe a year or -- fourteen months, a year and then four months later in April they have refunded to them. So there is a little delayed reaction and it is reflected right here on the chart in the second year of impact, where there is a ballooning of approximately \$50 million dollars, but that balloon deflates back down to normal inflation when you get back to the third and fourth year. We have avoided every bit of that that we could.

Q When does withholding start under your proposal?

GOVERNOR REAGAN: January 1.

ASSEMBLYMAN BAGLEY: January 1.

That indicates there is no overlapping of years. By starting on January 1 you do not have payment of the 1970 income tax and also some withholding at the same time.

Q I'd like to ask a question. What happens if you can't get this increase in sales tax through or any part of this, what do you substitute for that?

GOVERNOR REAGAN: Well, our attempt -- I don't know how successful we are at the moment. What we are attempting to do is get this package in one piece of legislation, isn't that right? Into one piece of legislation.

ASSEMBLYMAN BAGLEY: One or two.

GOVERNOR REAGAN: As Bill says, if not one, two. So it would be rather -- it would be rather difficult other than amending out portions of it. Then, of course, your whole reform program goes down -- down the drain.

Q I'd like to follow up on this question I had again. Governor, did you agree with this, that during that twelve-month period that income taxpayers would not be paying out any more than he would otherwise?

GOVERNOR REAGAN: Well, now, wait a minute, this is -- this is like asking me to rub my head and scratch my tummy at the same time. He would start a few months in advance of the tax date on a pay-as-you-go basis on a fiscal year. It would be the last few months of course of the -- part of the fiscal -- of the last part of the fiscal year. The forgiveness actually means that one year out of his taxpaying life he doesn't pay his full obligation to the state. I think the best way I know to explain it, and I could get into too deep, and I would have to yell for Verne here, is that you must think of it this way, when you switch over to a pay-as-you-go basis the taxpayer comes out even with the fact that he comes to the end of the line one day. The state theoretically does not come to the end of the line. If the state did, it would even up that -- that actually the taxpayer had gained by way of the forgiveness in his total tax burden over his lifetime and the state would have lost. But because the state doesn't go out of business it never reflects that loss. Verne, have I said it correctly?

VERNE ORR: Yes, Governor.

Q Well, is this correct, then, you are starting January 1 to collect January, February, March to April 15. Then on April 15 you'll

take off 40 per cent of the tax from the previous year. Well, actually at that moment he'll really be ahead, wouldn't he?

GOVERNOR REAGAN: At that point in April he is paying the tax -- paying the tax that was due as of January 1 when he started the withholding. But he will only be paying roughly about 60 per cent of that tax that he owes the state.

Q So for a while he'll be ahead there?

GOVERNOR REAGAN: He will be ahead.

Q But he's accelerating the tax payments, so actually during the '71 calendar year he'll be paying -- what, 60 per cent more than --

GOVERNOR REAGAN: That's because we delay collecting, that's because we delay collecting his income tax for the previous year until that following year. You could by rights come in on January 1 and say, the year is over, give us the money for last year.

Q When is your cash flow problem, your most serious cash flow problem, you want to answer that, Hugh?

HOUSTON FLOURNOY: Our most serious cash flow periods occur in September and in March.

Q Well, if you are going to have 400 million dollars back or not get it on April the 15th, isn't this going to make that more severe rather than improve your cash flow problem?

HOUSTON FLOURNOY: No, it won't because if you -- assume installation of withholding on the first of January -- on the 31st of January, the end of the first month, and the next fiscal year we will have received roughly --

Q Taken care of March?

HOUSTON FLOURNOY: We will get some advance and it doesn't have any real relationship to September.

Q This will be collected monthly or paid monthly to the state by withholders, or quarterly?

ASSEMBLYMAN BAGLEY: Monthly.

HOUSTON FLOURNOY: Monthly I would say.

Q Governor, you once said that you would resist withholding if hot irons were held against your feet. My question is how have you come to the conclusion now that the majority of the taxpayers agree with your reluctant conclusion that withholding is inevitable? How do you --

A Well, the hot iron this time was held to my feet by myself. If you think I'm happy about it, but it was my decision and I wrestled and explored and tried to find within the limits of fiscal responsibility some way to meet the changing circumstances that have

upon us with inflation and with the increased burden on the income tax. We surveyed, projected ahead three or four years what our cash flow problem was going to be. I did -- I can tell you because I still philosophically am opposed, I believe that the federal government made a great mistake and perpetrated a great harm upon the people many years ago when it first brought this into being and it brought it into being for the convenience of government. I will not deny now that a part of this decision here, I must confess, is for the convenience of government because of the absolute necessity that has been brought about by this tax flow situation. I believe if at that time other tax things or efforts had been explored and otherwise found to meet government's problems that coupled with it at that time was also an effort to hide the fact from the people, or make it easier, more palatable, that they were being socked over the head with a whole new approach to taxation, and a new amount or percentage that was being taken. Now, in our own situation I will say on the other side, I cannot deny that what Bill said about a change in the attitude, we have been aware of it. I have been personally aware from our own soundings that beginning late last spring, among people who shared my philosophy were still opposed philosophically. The burden of taxation which is now taking 37 cents out of every earned dollar in this country had become so great that people philosophically opposed said to me, I now must say it would be a convenience and I prefer the convenience. A number of publications, papers that have formerly supported me in the -- in my opposition to withholding have done an editorial turnabout and have said circumstances have changed. We believe now that this -- this must be reviewed. I did review, and believe me it was my decision. I had Verne Orr and the people in Finance digging into every possible way we could find to meet some of these problems. And finally came to the conclusion that as an alternative between adding more to the rates of the income tax and the ability -- the fact that the amount of money we needed came out at just about what this would bring in, the alternative of not having to raise the rates, solving those other problems, cash flow problems and doing it by way of withholding, I just could not hold out any longer based on my -- my philosophy.

Q Governor, can you pinpoint when you made that decision, and on the two-thirds vote on the income tax, when did you decide



on that? I notice -- I didn't see this in your prepared statement.

GOVERNOR REAGAN: No, this is something that I hadn't had a chance again to roundtable any of the gentlemen until this morning, and I asked them if they minded that I would like to propose this. It is further assurance to the people as a safeguard against the easy raising of taxes. Now, it is up to the legislature whether they chose to do this. This has been a fairly recent decision and knowing the difficulty of keeping information here, I finally came in, as I say, it was just yesterday, that I told the group here at the table that this was my decision was -- we had in the discussion of raising the money for income tax, I shouldn't have said that they simply came to 150 million dollars and everybody stood back silent. We threw out on the table a number of methods, whether to change the bracket structure, whether to go sur-tax route, whether to simply go a 10 per cent tax across the way and then left all of those alternatives there, but at no time in the discussion, I must say, did any of these gentlemen ever bring up withholding. I had to bring up withholding after.

ASSEMBLYMAN BAGLEY: What you say is Bagley was polite.

GOVERNOR REAGAN: I had to --

ASSEMBLYMAN BAGLEY: For a change.

GOVERNOR REAGAN: I had him scared to death.

(Laughter)

Q Governor, in -- since the 60's the proportion of the General Fund income which came from property -- from personal income taxes has increased by almost 10 per cent, and proportion of General Fund income from bank and corporation taxes has dropped by about 5 per cent, so is that trend continuing now or is --

GOVERNOR REAGAN: No, no.

ASSEMBLYMAN BAGLEY: I don't know of such trend, frankly. I'll look at it for you.

GOVERNOR REAGAN: The 1967 tax bill is the one that earned us to more reliance on the income tax and it's been a 30 per cent increase in the dependency on the income tax which further accentuated our cash flow problem. Now, wait a minute, I was going to --

Q Governor, you propose a one thousand dollar home owners'



exemption. Would that then eliminate the Veterans' exemption that is now in effect?

ASSEMBLYMAN BAGLEY: Yes, in effect.

GOVERNOR REAGAN: It simply means that everybody gets the same thing, yes.

ASSEMBLYMAN BAGLEY: There is some -- there are some exemptions to the -- there are some exceptions to it. I frankly can't pull the details to mind, but the answer is not a categorical no.

Q Governor, can one of your experts tell us which school districts would be adversely effected by the tax -- \$2.08 tax?

GOVERNOR REAGAN: \$2.05 tax? I can -- well, we know which ones -- let me tell you this, out of the 1144 school districts there are 242 districts whose tax rate is so low now that in this equalization their support for their own schools would drop slightly. Now, if those districts were satisfied that their schools are presently getting or that they should be getting the money they are getting and decided to increase their tax up to maintain that present level, 185 of them would still get a home owner's tax reduction in excess of 20 per cent. 53 of them would be below that. four -- or 58. 43 of them would get an average tax decrease in spite of this upping, would get an average tax decrease between 15 and 20 per cent, and there would be 14 that would be between, roughly 10 and 15 per cent. So that you could say that even if all of them increased their tax to offset this equalization factor that everybody would still be getting even -- in those districts would still be -- and there are very few of them, would be getting in the neighborhood of a 10 per cent minimum tax reduction.

Q Now, do I understand that the only districts that would have to pay additional taxes in order to make this program work would be those with tax rates below \$2.05 at present?

GOVERNOR REAGAN: So low that when our reduction goes into effect that -- that they would be -- that they would -- in the equalizing that they would lose a little money and these are the districts -- so-called rich -- now I don't mean that rich people live there, they are rich in the sense that their property tax on residential property is so low, school districts with great tracts of industrial

property and very few people to -- or students to educate, and we do have all of that. We have gone into it exhaustively. There are five districts, three of them would be up here in one of our northern mountain counties, they cover only about, as I understand it, a small percentage of the population. And but they -- even they would get, as I say, the bulk of them -- 185 of them would still be above the 20 per cent tax reduction or home owner tax reduction.

ASSEMBLYMAN BAGLEY: Governor, can I emphasize the importance of this equalization component or aspect of property tax relief and tax reform. How many years have we, the legislature and the administrations, regardless of who was governor, been trying to achieve equalization? We tried the carrot and stick approach. We tried the unification approach. That hasn't worked. The public will not vote for unification which is inherent in the equalization factor. Here we have the real chance as a part of a property tax relief program to achieve equal educational opportunity. This is what everybody is for from Siskiyou to San Diego and here's our chance.

