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OFFICE OF THE GOVERNOR
Sacramento, California
Contact: Paul Beck
445-4571 1.8.68

RELEASE: P.M. Tuesday
January 9, 1968
(PLEASE GUARD AGAINST PREMATURE RELEASE)

TEXT OF THE GOVERNOR'S STATE-OF-THE-
STATE MESSAGE TO A JOINT SESSION
OF THE CALIFORNIA STATE LEGISLATURE

Welcome back. It hardly seems like you've been away. I've missed you--I think?

We meet here today--members of two branches of the California state government, and members of the two major political parties---in common cause: the people's business.

What we do here--and what we fail to do here--will affect every citizen of our state. We are, for better or for worse, part of the life of every man.

The compelling issues which face our people are not partisan--in nature or solution. The burden of taxation presses down upon Democrat and Republican alike. The smog we breathe brings disease without regard to political alliance. The search for a happier, healthier, more productive life is shared by the vast majority of our citizens. Those here of good will and serious intent know this to be true.

We also know that attendance to these issues cannot wait for another year or another session. There is no time, there is no room, there is no defense, for the personal squabble or the partisan obstruction.

There is room--and there will be need--for debate; between our parties and between the branches of our government. Let there be such debate; it is a part of the power and the protection of our system. But let it be on the issues, and on the merits and demerits of programs and proposals.

So, at the outset of this session and of this message, I issue you an invitation and^a/challenge:

--join with me--together we can make this a meaningful and a constructive year for California;

--join together in ascribing and achieving the great, the bold, the compassionate and dynamic dimensions of a California purpose which

will fit the needs and the dreams of our people.

Only in this way can we be proper partners in the goal and purpose of every man.

And if this be idealistic, let me remind you that we are here today in part because of idealism:

--the ideals we carried in campaigns (which should be with us even now), and

--the ideals the voters placed within our trust when they sent us here to serve.

It is time for these ideals and this trust to take precedence over politics; that is the basis and the thrust for the program I outline for you today.

One year and five days ago I stood on the west steps of this great Capitol and told the people of California:

"We will put our fiscal house in order. And as we do, we will build those things we need to make our state a better place in which to live and we will enjoy them more knowing we can afford them and they are paid for."

Since then, a great amount of the time and effort of my administration has been given to keeping this commitment--to pulling our state government from the brink of fiscal catastrophe; austerity was an essential prelude to progress.

Sometimes to the cries of anguish, sometimes to the cheers of agreement, but always with responsibility to the taxpayer in mind, we have "cut and squeezed and trimmed." In the little items, which add up to the big bills, and in the big items, which help to foster the nightmare of big government spending, we have reduced costs, improved efficiency, and installed tighter control.

That job is not yet completed; far from it. There is still much to be done; it will be done. We will continue to cut and squeeze and trim so that we get the most for each and every dollar we spend. We are determined that this government will live within the means of the taxpayers who pay its costs. We should bear in mind that our fiscal problems will be just as tough this year as they were last year.

The final 1967-68 budget was approximately within the projected increase in state revenues due to economic growth. Most significantly, that budget reduced by 50 percent the previous trend of budgetary increases.

The budget which I will present for the fiscal year 1968-69 will also be within the limits of expected increases in state revenues. We cannot take our people, or their government, into debt and we will not ask for increased taxes, indeed we shall oppose any such suggestion.

Last year we sought, and you approved, a measure which would enable us to proceed with the reorganization of the executive branch of state government. This is necessary if that branch is to serve the people efficiently and effectively. During this session we will present to you the dimensions and details of that reorganization plan. It deserves your support and approval.

A further reorganization which I will be sending to you has to do with the selection of judges. It is time, once and for all, to take the selection of judges out of politics. Instead, selection will be based on merit and qualifications. I am pleased to inform you that this Administration's judicial selection plan has the wholehearted support of the Judicial Council and the State Bar of California. This plan will make it possible for Californians to take the pride in their judicial system which it so richly deserves. I commend this plan to you and earnestly solicit your support.