Q Now, Bill, San Francisco, I don't think there is any question, will lose money under the school equalization thing, but are you saying as a whole with the property tax relief and the renters relief and so forth that the average San Franciscan will gain?

ASSEMBLYMAN BAGLEY: Yes, definitely. The home owner, talking about the home owner.

Q Business will obviously have to pay more taxes and makes up the difference.

ASSEMBLYMAN BAGLEY: We are giving them a little inventory tax.

Q Which will be taken from San Francisco and presented around the so-called poor districts.

ASSEMBLYMAN BAGLEY: The San Francisco situation is quite unique and frankly final decisions have not been made as to whether to treat it in a unique fashion.

GOVERNOR REAGAN: It is a county school system.

HOUSTON FLOURNOY: If I may interject, I think it is also important, Jack, that the welfare relief provisions are particularly good so far as San Francisco is concerned, so it is a composite that you are talking about here.

Q Yeah, but not the same people.

HOUSTON FLOURNOY: It is the same tax base.

Q Yeah, right.

HOUSTON FLOURNOY: It is the property tax that they pay for welfare. San Francisco is on the high hand of the reduction in that regard and on the other end as far as the school situation is concerned.

Q While we are there, can I ask something about the table, I guess Bill here, on the estimated impact? Of course the figures over on the right there, they are not a minus, they are a plus obviously.

ASSEMBLYMAN BAGLEY: While you are searching for your specific question let me point out there are some very --

Q I wasn't searching.

ASSEMBLYMAN BAGLEY: -- there is a very important word here. It says over in the final columns "additional home owners exemption. This chart does not give the total property tax relief. It does not take into account the \$750 exemption we now have which is 300 million dollars of state monies, so this is additional, too. And when we say the property owner gets a \$99, for example, a \$10,000 income, the first table, the \$10,000 income, a \$20,000 home, he gets \$99 additional home owners exemption. That is addition to the \$80 he already gets. Please understand that all the way through the tables.

Q Well, this -- my first question is where there is not a minus there is a plus, those people pay that much more, right, in the right-hand column?

ASSEMBLYMAN BAGLEY: Where do you see -- what plus are you talking about?

Q The total net change.

SPEAKER MONAGAN: It is not a minus, it is a plus.

Q You have some minuses and some pluses.

ASSEMBLYMAN BAGLEY: As you get into the high income renter, yes, you get a plus.

Q And what year should be placed on these -- these charts?

ASSEMBLYMAN BAGLEY: The property tax reduction aspect will go into effect this year, this October on this year's property tax bill received by home owners. And the welfare reduction will go into effect over the year as we assume more and more of the welfare

costs.

Q Then would you say calendar year '71 is when you reach the full impact here?

ASSEMBLYMAN BAGLEY: Yes, because assuming we were to pass the bill in May or June, the welfare reduction would commence as quickly as we could give up -- we may not be able to take over 70 per cent of the welfare costs in July. I don't know yet.

Q Is there enough flexibility in this to accommodate President Nixon's proposal that the states and counties take over more of the financing of Medi-Cal? By a whole lot?

ASSEMBLYMAN BAGLEY: I'd have to know more about the President's proposal at this point.

GOVERNOR REAGAN: You've got me, I don't know about that either.

Q It was to shift 203 some odd million dollars of Medi-Cal -- I'm sorry, of Medicare financing to states and counties.

GOVERNOR REAGAN: Medicare instead of Medi-Cal.

ASSEMBLYMAN BAGLEY: On the other hand, the President's proposal, and Jack Veneman is an integral part of it, is to take more and more welfare from -- by the federal government away from the states and counties, so maybe it balances.

Q Is this program so outstandingly good the Democrats are already clamoring at the door to cool off or anything?

ASSEMBLYMAN BAGLEY: I have had a number of personal inquiries from Democrats who I respect in our House, people that I talk to more than in the Senate who have told me that if some of the components that are in this package were in it they'd vote for it. I think that the Democrats are going to be hard placed not to support a program that will give a 40 per cent property tax reduction to the average home owner.

Q Do you think it more palatable to them with withholding in it now?

ASSEMBLYMAN BAGLEY: Yes, sir.

GOVERNOR REAGAN: According to all the noise they have been making it should be.

(Laughter)

ASSEMBLYMAN BAGLEY: Please them.

GOVERNOR REAGAN: I've got to get some fun out of this.

(Laughter)

Q Governor --

GOVERNOR REAGAN: Then you.

Q There's been a -- the legislators have agreed, apparently, to put in that two-thirds provision or provision for two-thirds vote to increase any income tax. Is that going to be -- are you going to ask them to extend it to any tax increases to be at a two-third --

SPEAKER MONAGAN: I want to answer that.

GOVERNOR REAGAN: Nobody's answered me yet to my proposal. You ask them.

SPEAKER MONAGAN: We just heard about it for the first time today and the Governor didn't ask us for comments or commitment on it. I can share some philosophical support for it, but as a practical matter I'm far more interested in getting all votes based upon my experience of January 6 down to 40 votes in the Assembly.

Q Wouldn't that change require constitutional amendment have any meaning?

GOVERNOR REAGAN:

Q This would take only 41 votes.

GOVERNOR REAGAN: The tax bill would.

ASSEMBLYMAN BAGLEY: The tax bill we will devise so that with one exception it will be a 41 vote bill. The bank and corporation tax by the constitution requires a two-thirds vote. I think we will get some help in that regard because the inventory tax relief is somehow tied in, at least conception and then it will be the burden again, the Democrat back to say we don't want to give inventory tax relief.

GOVERNOR REAGAN: You see, I just feel that the state constitution should give the people the same protection that it gives the bank and corporations.

Q Has there been any \_\_\_\_\_ along the line on the bank and corporation oil depletion, have you had any indication at all that any of the industry groups will make a massive opposition?

ASSEMBLYMAN BAGLEY: We have had and when I say "we" I'm really speaking of the Assembly contingent Bob Monagan and myself, our respective staffs have had not really on-going, but from time to time discussions with those businesses that would be concerned.

The oil companies are going to come up with their -- with a proposed alternative. I told them we would certainly be willing to listen. The retailers, the manufacturers recognized that business will be paying a little more than they are now paying now. Under the proposed package, but they will be getting something that they dearly have desired for the last eons of political years, namely, inventory tax relief.

SPEAKER MONAGAN: Bill, we ought to amplify, say we really haven't been consulting or talking with the industry people about this package or proposal, and as a matter of fact only --

ASSEMBLYMAN BAGLEY: That's right.

SPEAKER MONAGAN: -- only yesterday did we find out about the last chink in the wall that was put there.

ASSEMBLYMAN BAGLEY: That is the last brick, Bob.

SPEAKER MONAGAN: Right.

(Laughter)

ASSEMBLYMAN BAGLEY: I've got to straighten him out.

GOVERNOR REAGAN: You mean I've been a brick through the whole mess?

Q I forgot what I was going to ask.

(Laughter)

Q What is your timetable? When do you think you'll have this ready?

ASSEMBLYMAN BAGLEY: We can put bills in to implement this package during this month. That means my staff and our Department of Finance people work 27 hours a day.

GOVERNOR REAGAN: Stop the presses, he remembered.

Q Will this affect accrual?

ASSEMBLYMAN BAGLEY: No, I don't think so.

Q The chart has in the fourth year this property tax relief costing a billion four hundred while the increase comes in as less. Is this --

ASSEMBLYMAN BAGLEY: These are obviously figures that are -- when we are figuring four years hence, have to be rough at this point. We will refine the figures and the program to make everything come out even.

Q Governor --

Q Governor, or Mr. Bagley, in introducing the Governor's tax reform program in the legislature you mentioned the possibility



of putting in two bills. How would that be broken down and why would you do it in two bills instead of one?

ASSEMBLYMAN BAGLEY: Simply because the major 95 per cent of the program can be put into a 41 vote bill.

Q I see.

Q Governor, was it on the insurance company taxes that required two-thirds vote?

GOVERNOR REAGAN: Bank and corporation.

Q Governor, one other significance-- between last year and this year, last year you insisted on constitutional amendments in your package because you said you wanted the people to vote on your tax reform plan. And now this year would it -- would it not be such a vote because it will all be passed by legislature?

GOVERNOR REAGAN: The main change is last year the proposals we were making involved constitutional changes.

Q You insisted on them doing so, right?

GOVERNOR REAGAN: No, there was no way to get the things we were proposing without it and therefore I said rather than have part of the package perhaps pass the legislature and then fail at the constitutional level so that you came out the other side neither with a yes or a no on the entire package, you came out with maybe some things voted and some things denied, that the only sensible thing was to let the people vote on it by tying all of it -- in other words, the legislature pieces would not go into effect if the people rejected the constitutional amendment. Now I would -- if this was required here other than this one that we know is always required, obviously I would want the same thing because I think you can see in this that it is a package that if you just took and lifted out a few things and said, well, suppose we pass the property tax relief up there and then turned around and refused to pass the sales tax increase, we have handed ourselves quite a problem. You have to accept this as a package. And we felt the same way last year and I did not want to have the legislature say yes to several things and then come along in June on the ballot and have the voters turn down the constitutional amendments and find that we were stuck with a part of a tax reform program that meant we were out of balance.

Q Governor, why did you pick today to make this announcement when the budget will soon be coming out at the same time?

SQUIRE: What difference does it make, you made it.

2/19/70

PRESS CONFERENCE OF GOVERNOR RONALD REAGAN

HELD FEBRUARY 10, 1970

Reported by

Beverly Toms, SSR

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

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Q Governor, have you any comment on today's change up in the Senate?

A No, no, Squire, that's a *Senate leadership* legislative matter and I believe in the separation of powers. I have never injected myself into any of those matters up there, and incidentally, could I add that there seems to be -- have been a number of rumors floating around about or indicating that there was some interference in what was going on upstairs. And I want you to know right now that those rumors were completely baseless. There is no fact behind them and neither me nor any of my staff at any time did anything in regard to the change of leadership.

Q Governor --

Q Governor, do you consider that this change is going to make any difference in the passage of the program, your tax program or tax relief program?

A It better not.

Q Better not.

A I intend to talk to the new leadership and I am confident that we will have their cooperation, too. I don't see why this should in any way affect the passage of the important bills.

Q Governor, one of those rumors appeared in the San Diego Union this morning, which is known to be friendly to your administration, which said that you were -- stood ready to move heaven and earth to keep Way on the job. Now, is the San Diego Union out of line?

A I think they repeated one of the Capitol rumors and it was completely without any basis in fact.

Q Governor, Senator Way himself said yesterday that he under-

stood you were ready to help him out if he needed your help and called upon to do it. Are you specifically denying that?

A I wouldn't know anything about that. I have made it clear from the very beginning and for more than a year now, from the time when we first had a majority, that this was a legislative matter and I didn't see any -- any way that the Governor could inject himself into this or that he should.

Q He was -- the new leader was picked with a coalition, which included a majority of Democrats. Does this give you some concern over your programs that you've introduced?

A No, because I think that there are a number of Democrats up there who feel the same as we do, that this -- the people are entitled to this and should have it and I've never thought for one minute that this would be decided on a completely partisan line.

Q What do you think, Governor, this would do, this public bickering within the Republican party -- what would it do to the party image statewide?

A I don't see that it should have any particular effect on it. I think sometimes here in Sacramento we exaggerate how much attention is paid to these things. I think the people out there and this goes for both parties, are concerned with the end result which is the action taken and the legislation passed and this is where they would make a decision, not on committee membership or chairmanship.

Q I don't quite understand the difference. You think it is a valid exercise of your leadership function to try and campaign and get Republican Senators and Assemblymen elected. Why is it different to try and get the leadership of the two houses friendly to you, you know, have leadership which is friendly to you. You have a Senator here who, some reports, campaign on the basis of opposition to your -- some of your programs.

A Senator Schrade has immediately -- that those rumors were around and remarks attributed to him, he came to our staff -- I wasn't here, I was in the south, and he informed them that none of this was true. So I again -- I can only go by what is between him and between me. I think the fact that you go out and campaign for members of your own party, this is part of the two party system. Of course you do just as I would expect, that in their campaigns they

also speak favorably of the entire team and the constitutional officers and the need to have --there is a kind of party responsibility in this system of ours that is -- where the people hold a party responsible for the philosophy and the program that you try to pass and this was the very argument that was used by the Democrats a few years ago in doing away with the cross-filing system in California, that there should be party responsibility for the policies that are advocated by an administration. And so, of course, you try to get as many of your party in as you can. That's the name of the game.

Q Do you think party responsibility, Governor, exists in the state Senate today?

A Well, I can just hope that it does.

Q Are you as happy then, Governor, with the Senator Schrade as you were Senator Way? Would it make any difference at all?

A As I have told you, this is -- this is a matter for the Senate and I will abide by the Senate's decision and all I'm going to be interested in is the passage of the program that I think is important to the people.

Q You don't have any preference as far as --

A If I did I wouldn't express it.

Q When Senator Schrade came to assure your staff that he was not campaigning against your administration, did he seek any assurance that you would not be campaigning for Senator Way at that time?

A No, no, and I think both of them knew that they weren't -- that we were standing clear.

Q Governor, Senator Way says he believes that this will result in a reversal of his efforts to diminish the influence of the third house in the Senate. How do you feel about that?

A Well, now, there you are only -- you are going to have to speak to the Senate about that. All I can speak for is the Executive Branch and there is no influence of a third house in the Executive Branch.

Q You think there is in the Senate?

A What?

Q You think there is in the Senate?

A I don't know, I said you'll have to ask the Senate about that.

Q Governor, do you have any concerns about reapportionment

with Senator Schrade as President Pro Tem?

A           My biggest concern now is the first hurdle to make sure ours is the majority party and when reapportionment comes about. On the other hand, I'll tell you this, I support the idea that we should not attempt if the Republicans are in the majority after the '70 census, that we should not attempt to do what the Democrats did 10 years ago in their reapportionment of this state, that we should try fairly to lay out districts that reflect the wishes and the will and the proportionate distribution of the people of this state and I think the present apportionment of this state is disgraceful. I think it was one of the greatest political gerrymandering jobs that I've ever seen and we got some of the funniest shaped districts that ever existed. And there was no question but that they were creating a few safe districts that would permanently keep one party in a minority, if possible, and that would guarantee the other party's success as a majority from here on out. There are some districts, why, you just had to say it would be virtually impossible for the other party to win. But we have managed since that time -- we have managed to come up and finally achieve a majority and I would hope that our apportionment would be on fair basis.

Q           Governor, the present reapportionment was done at a time when those who are now allegedly back in power in the Senate redrew the districts just a few years ago just before you came into office. That follows Mr. Bennet's question then, do you think reapportionment still is going to be a problem?

A           There are more people here and more people in the Executive Branch who are also going to wield an influence and who have a different philosophy than those who were here at the last time.

Q           Governor, do you remember that the reapportionment of '51, it might have had something to do with provoking the Democrats into doing what they did in '61?

A           I can understand that because I was a Democrat then.  
(Laughter)

A           Anyone else or is the conference over?

Q           Have you spoken to Senator Way today or do you plan to?

A           Yes, he called and said that he would like to come down and see me. I also intend to speak with Senator Schrade.

Q           When? When will you see him or do you have any permanent--



A I hope before the day is out.

Q Have you seen Way yet?

A No.

Q Can we change the subject?

A All right.

Q The United States Senate and the YMCA model legislature both are on record as thinking that marijuana laws -- present marijuana laws are outdated and should be revamped. Do you think in light of the -- the spectrum being covered by those two groups that there might be a change in California's former look at marijuana laws?

A Well, I don't know. They speak, of course, from the standpoint of looking at the whole nation. But I've -- and I've said so often I think that California has met a lot of the problems and has a flexibility that not very many areas have. You will recall recently there was a great deal of attention given to the pardoning of a young man in a state over on the eastern seaboard who for a one-time first offense of possession had been sentenced to 20 years, and the result was a pardon. But here in this state we actually have the prerogative -- the judicial prerogative of choosing on first offenses between felony and misdemeanor and we also have the provision here that families, parents, can turn in a young person, report their own son or daughter with no fear of any arrest record. And there would be no such thing as an arrest but diagnosis and treatment would be provided to help them in this sort of voluntary commitment. I don't say that anything is ever above being able to be improved, but I think that California does have a flexibility. I think the confusion surrounding marijuana right now has some people still treating it like the equivalent of a can of beer or a package of gum. It is just ridiculous and it is -- even if it -- even if there is some question between medical authorities and scientific authorities on the effect, the very fact that the issue is in doubt I think should have us stand firm against its use until we are absolutely sure as to what the results are going to be.

Q Art Linkletter yesterday said he thought it would be a great deal of good if people like the Beatles and other entertainers -- rock entertainers would come out and take a stand on marijuana. I wonder if you ever thought of using your influence with your rather specialities in that part of life.

A Well, I haven't really had to although all of this is --

is a part of our statewide educational program that's -- that has the medical authorities, law enforcement, the PTA, educators, all joining together in this and we do already have the support of people in show business, Jack Webb for example is actually using his show and now many of his films from his show are being made available as educational aids for this, and again privately financed, people have raised the money to make these available just as some years ago Warner Brothers' patriotic shorts, as they called it, historical shorts on people like Patrick Henry and so forth were made available to schools. So this field hasn't been neglected. I think what he was saying was that much more widespread than anything organized, if these particular -- these entertainers who have a following among youth would take a lead in the old fashioned concept of bearing witness, that's what he was really asking for, yes, I think this could be done and could be helpful.

Q Governor, I understand that Butte County Board of Supervisors resolution --

(Laughter)

A What's that? What, Butte County --

Q Come before your cabinet?

A What?

Q I asked has it come up before your cabinet?

A We have had a discussion on this, yes, and we have turned to the legal advisors in not only General Services, but our own legal advise, and as far as we are concerned this sale is closed and we have found not one thing wrong.

Q Along the same lines, your Director of the office Health Care and Services is going to work as a part-time consultant for a computer outfit that has a lot to do with the Medi-Cal program. Some concern has been expressed by an Assemblyman over there and the Attorney General, I understand, is looking into it. Have you planned to look into this, do you have any opinion whether this is a proper -- and would it be legal under the new conflict of interest laws you are making?

A Well, this is -- this is one of those complicated problems that you are asking questions in a lot of directions. First of all, the one existing contract with that particular data processing firm is a contract between Blue Shield in behalf of our Medi-Cal program

and this firm, over which we have no control whatsoever. There is, however, now, under negotiation between Blue Shield and this firm the contract that I think has caused the talk. Carel Mulder has in no way as an individual been involved in either of these contracts, nor is he involved with this one now. A short time ago we announced his intention to resign effective April 1. The present one that is operating or that is under negotiation but is sort of operating tentatively on a letter of agreement is subject to our review and veto if necessary. And I can only assure you that we will review this with the standpoint of the best interests of the people of California in mind. The thing that -- when I said that this is complicated it brings to mind, is in every level of government we have the case of people who leave government service and without going into total retirement go out into the private sector, take jobs. We see examples of this in the defense department with the military and many times they wind up in jobs in -- as a result of contacts they have made through the years in their job in government. I don't know just how far you can go with trying to interfere with someone's right an employer or employee's right in regard to employment. All you can do is what we are doing, is to make sure that there has not been any favoritism that has preceded their leaving government service and that the contract, whatever is negotiated between Blue Shield and this firm is the best advantage and the best the State of California can do.

Q Governor, on another topic, what's your reaction to the recent indictment of 12 Alameda County Sheriff's Deputies in connection with the People's Park riots?

A Well, I can't say that I'm happy about this. In the first place, I'm never happy any time when the federal government apparently steps in and supersedes local authority and autonomy. Had there been no legal action whatsoever and no due process in that case and in the charges that were brought, I could understand the federal government moving in. But in this particular instance there was a Coroner's inquest, there was a County Grand Jury, there was disciplinary action taken within the Sheriff's Department, two of the men who are presently under indictment by the Grand Jury now -- the Federal Grand Jury are at present awaiting trial as a result of charges brought by the County Grand Jury, and so of course I'm not happy about this. And the -- the

other thing is there just seems to be lately a concerted effort always trying to find, if possible, where did the officials of law enforcement go wrong, and we don't seem to have the same attitude with regard to those who precipitated the violence and the rioting in the first place, and sometimes I wonder how the devil we are ever going to recruit law enforcement officers if we, the people that are protecting them, are continually knocking them down. So, no, I'm not happy about it.