Also during the past year, a task force of more than 240 men--citizens widely recognized for their expertise in efficiency and cost-control--surveyed every department within the executive branch. These volunteers--men from many areas of enterprise and both political parties--served without cost to the taxpayer and without special favor from the government. They reviewed the operations of some sixty different departments and divisions on the basis of efficiency, economy, and the best interests of the taxpayer.

We have already begun to implement some of their recommendations, based on preliminary reports.

The formal recommendations of the task force are to be presented to me early in February. At that time we shall review all of the some 1,800 suggestions made, and determine those which should and can be put into action.

Those which will require legislation will be quickly brought to you for consideration and approval. It has been estimated that once many of these recommendations are in effect, we can save the state perhaps \$100 million---and much of that on an annual basis.

I understand that some of the excellent recommendations which the report contains originated with our own state employees; men and women who at long last were given an opportunity to make creative suggestions with the knowledge that constructive action would be taken. We owe these employees our gratitude for their cooperation and concern.

At the same time that we continue cutting the administrative costs of state government, we must face up to our problems in taxation.

In the 1967 session we promised that \$155 million of the 1968-69 budget would be used for property tax relief. We intend to keep that promise. I will propose to you a method which will direct this relief to the people through our educational system. One way is by assuming the local property tax burden of the junior colleges. Another is through the secondary system.

We are committed, in next year's budget, to include a provision for special property tax relief for the elderly. This will total approximately \$22 million and we will honor that commitment.

We will also provide for inventory tax relief. It is not the proper or productive function of taxation to stimulate the warehouse industry in neighboring states; it is not the proper or equitable function of taxation to force the owners of small papa-and-mama stores to spend their midnight hours doing bookkeeping for the state government. We must put an end to such harassment.

But all of this, which we intend to do, does not face up to what really must be done about taxes in California.

There has been no substantial tax reform in this state government since 1933. In that year, we were primarily an agricultural society with a population of about six million. Today we are a

highly industrialized state with almost 20 million citizens.

During those thirty-five years, California has undergone tremendous change--

--we have known the pressures of depressions and wars;

--we have experienced population explosions, industrial expansion and the growth of the super-city;

--the cost of our state government has risen from just under \$^{12.5} billion a year to over \$5 billion.

We have been through some of the most sweeping social, economic and political changes of any state in the nation. Yet through it all, the continued approach to taxation has been add-ons and gimmicks and gadgets and unkept promises. We have added patches to the patch-work until today we have a crazy-quilt structure which is neither equitable nor effective.

It will come as no surprise to you that I will propose a major tax reform measure for your consideration during this session. We must overhaul our tax structure; we must do it now. Since the ^{final} report of a citizens' task force studying tax reform won't be delivered to me until this afternoon, some of the stories on what I will recommend are a little

and,
premature / like the report of Mark Twain's de(), somewhat
exaggerated.

Any significant tax reform program in our state must involve a reallocation of the functions and tax resources of our governments at both the state and local level. Just as Washington should return certain responsibilities and revenues to the states, the states should continue to return certain functions and tax sources to the cities and counties. To ignore this fact is to ignore the needs of our citizens

The present patchwork system is incapable of keeping pace with our economy. To continue it means to continue having to seek new sources of revenue and to change rates every few years. Orderly planning by government, business and the citizen is impossible. We have a positive business climate which will make our state attractive to businesses and industries seeking new locations we must eliminate uncertainty as to future policy, have a record of financial stability and a settled tax policy that minimizes the need for frequent adjustment of either tax base or rate.

Local or state taxes should not be used to redistribute the earnings of the citizenry. The federal government has pre-empted that field. The state's concern should be to see that each citizen pays the same percentage of his income in state and local taxes after payment of his federal taxes.

Our property tax is inelastic and highly regressive, amounting in many instances to a 20 percent tax each year on family shelter. It discourages buying, retards property improvement and makes it impossible for many of modest income to continue living in and owning their own homes.

The present retail sales tax, with all its exemptions, still imposes a disproportionate burden on those of lower income. At the same time and by contrast, we find that 9 percent of those filing personal income tax returns pay 67 percent of the total income tax collected.

Equitable tax reform must be based on a sense of responsibility to the individual taxpayer. How much of his income is he willing to give--can he afford to pay--to state government? What amount of his

personal resources will be spent or saved through individual decisions-- and how much will he permit us to tax away and spend on his government? This must be a taxpayer's decision--not ours; we work ^{for} them, not the other way around.

Let there be no misunderstanding, no mistake as to what I am saying.

We do have a concern and rightful responsibility to the unfortunate, to the ill, and to the indigent. We must fulfill this responsibility, and we will.

But, there is also another responsibility to which this administration will give high priority; that is to the taxpayer, the too-often forgotten man, who today is working 2½ hours out of every eight-hour day just to pay his taxes.

This is the citizen who has no special pressure group to lobby for him. He works and sweats to make ends meet, to pay his bills and keep his family in clothes and his kids in school. He is the source from which the blessings of tax-supported programs flow. Before we can provide special services to others, we must first take the money from him. If he goes broke, there will be no money for Sacramento.

In all our approach to government, and certainly as we attend to the matter of tax reform, we must be fully concerned with the measure of his gain and the size of his loss.

During recent years California's economy has continued to expand, but not rapidly enough to keep pace with the growth in our population or the needs of our people. An accelerated and diversified economy is necessary if we are to have the jobs and job opportunities for our people; if we are to have a stronger tax base for our governments.

We are in many ways the "brain bank" of the nation. We have the top scientists, the top technicians, the brilliant and the skilled. We need more of them to fill the job opportunities which now exist. But, we do not have enough jobs for the non-technical and the semi-skilled who can contribute so much to our society. We must work with the private sector to stimulate job formations for these citizens.

In 1967, 37 percent of our manufacturing industry was defense connected. This may be economically fortunate, but it is not a

healthy or happy situation. We pray for peace and for that day when our men will be home and when the energies and resources and brain power now focused on weaponry can be used to extend a peaceful and productive society. We should prepare for peace; for jobs for those gallant men who hopefully must soon be returned from that conflict in Vietnam.

Accordingly, during this session I will inaugurate programs and submit a series of measures designed to stimulate the economic growth of California in the years ahead.

I will ask for the establishment of a Department of Human Resources Development. Its major function will be to stimulate job training and job retraining for those who have the desire, but not the skill, to find productive jobs. It will also cooperate with and expand the work of the Job Training and Placement Council which was created early last year and has been under the guidance of Bob Finch. A report from the council will be ready soon. The department also will work closely with H. C. "Chad" McClellan, whose "Management Council for Merit Employment" has helped place in jobs many thousands of our unemployed, and has the working cooperation of 20,000 employers. Jobs and job training, not hand-outs---are the meaningful answer to poverty.

Last year our State Employment Service placed almost 600,000 people in non-agricultural jobs. Some measure of the success of Mr. McClellan and the 20,000 employers in voluntarily facing up to the challenge of unemployment among minority groups is the fact that 30 percent of those placed were members of minority groups.

A survey conducted by U.S.C. found that 73 of those hired under this program are still employed at an average pay rate of \$2.75 an hour (including women). ^{Thirty percent} have moved into new homes and of the 1/2 who left the initial job, half of them did so only to take a better job. None left because of discrimination.

In the near future I will name a Business Advisory Council--calling on the leaders of business and labor, research facilities and education institutions--to work with us to find new ways to attract and create new industries to our state.

Our corporate securities law has needed an overhaul for a long time. This past year a bi-partisan commission has worked with our people and has developed revisions which will protect the investor while increasing the efficiency of the Division of Corporations. I will submit this legislation to you shortly.