Q What criticism do you have specifically of Cecil Poole, the outgoing U. S. Attorney?

A Let me say that I do not look with disfavor upon his being outgoing.

Q Well, Governor, this is the same Grand Jury that's also investigating the conduct of the Black Panthers. Haven't they a right to investigate these cases?

MR. BECK: Not the same Grand Jury.

Q It isn't?

A Not the same Grand Jury, no.

Q Governor, if I could come back to the Schrade matter for one more question.

A All right, because I think some of these fellows are taking my new Honorary degree, Doctor of Law too seriously already.

Q You said you never did anything to inject yourself.

A That's right.

Q Did you ever consider or discuss or contemplate injecting yourself?

A Oh, when you say that you open up what do you do sitting around the office there when you just talk as I'm sure everyone talks about the things that you read and hear that are going on up there, but as to speculating whether they -- we should or shouldn't, no.

Q Were you ready to intervene if you thought it was necessary?

A The only way that I could intervene is if I had an invitation from the Republican majority in the Senate to inject myself, I'm quite sure that I would make myself available for anything that I -- I might be able to do to help. But barring that, I don't see how I could inject myself at the request of one or another of the factions up there.

Q Governor, what is your reaction to the rather abusive treat-

ment you received yesterday at Fullerton Junior College?

A Oh, it was hardly one of surprise. I was delighted with the fact that out of a group of about 4,000 the overwhelming majority legitimately wanted a communication, wanted the question and answer period, were most hospitable and the actual harrassing group, numbering about 50, were not even from that campus. I was informed that they were visitors from another campus and they were largely an SDS chapter and nothing the SDS does would surprise me unless for a moment they might pretend to be polite.

Q Back to that other subject about the <sup>(Merced Co.)</sup> federal indictment, would you offer the same arguments of federal intervention to local investigations in reference to things like the indictments against the Dr. Spock, the Chicago 7, for example?

A No, I don't know just what it is you are referring to in those particular things. I say this, the federal government, of course, has a responsibility if no action has been taken, if there is evidence that at a local level people's constitutional rights have been violated, and they have been denied due process. But in this instance, as I said, a Coroner's inquest, a County Grand Jury, charges brought and trials still to be held, it would seem to me that -- that due process as provided by law had been made available to the people involved and this was why I was shocked when it first came to light that this move was taking place on the national level.

Q Governor, another subject. Your Finance Director yesterday suggested it might be necessary to increase the state sales tax by two cents to finance the completion of the State Water Project, if the voters in June do not approve of an interest rate increase. Would that conflict with your prior pledge of no new taxes except for those necessary to balance your tax reform program?

A No, it wouldn't because let me tell you what I think was overlooked in his testimony -- incidentally, he mentioned several other alternatives that didn't seem to get as much attention as that one. What he was saying was the result of something that I have asked our Department of Finance and others to do, and that is not only in view of Proposition 7 and the need for the 7 per cent interest rate permitted on our bonds, that on any other of the tax initiatives that are being proposed there is no sense in us waiting until after the election to find out what we might have to do if any of those



initiatives pass, and I asked our people to prepare now what would be the alternatives with regard to revenue and revenue needs, either if one of these things passed or didn't pass. In the event Proposition 7 -- I can tell you now and I will not equivocate on this, this state will be faced with financial chaos if Proposition 7 does not pass and I don't think the People of California have been properly informed that just to say, well, it would mean closing down the water program is going to let them off easy and that it just means that we will stop spending money. If the water program has to be shut down there are a billion dollars worth of bonds that are the responsibility of the people of California and the people of California would have to pay for the liquidation of those bonds. And this would be an excessive ~~at~~ tax load far beyond anything I think they have imagined. Now, what we are trying to point out is that actually it would cost less at this point of construction to finish the water program than it would to shut it down. So what we have to say to the people of California is if we cannot do this with bonds here is -- here are the alternatives, here is what it would mean to you as taxpayers to either shut it down and pay off the bonds or what it would mean, the lesser amount, to go ahead and complete it. Now, some things like school construction have not even been mentioned in connection with this bond issue. Everyone seems to be hanging it on the -- on the water program. But we have school districts who are waiting for a chance to sell bonds to create the needed facilities they have. The university and college system who were defeated the last bond issue still have unsold bonds. Our own recreation bonds have not all been sold or can new issues be brought out. These are issues you can say, however, we can do without. But when you are saying it you are talking about double sessions in schools, you are talking about crowded conditions, you are talking about a step backward in education. In short, Proposition 7 must pass and the plain truth is a number of other states already have provisions that allow them to sell their bonds and we can't go into the market in competition with them on the present basis, so what Verne Orr as Director of Finance was doing was trying to point out to the people in advance the alternatives they have as to cost.

Q Governor, but why would it not be in conflict with your prior promise of no new taxes if that was the eventuality, you'll have



to raise the sales tax?

A I think if you'll check back at some place along the line on occasion in here in talking about that there have been questions of this kind before and I've said all things going forward in the normal pattern I think at times I've expressed that barring some catastrophe that changed all the circumstances -- well, I would think that it would be something of a catastrophe if the people were faced with the knowledge that they're responsible for a billion dollars worth of bonds and there is no retracting this. These bonds must be paid for by the people as general obligation bonds.

Q Governor, the actual law that would go into effect if that were passed by the people does not put a constitutional limit of 7 per cent. It allows the legislature to increase it in the future if necessary. Do you go along with that part of the legislation?

A Yes, but by the same token it doesn't say that you automatically have to go to 7 per cent either, you reflect the bond market and what is necessary. And I'm quite sure that the people in passing bond issues would take into consideration in the future what the cost of those bond issues would be.

Q Governor, a number of conservationists have called for a moratorium on the water project until its environmental effects can be fully determined. Is that out of the question in view of what you said, it would be more expensive to stop it than to continue it?

A Yes, I think it is, and I'd also like to point out one of the first things I did in 1967 was to appoint a task force to review the entire water program as to its effect on the environment and to see whether the circumstances that brought it about still prevailed or whether there had been changes, and the result of that task force finding was the continuation of the program.

Q Another subject. Governor, your budget contains, in the words of Mr. Orr, not a dime more for AFDC payments than you've had since 1957, I guess it is. In light of the Assembly Health and Welfare Committee's findings that AFDC programs encourage people to cheat, do you have any alternative plan to meet this problem?

A Well, I think the alternative plan is the school lunch program. This is aimed particularly at the children of AFDC and

instead of giving added cash to the parents in this instance, it guarantees an addition to their diet.

Q But Mr. Duffy pointed out that the problem is not only with school age children, but with pre-school age children, brains don't develop because they don't get enough nourishment and that's covered only by AFDC.

A Well, I don't know anything I can comment other than the fact that based on the priorities as given us by the departments responsible for all of these functions the budget went up to the legislature and it went up the maximum that it can possibly be still within the realm of fiscal responsibility because it is -- it is in excess right now of the revenues coming into the state.

Q In view of that does that -- well, you've answered that question. I don't want --

SQUIRE: Any more questions?

Q Governor, you've often bemoaned the fact that the state doesn't provide a proper residence for its executive. Do you think in view of that your budget should include funds for same?

A It is going to be up to the legislature. Look, fellows, I told you I believe in the separation of powers. You want to talk about the house or antiques, you talk to Nancy.

Q In 1967--

Q Governor, on that -- you vetoed in 1967 -- I guess he was going to ask -- \$700 thousand -- \$75,000. You vetoed the legislature. Now, would you do that again or not?

MR. BECK: There was a site.

A There was a site in that first one, it called for the residence to be built on this property right down here downtown. Frankly --

Q Assuming you chose that as a site, would you approve the \$750,000?

A You let me see what the legislature does. You know I'm never going to tell you what I do about the legislature until they send it back to me.

Q Going back to the AFDC for just a minute, would you approve of something like cutting back on say special projects like the county fairs which receive automatic appropriations, to provide a little more money to -- for feeding children?

A           You are talking about things you asked me to do that require legislation.   Actually, there have been some cutbacks -- one of the, I think, exciting things that's happened is cutbacks in fairs, is what has happened over the last two fairs in the Auburn County Fair where the people themselves took over the manning of the booths and the ticket sales and so forth and the jobs around the fair on a volunteer basis and they had the most successful fair for the last two years than they ever had, which proves there is something wrong with subsidy.

Q           Governor, you are opposed to a downtown site for the Sacramento Mansion, is that correct?

A           Yes.

Q           You are....

SQUIRE:   Thank you, Governor.

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2/17/20

PRESS CONFERENCE OF GOVERNOR RONALD REAGAN

HELD FEBRUARY 17, 1970

Reported by

Beverly Toms, CSR

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

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GOVERNOR REAGAN: I have an opening statement here. It is a follow-up on a brief press statement that was released to you a few days ago.

(Whereupon Governor Reagan read Release No. 101.)

Q Governor, what's happening to the separation of powers concept? Why do you issue such a strong statement against on a matter that's pending in the courts and is going to go to the higher courts?

A Well, I don't think this is a violation. This is exactly why we are issuing such a strong statement, we want them to know definitely on what side we are on in the appeal that the Los Angeles School District is making because I don't think that this will be simply confined to the Los Angeles School District. I think it affects every school district in the state.

Q Governor, what sort of alternatives to mandatory busing do you foresee?

A Well, I think that if you could find, for example, that there had been gerrymandering of school districts or even without that if you could find that certain re-alignments of school districts could bring about certain -- better balances in certain schools where there is an extreme difference this could be done. This has been a suggestion made by the State Department of Education already. I think in the construction of new schools this could be taken into consideration as to building them in areas where we are -- where neighborhood designing, neighborhoods come together and overlap.

Q Governor, someone pointed out the other day that many Black Panthers weren't even in school yet when the original 1954 decision was handed down. Why do we still have this problem 16 years later?

A Well, I think you have the problem certainly in a state like California, which has been recognized for years and years throughout the nation as probably the state with the smallest problem in this regard, where many of the weaknesses in this whole system or discriminatory practices don't exist or exist to a very small amount, you have the movement that has taken place in a growing state of this kind, you have the buildup of certain neighborhoods and communities of a one ethnic background, and the result has been that schools in those neighborhoods tend to reflect that. Now, I think this is a little different than what I mentioned earlier, a deliberate gerrymandering of an older more fixed type of population so as to bring this about in schools.

Q Governor, do you see any merit in the statewide referendum to allow people in California to vote on mandatory school busing, pro or con?

A Well, if you are speaking of the initiative that one of our legislators, Wakefield, has been advocating, I couldn't see any problem in this. I think he's saying very much the same thing we said here. He is asking that the people be allowed to vote on the matter of voluntary versus compulsory busing in an effort to solve integration problems.

Q Governor, the decision last week ordered integration of the schools. In light of the decision made a couple of months ago by the United States Supreme Court regarding Mississippi school integration, could the Court of Los Angeles have decided anything else?

A Well, I, of course, hesitate to compare California and I think our problems as compared to the problems of some state where segregation has been a deliberate policy over a long period of time. I just don't think they're comparable at all. But again I would call to your attention the fact that the 1964 civil rights legislation was very specific. As a matter of fact, the Health, Education and Welfare bill, the educational portions that were just vetoed by the President for other reasons, for financial reasons, had at least four places in that bill where the intent of Congress was made perfectly clear that there would not be this compulsory shifting of children, nor would funds -- public funds, federal funds be used to bring this about. The situation, the problem, that had to be solved first was to eliminate the idea of having schools that denied admission on a



racial or ethnic basis to any student, and that doesn't exist in California.

Q But that was vetoed by the President, so it is not in law, is that correct?

A Well, I was saying that only confirmed the original civil rights legislation.

Q Governor, would you oppose busing in school districts that have already adopted it?

A Well, again, now we get back to the question about separation of powers. If you have an area where the people have chosen this and their school board is doing this for whatever reason, then this is their decision.

Q Governor, do you think the racial integration of California public schools is a desirable result?

A Well, now, I don't understand your question.

Q Well, is it desirable to racially integrate public schools in California?

A Well, it is -- as far as I know they have always been racially integrated and of course it is a desirable result. If you are asking me how I feel about some schools setting themselves up and denying the right of some students to go, whether on a racial or religious or an ethnic background, I'd have to tell you I've been opposed to this as long as I can remember in my life. Nor have I ever experienced it in any school I ever attended, nor would I attend such a school where this was practiced. Of course we want this integration. We are -- we have this integration. We are talking about some schools that because of neighborhoods building up have a preponderance of students of one race or the other and we are now talking about a compulsory feature. It is my belief, and I have said many times, that much of this is going to disappear in the few years ahead, in our state and in our large metropolitan areas. I do not believe in this that it is inevitable that this central city core of one race versus the fleeing to the suburbs is going to bring this about because I think as we bring up people who up till now have been economically deprived, the disadvantaged, as we bring them up to where they have the economic means to follow the trend to the suburbs and to move and disperse from some of these communities, we are going to find that this problem to a large extent solves itself.

On the other hand, I must tell you that I always believe -- I believe there will always be communities which by choice will elect to live in close proximity and to keep alive the customs of their heritage and this isn't alone racial, just as we now have large Italian-American communities and Boston has an area that is as Irish as Dublin and we have in Los Angeles the community of Americans of Mexican Descent and this is why I brought this in because here our problem there in the schools of trying to bring about this understanding of the bi-lingual situation to meet the language problem in those schools, I don't know how we'd meet it if you disperse those students out of that neighborhood and scatter them all over the Los Angeles School District.

Q Governor, to encourage integration without mandatory busing would you be willing to rethink your administration's policy on open housing laws or on some of them?

A Well, what is the administration's policy on open housing? We have open housing in California.

Q Governor, to get back to your statement there about districts that already have adopted school districts for the -- adopted busing like San Francisco, what's your opinion of that?

A Well, again, local community and the local school district have made their decision. That's up to them.

Q Governor, there is two things here. First of all, do you think it is desirable to integrate schools in the middle of Watts where practically every kid that goes there is black, and is it desirable to have white children going there, too, and if so, how do you do it without busing?

A Well, you are talking, when you say without busing, you might have to have busing but we are talking mandatory busing. We are talking, saying to a child whether he's black, brown or white, that this child is forced to get in a bus and to go to a school and I'd like to call to your attention that in this regard many people, millions of people in our state and I'm sure in the country as a whole, have chosen where they are going to live on the basis of the proximity to a school. There are people who adjust their -- their thinking with regard to how much rent they will pay or even go beyond their budget in the buying of a house because of the added advantage of living in close proximity, the children can walk to school and you will see this in many real estate ads, advertising for family dwellings and

how easily they can get to a school. Well, what do you do to these millions of people who have made that great economic decision and then suddenly you say, well you live a block and a half from the school but your children are going to be forced to get in a bus and go 20 miles to get to a school. I just don't believe that government has that right.

Q Governor, Assemblyman Wakefield feels the State Board of Education has been leading in the direction of compulsory busing. Do you suspect that's the case?

A Well, he must know something I don't know. I would -- I'd be very sad if I thought that was true.

Q Governor, earlier you mentioned the possible re-alignment of school districts as the way to solve this. Were you talking about areas served by individual schools or the actual legal entity of a school district which governs itself?

A Well, I -- I think I was talking actually about school districts that govern themselves, and their lines. I know this presents a different problem when you get a school district as large as Los Angeles and then you get into a whole different field because I have long wondered, and I'm not an educationalist, and I don't know, but I've long wondered about a school district consolidated and that big. I know that some noted educators a few years ago, their study of which they said that the ideal size from the standpoint of economics and ability to administer was a school district of approximately 20,000 students. Certainly Los Angeles is far bigger than that.

Q Governor, I have one more question on this Watts type situation. You are against busing the white children into these black schools, but is it all right to bus the black children out?

A Well, wait a minute.

Q Voluntary, all right.

A No, just a minute, you put words in my mouth. I am not opposed to voluntary busing of anyone either way regardless of their race.

Q Then you would be opposed --

A Color or anything else.

Q You would be opposed to busing black children out of the Watts area in the white?

A I am opposed to mandatory busing, I'll tell you what I would like to see in some of those districts. I don't think there is any question but some of those districts have, as I quoted the mother here about her child, that we could do more in some, where they have demonstrated educational problems exist already, we could do more to upgrade the quality of those schools. I am one who believes that the best teachers should be induced to go where the hardest educational problems exist. And if that requires premium pay, then they should be given premium pay to do this. The mother that I quoted in my statement just happened to be a Negro mother and she was talking about something that exists of crowded school districts where teachers just have a habit, in some instances, of passing the children because the end of the year has been reached and they finally graduate and they haven't learned what they should learn. And any parent is opposed to this. I've -- my getting around the state and talking to these groups, I've heard some rather shameful examples. I've heard a mother complain about her son absent from school for ten weeks and no one from the school communicated with her or asked the question where he was, and she thought as he left the house every morning he was going to school. She said she'd have been behind him with a switch and had him in school had she known this.

Q How about black parents who say it is all right to bus their children out in the white schools, is that O. K., as long as it is voluntary?

A We are back to voluntary busing again.

Q Does that meet your approval?

A Yes.

Q Governor, do you think that defacto segregation is any better than legal segregation?

A Well, when you talk segregation again, and integration, you are talking again segregation as the meaning of someone being denied, for whatever reason, the right to attend the school of his choice or that some schools deny entrance as we have had with the dual system in large segments of the south.

Q Let me define the word I was using. By defacto segregation I meant having schools which say are 90 per cent black and 90 per cent white or more which exist, for example, in Los Angeles.

A Then you shouldn't use the word "segregation." You are

talking about a balance, the belief that there should be a balance based somehow on quota and proportion and here we get into a whole different field and in the field of discrimination we get into one that I think today with the great move on the part of some towards separatism is going contrary to what has been the goal and what brought about the first civil rights legislation, that the aim and the goal of everything we do in this area should be to come some day to the point where we live, where we are educated, where we work is based neither because of nor in spite of racial differences or differences of any kind between us. Now, I again can only point that there are ways to hopefully break this up, but again as long as people chose voluntarily to live in a community you have to expect and respect their wishes. Now, in the Watts area which you have been questioning, I gave you the figures a couple of years ago, that as a result of the Chad McElellan employment program, which got -- gained thousands of jobs, employment for residents of Watts, 70 per cent of them moved out of that community once they had the job and economic means to do so. Now, this is a goal that we should be working at harder than anything to make sure that everyone has the right of free choice, not restricted either by custom or prejudice or economic means, but with all things equal, if you find people that voluntarily chose to create a neighborhood and live together and have the economic means to do otherwise, and I think they have their right to that individual choice.

Q Governor, you say that the schools should be upgraded, but if the taxpayer has had it up to here, where is the money going to come from to upgrade the schools that need upgrading?

A Well, this is one of the reasons why we -- we hope that we have made a step in that direction in the tax reform proposal we are submitting to the legislature, equalizing school districts. There is no question but that in the Watts area, for example, they have an exceptionally high property tax rate on their homes and our tax reform program is going to change that and provide another source of revenue and it does have an equalization factor in the program.

Q Can we switch topics?

Q I have one more. Governor, what's your feelings then on some of the proposed plans around the state, including Sacramento, about moving away from the neighborhood schools and a central schooling system where it is all one or two or three areas?

A Well, I think this is -- I know, and this is -- something



that first came to light in the east, a proposal for large educational centers in the heart of the city, everyone coming in from all around. First of all, I think you will find that there was great objection to this on the part of ~~many~~ people who still hold to the concept of the neighborhood school, but you also will find that as they went into it deeper there is a great controversy within education itself as to the desirability of this.

Q On another topic, Governor--

A Well, now, if you are going to switch topics, he had his hand up first and then you.

Q Governor, two police stations have been bombed now in the Bay area. One, what is your reaction, and two, what do you read into them?

A Well, what is my reaction to it, I think of course it is like ~~some~~ many guerilla type tactics, it is one of the most cowardly, despicable things that anyone can imagine. It is part of the new philosophy that we find and that was prevalent in Vietnam and still is of terror tactics, no selection of victims, just simply create terror. You will recall also that I told you some months ago that there has been great discussion among some of the more radical groups that they were going to switch from the tactics of confrontation, mass confrontation to this type of guerilla activity, so I -- I can't say that any of us should be totally surprised by this. We have been in contact with local law enforcement and we have told them, as they know already, that they have our assurance the full resources of the state, anything that we can do to aid them in this problem will be done.

Q Governor --

Q Wait a minute, I gather then you believe this is some sort of a plan to sabotage either by a group or individual?