Despite a bad spring and considerable flooding, California agriculture again exceeded the \$4 billion mark to remain a mainstay in our economy. Still, there are lingering problems. In gross farm income we are number one, but our farmers are caught in a price-cost squeeze and we rank only third in net income and many farmers know great hardship. I am asking Earl Coke, state director of Agriculture, to name a special task force to investigate a wide range of farm problems and to report what can be done to mitigate these problems.

For eight months we have had a blue-ribbon task force studying the transportation needs of our state, and the proper role of state government in creating a blueprint for a modern statewide transportation system. The task force report will be made in March. In the meantime, I will propose to you legislation which will permit local voters, through referendum, to determine what types of mass transit they want and how they want to finance it. (An improved and balanced transportation network is vital to economic growth.)

In the meantime, administrative savings in our Highway Department have resulted in more than \$100 million worth of highway building being started one year in advance.

We have already started to work in concert with the private sector and leading educational institutions to seek new ways to harness the atom and to unlock the secrets of the sea for the benefit of our citizens. Some of the great minds of the world in these fields are here in California. We seek their involvement in the development of these bold new programs.

Water is of (nstant importance to our (nomy, to our agri- culture and industrial growth. To insure the completion of the California Water Plan, I will propose that we increase the tidelands revenue contributions to \$ 25 million annually, starting in 1970-71. At the same time I will ask that bond reserve requirements be eliminated for those tidelands revenues used to help construct the California Water Plan.

To insure proper protection for those millions of our citizens who are members of organized labor, I will again call for legisla- tion guarantying each member the right to a secret ballot on all matters affecting policy of his union. So far I have heard no one in government, no one in labor, advance a sound reason why a citizen who has the right to vote privately on public matters with only his conscience as witness should be denied that right in his union.

While you and I wrestle here with budgets and billions, our citizens wrestle with the day-to-day problems of dirty air and dirty water and dirty and congested streets. As someone has said, it is a bit incongruous that while we reach for the stars, we stand knee- deep in garbage.

The needs of our daily living in this regard are far more com- plex than the problems of keeping man in space. But many of the techniques which have been developed for spatial life have immediate application for a better life on earth. We must apply that research for the benefit of our people.

I have already charged the reconstituted boards on air resources and water quality control to pursue this goal. And, in the inevitable but solvable conflict between the need for great freeways and the preservation of scenic beauty, the secretaries of Resources and Transportation have established a joint committee to develop a balanced approach.

Many of these problems are most aggravating in the great metro- politan areas where 80 ^{percent} /of our people reside. And, many of these problems can best be answered by resourceful cooperation between our state and city and county governments. This will involve a restruc- ing of function as well as tax resource; and that, of course, further underscores the need for realistic tax reform.

But, none of our efforts to build prosperity and sustain progres will be successful unless we also maintain a social climate of maxi- mum freedom for the individual under the law.

For, while a society can have law and order without freedom,

no society can long have freedom without law and order. This is true whether we are talking about our homes, our campuses or our city streets. The breakdown of law and order can only lead to chaos and anarchy and--eventually--to tyranny.

Every law-abiding citizen has the right to expect his government will insure the safety of his person.

Every parent has the right to expect government to protect his children from those who deal in drugs and profit from pornography.

Every homeowner and every businessman has the right to expect his government to protect his property against the criminal, the arsonist, the rioter and the looter.

I view with respect the responsible efforts of most of our teachers whose personal and professional values require them to pursue the truth wherever it may lead. They are not like the few who, in the cloak of a distortion of the meaning of academic freedom, use the classroom and the campus for the advancement of their own self-interest. It seems little to ask that the great majority remind their erring colleagues of the meaning of and the reason for professional ethics, especially when dealing with the youth of a democratic society.