A Well, I don't think that anybody just happened to be walking by a police station at Haight-Ashbury and said, "There is a likely target, let's throw a bomb."

Q These are interconnected, is that what you are saying?

A I think there is a certain communication and interconnection just as there was with the massive confrontations. I don't think it was spontaneous combustion that made a year or more ago the simultaneous uprisings and riots on campuses all over the country take



place or the fact that certain leaders among them managed to turn up on any one or on several of these places during their confrontations.

Q Governor, neither the police in Berkeley nor the police in San Francisco have announced they have even any suspects in these bombings.

A That's correct.

Q Are you saying that you know something about their investigation?

A No, no, but I think if you'll check the underground press you will find that this has been talked about for quite some weeks past that such things were going to take place.

Q But you don't have any evidence at this time, necessarily -- that necessarily connects these incidents with any people that are contributing to the underground press or any organization?

A No, no.

Q Governor Reagan, I have a two-pronged question with reference to highways and so forth. One, your reaction to Assemblyman Foran's proposal to use gas tax funds to fight air pollution and also for mass rapid transit, and then second, Volpe's announcement that replacement homes may now have to be furnished for people who were displaced for freeway and airport construction.

A Well, Ray, we are already ahead of them. We have a million and a half dollars that we have already subbed for a laboratory for air pollution to be financed out of the gas tax. We have announced that as long as the automobile is a polluter that this is a legitimate use of the gasoline tax. As for the homes being displaced, California is the one who first adopted such a policy and it was later taken up by the federal government and with no question but that they had taken the California example. We first started this in the Century freeway project that will be going through the Watts area, in which gasoline tax money will be used to create duplicate housing and provide another -- a replacement neighborhood for those people that would rather do that than simply trade and be provided a home than simply sell out and get the cash for their home. So we can't disagree with that. This is California policy.

Q Governor, another subject, do you support your wife's suggestion that the state buy the <sup>(Governor's)</sup> home you are living in now?

A Yes, I have to say that if you want to know, I'm fed up to here with the juvenile bickering and the hanky-panky that has

been going on over a legitimate situation which contrary to the custom, the law of the state, which a residence is provided, some civic minded citizens kept us from being put out on the street and I think the solution is very plain; if you ask me my personal opinion, yes, I think the legislature could get off the dime and solve the situation very easily. Let them take it over and -- and that will be fine with me.

Q What do you do with the -- how is the money spent for what was once called the Contingency Fund the governor's got. The contingency fund, there is \$15,000 in that fund.

A This is used in the -- I assume that you are talking about the entertainment fund that is provided and has always been provided and this is very carefully kept track of and is used expressly for that purpose. As a matter of fact, there is very careful differential made between any personal entertaining and the legitimate entertaining for which the fund is provided.

Q Governor, will you support the state allocation this year of the state buying that house on 45th Street, and if so do you think the state held it for another four years it would make a profit on it?

A I think it is a pretty good investment, yes. And I -- I don't think the man who invested in it will lose anything at the time that it is -- when it comes about. No, there is nothing wrong with that as an investment, but however they want to handle it, I'm just sick and tired of paying \$15,000 a year to be in the middle of a controversy kept alive by some cheap political shenanigans.

Q Governor, I think the prior question went to the so-called Secret -- one time called the Secret Service Fund, not an entertainment fund, but the \$15,000 you get to use anyway you want for investigations and so forth.

A Oh, well, that's -- that's an entirely different fund than household.

Q That's the one, I believe, the gentleman was talking about.

A That is for going out investigating possible appointees, bringing them in, sending people out to interview on, and a number of things of that kind and that too has always existed and that, too, is carefully differentiated from any other spending.

Q That is what it is being used for?

A That's right.

Q Not personal?

A That's right.

Q Governor, to clarify your position, do you want then the legislature to appropriate funds to buy your existing private home and not to appropriate funds to build a new Governor home that has been suggested also by others?

A Well, my whole -- you will remember that for a couple of years I believed very strongly and still do that again if the political shenanigans hadn't interfered and embarrassed a lot of people, the people of this state would have gone ahead and contributed to the state a residence as they set out to do. And they finally got discouraged and they had bought the land already, they presented that and the plans and some cash they had on hand to the state, leaving it up to the state. I also agree that this is something that should be done whether now or when. This state should, and I would also like to point out to you that about half of the governor's residences in the United States were purchased by citizens who raised the funds to do it. Something has been made of the fact that two years ago I vetoed an appropriation in the budget that would have done this. That was because at the time this committee was actively working and it looked like they were going to be successful in contributing to the state and that's why I vetoed that appropriation.

Q Well, yes, but Governor, right now what do you want the legislature to do, to go ahead and appropriate funds for this site along the American River or to appropriate money to buy the home you are living in now or do both? It is not clear.

A I think I've made my feelings clear over the years on this -- on this subject. Now it is up to the legislature and I'm going to sit back and let them -- you fellows are rapidly getting to the subject that in the separation of powers belongs to Nancy. I may have to send you over to the house again.

Q On another subject.

A Another subject, Ray.

Q Mr. Duskin, the full page ads that he ran in a few newspapers around the state against the State Water Plan, and with coupons to be mailed out, he's received something like 27,000. Can you tell me how many you have received or -- and/or Mr. Gianelli?

A I don't know whether --

MR. MEESE: We don't have a count right now as to the total.

A We don't have a count on this.

Q Do you plan to count them?

(Laughter)

A I think that this gentleman also --I didn't know that dressmaking encompassed so many outside activities, but I would say that he would not be my first choice for an appointment to the State Water Project.

Q Governor Reagan, Oregon has in effect closed its borders to narcotics addicts with reference to the methedone system of treatment and the Governor of that state has written you a letter urging that California adopt this system. What is your opinion of using the drug methedone and what do you think should be done in California?

A Well, Tom is a very good friend and I think he -- he wrote his letter without being fully cognizant of our own position on that. The State of California has been well aware of ~~methedone~~ and for a long time and does have experimental programs going forward in this. The State of California and the people who are professionals in that field have not felt that there is -- these experiments are at the termination point and that we should move either for or against yet. They want to continue the experimenting that we have been doing. So it is not a new thing to us at all, and we are aware of it.

Q Last night, Governor, some dissidents protesting the Chicago 7 trial tore up the Berkeley business district. One, what do you think of it, and two, what do you think ought to be done with the dozen or so demonstrators that were arrested?

A Well, I should be talking to the legislative leadership on some ideas and whether there is something that we can do legislatively to give local law enforcement more tools in this regard. Of course this is just as despicable as the other, even though it didn't result in the physical damage, a damage to property. I'd just like to tell you a couple of ramifications that I'm sure you are aware of already, remind you that the City of Berkeley has lost the right to have liability insurance as a result of these kind of shenanigans. The city is totally unprotected by liability insurance because it is now a bad risk and many merchants have lost -- can no longer get insurance for this kind of vandalism and damage because it is so prevalent, so common, there. Now, this was a pretty well organized

attempt yesterday. They chose the rush hour when the streets were crowded when people were coming out of offices and out of buildings and individuals just scattered and went in and smashed the windows and there was just no way to apprehend them. There was no possible weapon that could be used in any way as you might in dispersing a mob because they weren't a mob, they were scattered individuals that just broke -- I understand literally -- well, now, wait a minute, before I throw any figures around, do we have an estimated count from the police, don't we, on windows?

MR. MEESE: About 60 windows, 60 buildings, were damaged.

A About sixty buildings. Now, I don't have the figure on the exact number of windows.

Q You said there were no weapons to deal with. What kind of weapon?

A Well, I mean the things that in a mass confrontation, had this been a down-the-street kind of thing, where tear gas or the deployment of forces could be used, they were just helpless, those were crowded streets and individuals in the crowd scattered all over the business districts breaking windows.

Q Governor, on the last question, on the methedone, you said that they were still experimenting and testing it. Is there an anticipated time when their results or report will come out to you?

A That I don't know, you'd have to take up with the agency that is in charge of that. But I do know this, that if there is any feeling on the part of Governor McCall's letter that California is somehow backward or behind in this whole field, I'd like to point out to you that here, too, California ranks as virtually number one in the rehabilitation and the treatment of narcotics addicts.

Q Governor, are you close to naming a Chief Justice and second, do you have any plans to appoint Justice Traynor to the Law Revision Commission or any other --

A Well, we have been so busy on this other search that there isn't any discussion of anything of that kind.

Q Governor, earlier -- I either missed your answer or you didn't give it, but part of a question was asked about the gas tax, was whether you agreed with its possible use for rapid transit.

A Oh, I guess -- I guess you -- that's right, I got off on that smog thing and forgot the second part of the question.



Well, we have made it plain that we are open to, on the local level, variations as witness the permission that we supported for BART to use a sales tax. There are possible alternatives that we have discussed. Again, the right of the local government, either sales tax or sales tax on gasoline or its own gasoline tax for that. There is another alternative and that is the one that has been proposed to permit local government to use its share of the gas revenues for that -- that purpose. This would be a local decision. I wouldn't be opposed to what they chose to do.

Q The Lieutenant Governor said yesterday that you and he were going to run as a team in 1970. Is there something you haven't told us?

A Well, I imagine that he really had a qualification or intended a qualification if I was a candidate, but I would assume, knowing the philosophy of our party, that whoever is the Republican candidate for Governor, they would run together because you will remember that we supported a constitutional change and I'm disappointed that it didn't go through. I think the state would be far better off if the Governor and Lieutenant Governor were elected in team the same as the President and Vice-President run at the national level, rather than having separate elections.

SQUIRE: Any more questions?

GOVERNOR REAGAN: A couple more.

Q Thank you. What is your reaction to the Chicago conspiracy trial, Governor?

A What is my reaction?

Q Yes.

A I think that Judge Hoffman has had patience for a long, long time and I think when he lost patience he did it darn good.

SQUIRE: Thank you, Governor.

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2/24/70

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GOVERNOR REAGAN: Well, I want to welcome some visitors. We have two journalism classes, one from Stanford University and one from Del Campo High School here in Sacramento. Glad to have you join in and watch the fun.

I also have a statement I'd like to open with.

(Whereupon Governor Reagan read press release #117.)

Q What do you expect to come out of the meeting, Governor, just exactly?