Our colleges and universities were created--and are tax-supported--as centers of education--not staging areas for insurrection. As I said in January of 1967, I say again in January of 1968; obey the rules, or get out.

Already we are drawing up legislation which will deal with the campus disorder--including trespass legislation to keep the disruptive non-student and the trouble-makers from interfering with the orderly process of education.

In addition, we are calling a meeting of college and university officials and local law enforcement officers to develop better ways to work together during times of emergency--and to prevent emergencies from arising.

We will continue to seek laws to protect our young people from pornography. A series of decisions by the United States Supreme Court in recent years has established guidelines for regulating obscenity; we will ask for measures to stiffen California laws in this regard, while keeping within those guidelines and avoiding any taint of censorship.

Together with the attorney general we will ask legislation to strengthen our fight against organized crime, against the professional criminal and the narcotics peddler. This will include the right of our law officers to use electronic surveillance equipment under the proper control of judicial warrants. We must provide our law enforcement

officers with scientific capabilities which are at least equal to those employed by the criminal.

And, to protect our cities and our citizens from riots and mass disorders, we will ask that local authorities be given the power to issue temporary regulations such as curfews, and restrictions on the sale of alcohol--to help keep riots from spreading.

To protect our citizens from the drinking driver I will ask for a presumptive limits law. And, in a further attempt to help make our streets and highways safe, I will seek legislation to establish a pilot project to develop the best vehicle inspection system in the country--using the sophisticated knowledge of the aero-space and computer sciences skills in addition to our resources at the University of California.

We must also set safety standards and regulations in the sale of used cars. And, we are vitally interested in and will support legislation on motorcycle safety.

Finally in this field, we will seek to create a public, non-profit corporation for coordinated and applied research in traffic safety. I expect the private and independent sectors to join with us in this important venture.

There will be--there have been--those who challenge our attempt to meet the welfare and medical needs of the ill and the aged and still fit these programs into the financial capabilities and priorities of our taxpayers.

Let me say that this administration will never abandon its proper responsibilities to the needy and the unfortunate in our society. Working with the resources provided by the taxpayer, we will continue to attend to those needs with compassion but under the proper fiscal control.

We will help those who need help--and we will expect them to do their best to help themselves.

In the area of public assistance, one of the very real services we must provide is to break the chain of dependency which holds so many of our underprivileged in its own kind of bondage. We will propose during this session measures designed to turn welfare checks into paychecks; to help dependent citizens become independent, productive individuals.

I will also ask for legislation, which will require employable welfare recipients to accept jobs or job training or be dropped from the rolls.

A year ago there were just over 24,000 patients in our mental hospitals. During the year, in spite of a record number of admissions, this figure dropped to the present level of only 20,278---a decline of 3,786. This has to be accepted as testimony to the success of our out-patient clinics and means these thousands of patients are living near normal lives in familiar home surroundings. We fully expect to seek additional funds for these clinics in the next fiscal year.

In recent weeks a number of other governors have talked to me about the problems they are having with Medicaid. They have proposed joining together to ask Washington to relax its excessive and inflexible regulations. New York papers have carried stories about counties forced to drastically curtail other services to pay for the ever increasing costs of Medicaid. The Detroit News said Michigan's infant Medicaid program "could pull the state a long way toward a severe fiscal bind." I know of no state that is not facing a financial crisis because of this program.

If we in California engage in a political numbers game with Medi-Cal when early estimates of overspending change as more knowledge becomes available, we do a disservice to the people of California. We all know and have known almost since its inception that this program must be re-structured or it will bankrupt our state.

Last year the state's share was budgeted at \$151 million. A month before our administration took office, that figure was increased almost \$30 million to \$179.7 million. By early spring, we knew it was costing \$202 million and with only a few months to go before the end of the fiscal year, all of us assumed that was the final figure and budgeted for the present year accordingly. Now with the fiscal year over as well as the six-month period in which bills could continue to be presented, we know it cost \$263.7 million, almost \$62 million more than the \$202 million appropriated as of last spring.