A Well, I think that getting them altogether in this kind of a meeting with the focal point being the smog control board, we can learn ourselves where we are with regard to breakthroughs in this field, both in the fuel and in the engine designs themselves. And I think there are good reasons why this should be brought together, or these people should be brought together with our board, for this kind of a wide open discussion with all facets concerned. As you know, this would be about the only way that they could together, I'm sure, at our invitation, without being in danger of violating some of the anti-trust laws.

Q Governor, is it your impression that the gas and auto people haven't done enough to try to design engines and gasoline to eliminate smog? Do you think they need impetus from the government? Is this sort of an implied threat?

A Well, I think this could help. And I think it could also help us in our own planning. I don't know how to answer your question about whether they've done enough or not. I think there was a time, and perhaps they thought smog would go away by itself. They weren't working at the pitch they're working now; but I think our own laws which literally force them to meet certain requirements or lose the <sup>great</sup> market in California has made them now take a good hard look at this, and I both in the oil industry and the automobile industry, we now have programs going forward that I am hopeful are going to lead to breakthroughs, so that even our own projections of 1980 that I cited here will be exceeded---that we'll meet those standards much earlier

due to breakthroughs that are unanticipated now.

Q Do you actually feel we are doing our best to eliminate smog now?

A I do now, yes.

Q Do you see any connection or anything, Governor, this morning when the insurance companies announced a 20 to 50 percent premium increase for bigger, high compression cars, that there's going to be a squeeze from both directions, economically and the government?

A Well, I hadn't seen that. I didn't see that. But I'm sure that's going to have some effect on a great many people. I wouldn't be able to analyze it, now, just having heard it for the first time.

Q You talk about breakthroughs. Would you support Senator Petris' legislation for a \$25 million reward for a smog-free internal combustion engine?

A Well, you know old economy-minded me. I might have at one time, but right now I think that we're going to get it just as fast without having to give away the \$25 million.

Q What evidence do you have of that, Governor?

A Just my belief that there are evidences. We've seen some stories of some of the developments, the Ford Motor Company released some pretty optimistic statements a short time ago themselves, not only on the engine devices and devices that now they anticipate could be applied to older cars, but also on the newer, improved ability to test cars. For a long time, we've been handicapped with regard to enforcement of the testing of individual automobiles in that there was no easy way. You couldn't just drive into a garage and get your car tested, with regard to the smog emissions. But there have been announcements that they believe they're on the verge of a breakthrough of portable and economical equipment so that every repair shop could be equipped with this, so that you could have laws in which you could have people, could require people to go in and have a check, a periodic check on an automobile.

Q How soon do you think it will be before we have that in California?

A I don't know, Maybe I'll know more about that after we have this meeting next month.

Q Governor, the parents of the child that was killed at Sonoma <sup>(hospital)</sup> over the weekend have blamed administration cutbacks for his death, and Dr. David Kirk, the senior staff physician, has said that the death is definitely related to short staffing. He said if you had had sufficient number of people on the job at the time, there is no question but what the child would not have died.

A Well, I'm sorry they found it necessary to say that. We have already had an investigation of this tragic situation, and I can understand the grief of the parents, and I can even understand how such grief would lead to bitterness. The truth of the matter is that child was in a ward that has the highest staffing that's to be found in any of our institutions, because it was in an educational ward, and there were on duty at that time seven nurses and eight educators. And the child was one of seven in the charge of one nurse. Now, you can't get a very much higher ratio than one nurse to seven children. And the unfortunate incident, the thing that happened, was that one of the children broke away from the group, and as the nurse left to get this child, that's when the child who subsequently died fell down the stairwell. I don't know how, there were 15 people on duty there at the time in that one ward--the maximum is 18 that they have for that--and I suppose due to absences of the kind, the other three that always take place, the other three weren't there. At the moment, whether that could have made any difference or not, I don't know. I doubt that there would have been more than one nurse for seven children. Now, obviously, we want to prevent any accident of any kind that we can. But, again, I have to say that this is a strange thing to charge cutbacks when every effort that we are making is to increase the ratio of staff to come up to the 1967 standards that were passed. We expect in the hospitals, in the mentally ill hospitals, to meet that by June, which is four years ahead of schedule, and we'll be longer in reaching it in the institutions for the mentally retarded. But we are on the way, and the staffing ratio, the staffing standards right now, in our hospitals are higher than they have ever been in the history of the mental health program in California.

Q Governor, last week, the Regents apparently decided against giving the customary honorary degree to the Charter Day speaker who was Mayor Lindsay of New York. I was wondering if you could tell us how you voted and why.

A. Well, I can't tell you how I voted because these votes are on a secret ballot basis, and this is in executive session. And I just don't think it would be proper for any one of us to do that and thus open up others to being queried and, as to how they voted. This<sup>is</sup>/the reason for having it a secret ballot. I can say that there's been some misinformation published about the entire incident. This name was a late entry and it required unanimous consent of the Regents in order to even consider it. The unanimous consent was given



for this. There were two, as was reported, who had some comment--- one with regard to this particular appointment, but at the same time that Regent announced his intention of voting for Mayor Lindsay. One other Regent commented on the fact that this Regent is going to bring up at a subsequent meeting the policy of whether to give honorary degrees from the University of California at all. There was no other comment whatsoever. And the vote spoke for itself. Perhaps those who voted felt that this was getting into the area of politics.

Q Can you give us an enlargement of this votes, Governor?

A I've seen in the paper that it was reported as an 11 to 11 tie. I thought, I understood at the meeting there was a recess called immediately called afterward, and I thought I understood them to say it was 11 to 10. Now, there were some Regents absent at the time.

Q Do you think that this was in any way insulting to Mayor Lindsay, Governor?

A Ch, I don't think he should take it that way, no. I think this, that the Regent who came out and talked about what took place in an executive meeting is to be censured. Because first of all, there's an agreement, and not just a gentlemen's agreement, that this is the purpose of executive meetings. They have no right to talk about what takes place in those meetings and I would suggest that any Regent who is willing to violate this custom and this rule, should be taken with a grain of salt by all of you as to his accuracy, anyone who would do this in the future.

Q Governor, what is the justification for discussing whether you give Mayor Lindsay an honorary degree or not in a secret session? Why shouldn't that be done in public session? What's the secret about it?

A Well, for the same reason that, in the same reason that all personal matters are reserved even under the Brown Act, for executive session, because if there are going to be discussions, it isn't fair to the individual who is being discussed, and who has no control over the fact he's being discussed, that this should be made a matter of public record.

Q This is just an honorarium you're granting to a public official.

A No, it's an honorary degree you're granting.

Q What are your feelings, Governor, on honorary degrees, generally? Do you think they should be awarded to political figures?

A Well, now, having a couple myself both from privately endowed institutions, I suppose I'm hardly in a position to judge objectively. To tell you the truth, I think that you could take a serious look at this whole custom of honorary degrees. I know it's been a long-time tradition in education circles. I've often thought that the institution usually grants them from the standpoint that somehow it would be of some benefit to the institution. In my own tastes, I have to question whether that's true or not.

Q Another subject? Mr. Post, this morning, appeared before the Assembly Ways & Means Committee and delivered a rather lengthy report in which he said among other things that if some of the assumptions upon which you, upon which the formulation of the budget was based, the passage of Proposition 7 and no recession, and others, <sup>that</sup> some of those assumptions are not valid, that the budget will have a sizable deficit at the end, that all of the surplus will be gone, that there will be no surplus, and he has a, 32 proposals to lessen costs and increase revenue for the state, some of which involve programs of yours like business inventory tax exemptions, and others. Have you had a chance to look at Mr. Post's proposal?

A No, I do know that he spoke with somewhat praise about the budget that we submitted and the procedure we used in submitting it. I know that among some of his proposals, we ourselves have a budget, and while the message has not gone up yet, when it does you will find that some \$130 million in the field of welfare, which I think is the same \$130 odd million that he has mentioned himself, we have pointed out to the Legislature that legislative action could reduce the budget by that amount, or could make that money available for other more desirable programs which have had to be cut. As to whether there's going to be a deficit, we know that we have submitted a budget that's going to allow little, if any, surplus, based on our estimated, our projected figures. All of us have to live under the possibility, the shadow that an economic downturn could affect the prognostications of revenues. And that's why in mid-year, you have a second look, and the same experts give you an opinion at the half-way mark so that you can take some action if necessary at that time. We've been accused in the past of being too pessimistic in our estimates and therefore turning up with surpluses, and now we're being criticized because we're not being pessimistic enough. We do make some allowance. The experts who give us the revenues always give it within a framework and say it could be between two amounts. We normally try to take the lower amount,

because we think it would be poor business to take the most optimistic amount. If there is a serious recession of any kind, I'm quite sure that there isn't any way you could avoid being caught short. You couldn't put the budget in on the basis of crash coming which no one can really foresee and which you can't estimate what the results might be. You couldn't budget on that basis and then justify turning up at the end of the year if it didn't happen, with vast sums of unused money.

Q Governor, about the \$130 million in welfare expenses. Could you spell out exactly what could be cut to \$130 million?

A Oh, I could...it's a number of bills, a number of things that we've introduced before in the last three years trying to get the legislature to make moves on such things as the Lien Law and we are trying it again, because as times get tougher, and we hope as they realize the need to reduce the cost of government, that the legislature will give more consideration to some of these things we've asked for before.

Q Are you definitely asking for these, or saying these are here in case you need to cut the budget?

A We're pointing them out to the legislature and saying that there are other priority items that could not be funded in the present budget, as well as the priority item of reducing the cost of government. And that the legislature, if they see fit to pass these, we're certainly open to them making proposals to us to use this money for alternate items.

Q When will this message come up?

A Well, when are we schedule.... It isn't scheduled as yet.

Q Governor, will this message contain possible cuts in fields other than in welfare?

A No, I think, I think that's the only area where we proposed...the general area of public assistance, where we have pointed out areas that legislation would be required and that we've proposed this.

Q Governor, Mr. Post also told the committee that you could save a lot of money in welfare and Medi-Cal, if you would remove all restrictions for abortions. Would you care to comment?

A Well, yes, he did that on the basis that an abortion is cheaper than putting a person on welfare. And, I don't think that that can justify what still has never been cleared up completely as to what constitutes murder. When does life begin? I can only point to the fact that a court has recently found in favor of an unborn child

who was injured, before birth in an accident, and the court has ruled that that unborn child has legal constitutional rights, and as I say, has found the judgment in his favor. I think this has to be taken into consideration with those who are just advocating a wide open abortion with no limitations.

Q What was the stage of pregnancy when the fetus was injured?

A I can't tell you the exact month. And this, of course, too, has never been legally decided as to when is the fetus alive. There are some, and some religions that say it is alive immediately upon conception.

Q Governor, you are against liberalizing the abortion law as a means of cutting welfare?

A My view, or for any other reasons, I, my own view was explained at the time I signed the bill. I believe that <sup>a</sup>prospective mother has a right to self defense and to defend herself against injury, or ill health, or death as the result of giving birth. I do not believe that we have a right to take a human life by way of an abortion simply because someone has decided that the child might be born less than perfect, because once this precedent is established, I don't know how you could then determine that this would continue to say a week after birth, or a month after birth, or maybe even a year. This is playing God.

Q Senator Beilenson says he's going to introduce a bill, he might introduce a bill, which would remove all the legal restrictions from abortions. Would you veto such a bill if it were to pass?

A Well, <sup>now</sup>/you know I always hesitate to say what I would or would not do. You've heard my views on what I think abortion should be.

Q Can we move to another topic, please? Still on Mr. Post, and not on abortions, please.

A Alright.

Q Mr. Post suggested that Long Beach has not used its share of tidelands oil revenues as judiciously as it might, considering the state revenue need. Now, he's talking specifically about the Queen Mary. Do you have any feelings about that?

A Well, no, I don't know exactly what he said about this, and you're in the area now of the Lands Commission, that I know there are restrictions on the way Long Beach can use that money. And they are confined pretty much to navigation and harbor developments, under which, I suppose, comes the Queen Mary. Now, whether the state should review this or not, I would rather wait and get the recommendation from the commission.

Q Now, can I change the subject?

A Governor, you've rather consistently maintained an aloofness, or supposed aloofness, of legislative personalities, and specifically the Senate pro Tem's switching back and forth. But now, the Lieutenant Governor has come out that you philosophically lean in the way of Senator Schrade, but you never made any comment like towards Senator Way. How are you philosophically in the same category as Senator Schrade?

A Well, I think that the comment that was made was one about the fact of again, with supposedly the ideological divisions between conservative and liberal. I have no comment that I can make on that. I'm, there's a separation of powers. The executive branch is going to do its utmost to get the support of the legislative branch on the program that we're trying to get passed, and I'm going to do that regardless of who's the President pro Tem.

Q The information was that you felt you had a better chance with Senator Schrade, than when Senator Way was in. Is this true?

A I wouldn't, I can't, I've been optimistic whichever way it went, because I've had expressions of support for our program from people who have been engaged on both sides in that struggle in the Senate, and certainly I had every cooperation from Senator Way in the weeks that we were working together on the tax reform program.

Q Governor, there has been a suggestion that you are withholding an appointment of the State Supreme Court/Justice until the President, until the United States Supreme Court matter is settled. Is there any ~~XXXXXXXXXX~~ basis for that?

A No basis at all. Never even thought of it. We're, I wish we had it decided already. We've been on a search and there are many fine and capable people with the State of California that can serve in that position, and we have a group as we always do with all judges who are trying to come forward and give me some evaluations. We'll be having another meeting on this in just a few days. But no relationship.



Q Governor, Mr. Bryner, vice chairman of your Commission on Educational Reform, has resigned to join the Wilson Riles campaign. Do you have any comment on that?

A Well, the only comment I can have on that is, I commend him for the action he took if he felt he wanted to go and engage in a political campaign, then it was perfectly proper that he should resign from that commission.

Q Governor Reagan, back to Senator Schrade. Do you agree with his statement that a \$5,000 campaign contribution two years away from an election is the usual thing?

A Well, let me just say this. There have been accusations voiced in this regard; frankly, I think that the, that these accusations should be investigated and determinations should be<sup>made</sup> as to whether the accusations are, that existing laws with regard to campaign contributions and legislation were violated. I think that this should be cleared up. I think action should be taken to find out if if this true, and if true, then action should follow, legal action, and in behalf of the man who's been accused. There should be a clearing of this so that he himself is cleared of the accusations that have been voiced, if, indeed, he is clear.

Q Governor, do you think that should be handled by the Joint Legislative Ethics Committee or the district attorney of this county?

A Well, again, now you get me a little into the area of the separation of powers again. I would think that this would be a decision for the Legislature also to make. I would, I would add this: I would like to see the Legislature not only resolve this particular issue, but I would like to see them<sup>take</sup>/whatever steps they can to make sure that in the future, it isn't even possible to have the appearance of evil.

Q Governor, do you think the Legislature should set up a procedure whereby it would review itself in a situation like that?

A Well, this has been done at the national level for a long time. I think that we have to assume that these men up there are capable of judging themselves, and just the fact that they are members of the same body I don't think should necessarily give us the idea that they would automatically be a whitewash group.

Q Governor, the gentleman in question is in a position to name to the committee which will investigate him, on a given matter. What sort of position do you have on this situation?

A Well, he'd hardly be in that position if he were found to be wrong, would he?

Q If the committee made up to investigate is made up of people including his own appointee---

A Well, I think there a legislative body has got to make provision so that you can't have that kind of conflict of interest.

Q Governor, do you think Senator Schrade should step down as Pro Tem until his name has been cleared?

A Now, I think again this is a question for someone else to answer. I think I've made my own position clear on this. I think that the people of California have a right to expect that the people in government, whatever branch of government, will be scrupulously honest and above reproach. There is a cloud as a result of accusations that have been made. I think the people have a right to expect that cloud to be cleared. And I think the accused would also want it cleared, and he has so expressed himself.

Q Governor, you vetoed the bill that was involved in that contribution. You vetoed that bill in 1967. Has your position changed on that bill with what's passed again?

A What?

Q The bill that was involved in that \$5,000 contribution dealt with industrial loan companies, or rather title insurance companies, (inaudible).

A Oh, I'd have to tell you now, just off the top of my head, I couldn't, do you know--

MR. MEESE: The bill that was vetoed was in 1967. It was the same or a similar bill when 1969 knocked it out of the Legislature, so the bill that specifically was involved in the \$5,000 was not the one we vetoed, in other words, it was two different years.

Q Yes, I understand. The question is, when he got through with it, would he veto it again?

A Oh, now again, you're asking a question---how could I answer a thing like that.

Q Governor, specifically, how would <sup>you</sup> prevent a conflict such as this from recurring? Would you prohibit handling contributions say two or three years before an election, is that what you're referring to?

A Wouldn't this, this would be something that I think, when I said that I think the appearance of evil, that the Legislature should take steps. I think that a group could sit down and work out a set of ethics, principles in this regard.

Q Would it be too hard to prevent any organization that might stand to benefit from legislation, not contributing to a political campaign?

A Well, it's pretty hard to figure/<sup>out</sup> how you could ever have any contribution to a political campaign then, because any citizen has a certain stake in things that are going to be passed and adopted by government. This is probably why the conflict of interest bill that Assemblyman Monagan has introduced with regard to campaign contributions and making them open and public above \$100, is a good, is a very good measure. I think once it is out in the open and the knowledge of campaign contributions and who makes them, or who/<sup>may</sup> make them, is public matter. I think there's a pretty big protection there.

Q Governor, your term "spirit of evil"---are you intimating that there is such an aura going around the Senate right now?

A No, I said that there is this appearance, there is the fact that you continue to ask about it, and that most of you continue to write about it. I think there is an indication that people are, still do not believe they've had a full answer to this.

Q Another subject? Governor, you've consistently criticized people who practice selective obedience of the law, even before you were governor. Yet, last week, you criticized rather harshly a decision by a judge in Los Angeles telling the L.A. County Board of Education that they would have to obey the law. Is that inconsistent?

A I don't think I told them they wouldn't have to obey the law. The, I said that the state was going to join then in appealing the decision to a higher court. Now this is a--

Q You described the decision as ridiculous.

A I think it was ridiculous.

Q That they have to obey the law?

A No, I said the decision was ridiculous. Because I don't ~~the~~ *think* the judge's decision has anything to do with the law. The Civil Rights Law of 1964 specifically, specifically states that public funds cannot be used, or bussing used, to balance.

Q Governor, the judge's decision had nothing to do with bussing, said nothing about bussing. It simply told the school district it had to conform to state regulations about integrated schools.

A The, throughout the entire hearing, and since then, all of you and the school board itself, has said that the only way to comply with that decision would be by bussing. That there would be no other way.

I think to draw that line, and this was pointed out many times as I understand in the hearing before the judge, so that there was no question but that what the decision meant was bussing. No, I'm not advocating that they break the law. I said I have appealed to the Department of Education, the State Department of Education, to find out anything they can as to how some of these problems can be met---whether it is the redrawing of lines or whatever it may be. But to criticize a judicial decision, I've also been critical of a few things like the Miranda decision by the United States Supreme Court also. I think this is a perfectly legitimate, and everyone has a right to do that.

Q Also, last week you issued from your office a letter stating that you had requested a Grand Jury investigation, a Federal Grand Jury investigation. You are aware of the letter, right?

A That's right.

Q Well, didn't you the week before say you opposed the Federal Grand Jury's indictment against the Alameda County sheriff for the reason that federal people were intervening in local matters?

A I opposed it because the local people had already taken action. There had been a grand jury investigation, I mean a County Grand Jury investigation, there had been a Coronor's inquest, there had been disciplinary hearings, there were suspensions from the force, dismissals from the force, and there were men then awaiting trial on charges that had been brought against them. Yet, the Federal Grand Jury was convened and moved right in on top of this. I asked an investigation by the Attorney General to determine whether outsiders had crossed state lines in violation of the federal law to incite the riot that took place in Berkeley last week. And I think this is certainly within the law and is asking for an investigation of the possible violation of a federal law.

VOICE INTERJECTION: Which the County Grand Jury could not do.

A Well, we've had indications that certain action is taking place.

Q Governor, Senator Dolwig today announced he will not seek reelection. Do you have a reaction to that?

A No, if he's made that decision, that is his decision. There have been some hints before that he wasn't going to. I am a little surprised. I thought that lately he had been swinging the other way. It just means another area where we lose the advantage of an incumbent and have to start from scratch.

SQUIRE: Thank you, Governor