Administrative changes have made it possible for us apparently to reduce this year's estimated spending by \$31 million, but almost half of that is temporary since it results from permission by the federal government to delay upgrading of nursing home standards. You have already corrected one glaring fault in reducing the time for submitting bills from six months to 60 days, but other legislation is absolutely necessary if this program is to be made workable and controllable.

We will continue to press for reform and flexibility.

There is no real compassion, no integrity, no vision in any program which holds people down, and which will inevitably bankrupt the state government; there is no equity in such programs when they threaten those funds which are required for other essential services and operations.

Some have suggested that this may turn out to be a "do-nothing" session of the legislature:

- that I will propose and you will oppose;
- that there will be much rhetoric but little results;
- that there will be many speeches but few meaningful statutes.

No doubt this pessimism stems from the fact that this is an election year and, therefore, a session for partisanship. Letting public problems go unsolved in an election year may be a timeworn political practice, ^{but} let us not refer to it as "time honored". There is little honor in it. The people we are under oath to serve have a right to expect better of us. They did not elect us nor do they pay us to neglect their important business in the name of partisan politics. Crime in the street, death on the highway, pollution of air and water, publication of pornography and confiscation of the earnings of our citizens for wasteful public programs will take no election year holiday. Nor should we.

We were sent here to serve the people, not ourselves.

What I have outlined today, and what I will present in the days to come, and that which has already been started and must be completed--this is admittedly a heavy agenda.

But it is necessary if we are to match the bold dimensions of the California purpose.

It is not enough simply to accept the future. It is not enough just to predict it. It is our task to help invent it.

That is part of the history of California--our ancestors invented the future. As Eric Hofer wrote, "They eloped with history; they ran away with it and shaped its course."

Many speakers on many occasions, myself included, have taken the words from Sam Walter Foss' poem which stride across the entranceway to State Office Building Number One, here in Sacramento:

"Bring Me Men To Match My Mountains."

There is yet another line in that poem which, together with the first, sets the tone for the Creative Society;

"Men with new eras in their brains."

Let this be us as we go about the people's business.

Let this be us s we build tomorrow.

While there is still time, let me wish you a HAPPY NEW YEAR. As a matter of fact, I might even go farther and ask you for the same thing for myself.

#

1/17

OFFICE OF THE GOVERNOR
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MEMO TO THE PRESS

C-O-R-R-E-C-T-I-O-N

In Governor Reagan's Economic Club of New York
speech dated today for release Thursday A.M.'s, please
correct Page 8, last paragraph as follows:

.....administration should become less centralized.

While the problems.....

#

OFFICE OF THE GOVERNOR
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RELEASE: A.M.'s THURSDAY
January 18, 1968

EXCERPTS FROM SPEECH BY GOVERNOR RONALD REAGAN
Economic Club of New York
New York City - January 17, 1968

Gentlemen, you honor me with this invitation to break bread and the honor is multiplied ten fold by your graciousness in listening to me, when in truth I could profit so much from listening to you. My suspicion that your invitation was prompted, at least in part, by curiosity does/^{not} detract from your kindness or lessen the warmth of your hospitality. After all, someone who has been riding off into the sunset with the words "the end" superimposed on his back /^{is} not supposed to turn up on the statehouse steps with a briefcase full of something he calls the Creative Society.

I am sure some of you have jumped to the conclusion that title Creative Society is intended to be a play on words, a counter to the Great Society. And you are absolutely right.

Since this is a non-partisan gathering let me hasten to say I have no quarrel with the announced noble aims of the Great Society. None of us, regardless of party, questions the desirability of reducing human misery and poverty or making opportunity, health, housing and education available to all. But just so you won't forget which side I'm on, I have serious doubts the Great Society can accomplish this and remain a free society and that makes the price too high.

I have long been concerned about government and what has seemed to be a relentless inch by inch encroachment on or usurpation of rights traditionally held to be the proper possession of the people.

Now, I am a part of government, a formally elected member of the Establishment--a funny thing happened to me on the way to Death Valley. From the inside looking out the view hasn't changed. If anything, my concern about government's increased growth and power is even greater.

Some who have been in government a very long time as a part of the permanent structure of government seem to develop an arrogance

that leads them to claim jump the inherent right of the citizen to
freedom of choice. And I have learned at first hand how savage can
be their angry resistance to any attempt to reduce the size and
power of government. I have also learned that size and power can be
reduced and its reduction will be hailed by the people of whatever
party.

At the moment, there appears to be a panic fear afloat in the
air, partly due to a feeling of helplessness, a feeling that govern-
ment is now a separate force beyond their control, that their voices
echo unheeded in the vast and multitudinous halls of government.

I do not remember a time when so many Americans, regardless of
their economic or social standing, have been so suspicious and
apprehensive of the aims, the credibility and the competence of
the Federal Establishment. There is a question abroad in the land,
"What is happening to us? Where is the country headed?" It is as
if we have lost any sense of national purpose. Particularly if we
subscribe to the belief that our national purpose is to assure the
ultimate in individual liberty consistent with law and order.

In the midst of material affluence on a scale unequalled in
history, we have become a divided people. In many quarters, there
is a defeatist and embittered mood of having been let down. Even
the Secretary of Health, Education and Welfare has admitted out
loud that "we are in deep trouble as a people", and he hinted
darkly at possible repressions to come, unless the anarchists among
us are put down.

It is not in my mind to blame the government of the hour for all the evils that presently beset us; for the uncertainties that blur American prospects; and for the dissensions within that have made shambles of the American meaning in the world.

The fault lies with all of us. As a nation, we have let ourselves be gulled into believing that tolerable solutions to our problems would be forthcoming in good times; that the American productivity and inventive genius would yield the essential means for surmounting all our difficulties, whether in the city slums of America or in the rice paddies of Southeast Asia. We were to have an instant tomorrow for a dollar down and heaven only knows how much a month.

Something called the New Economics was to take charge. Through a skillful tuning of monetary and fiscal policies, and a sensitive balancing of wage-price guidelines, the economy was to be orchestrated into a state of full employment at an ever-rising rate of productivity which would satisfy all the important national needs without dangerous inflation, and at a diminishing cost of operating the federal establishment, relative to an ever-mounting gross national product. But somehow the music is off-key and one wonders if perhaps the violinists have just been fiddling around.

The economy has / ^{not} behaved according to the plan. Suddenly the intended order of things has been reversed. In the midst of what statistically looks to be the most prosperous period Americans have everknown, the books have begun to show alarming debits.

Wide circulation is given to the prophecy by Lord Thomas Macaulay one hundred years ago that in the mid-20th century the destruction of our society and way of life would occur as it occurred for Rome in the 5th century. Less quoted is his excellent advice to governments everywhere:

"Our rulers will best promote the improvement of the people by confining themselves to their own legitimate duties, by leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment, by diminishing the price of the law, by maintaining peace, by defending property and by observing strict economy in every department of the state. Let government do this and the people will assuredly do the rest."

We / ^{have} hardly been observing strict economy in every department of the state and certainly, we / ^{have} failed to let capital find its most lucrative course or commodities their fair price.

One arm of government has ruled that tobacco is injurious to health and must so state on each and every package. At the same time another arm subsidizes the growing of tobacco and a third orders television to give equal time to those who want to reply to or offer dissent to advertising protesting the sale of tobacco. Perhaps the familiar line "we pause one moment to hear from our sponsor" will be changed to "pausing two moments to hear from the sponsor and a fellow who happened by."

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As an American I find this embarrassing to say the least. What is there to be said in defense of a government which, while presiding over a society capable of producing goods and services in the value of \$300 billion annually and leading all the rest of the world in technology, no longer is able to let its citizens travel and do business freely in the world simply because the government itself failed to keep its means and its programs in financial balance?

It is fine and necessary for changing generations to dream and cast up new visions of society. But always at some point the accountants have to put in an appearance so that the books can be honestly balanced.

The only sensible course of action is for the government to face up to and deal bravely with the primary cause of the trouble--the top heavy spending programs and the extravagant credit policies that have brought inflation back.

A few years ago I quoted an historian to the effect that if we lose this way of ours--this way of freedom--history will record that those who had the most to lose did the least to prevent its happening. At that time the business community was under attack by the Bureau of Internal Revenue. Specifically, the bureau was issuing new regulations regarding tax deductibility of business travel expense, business entertainment and gifts to employees and customers. The bureau won by default.

Actually, the issue was one of principle involving the very right of management to make business decisions. But business sat down with

they debated whether the travelling man could have filet mignon or the blue-plate special for lunch. Should the limit for deductible purposes on gifts be \$25 or \$35. Forgive me if I seem ^{presumptuous} presumptuous, but I think business should have said to government, "So long as we are legitimately spending money in the belief that it helps produce a profit, it is not any of government's business how much we spend."

Those who refuse to defend themselves--who prefer the easy path of appeasement are only feeding the crocodile, hoping he'll eat them last--but eat them he will.

So far I ^{have} / talked about the private sector and its relationship to the federal government. Believe me, the temptation is to go on talking on a broad philosophical plane, but some instinct warns me that the curiosity involved in your invitation was in some measure curiosity about California, its government and happenings generally in Sacramento.

If I ^{have} / dwelt over long on troubles besetting all of us before getting to those peculiar to California and California's government, it was to guard against the experience of a gentleman who departed this earth from a point somewhere in Western Pennsylvania. Arriving at the Pearly Gates he was greeted by St. Peter and given an indoctrination course during which he learned the heavenly old timers had a story telling ring and were particularly interested in new comers who might have interesting earthly experiences to relate. He told St. Peter he was a cinch to go over big--he was the sole survivor in his town of the Johnstown flood. Peter took him over to the group and gave him a flattering introduction and buildup. The Pennsylvanian stepped forward to begin his exciting story. At which point, Peter murmured in his ear: "By the way, that old guy in the front row is a fellow named Noah."

You are too well informed for me to cite statistics on California's industries, problems of urban sprawl or just plain explosive increase in population although some of the problems I inherited have to do with the latter.

For the last eight years the government of California justified every increase in government spending as necessary to keep pace with the population increase. Unfortunately the budgets were growing each year twice as much as the percentage that could have been justified on the basis of growth and inflation. The plain truth was Big Brother in Washington had a philosophical little brother in California. When

Washington sneezed the "gesundheit" was heard in Sacramento. For a time tax revenues and accumulated surplus kept pace, but then in 1963 the pace was too much and the administration began employing gimmicks to fuzz up the fiscal picture and more importantly, to avoid or postpone the painful choice between reduced spending and increased taxes.

Their timing could not have been worse from my standpoint. The final desperate gimmick was employed in the election year and as a result inherited by me in the middle of the fiscal year last January. The device used to obtain a one time windfall was a switch to an accrual bookkeeping system, not a bad thing in itself, but when unaccompanied by any provision to insure cash liquidity, it was nearly catastrophic.

A budget of nearly \$5 billion for 12 months' spending was adopted to be funded by 14½ months' revenue plus \$190 million of accumulated cash which was spent as revenue and another \$194 million borrowed from various state funds which by California law could not be carried as a permanent debt. My predecessor was spending as if he were practicing to be President.

At one point someone said - "Cheer up, things could be worse." So I cheered up and sure enough, they got worse.

We of course had to restore fiscal stability and present a balanced budget for the current year with no cash reserve to call upon and only 12 months' revenue for 12 months' spending.

We did it and without adopting any new taxes--of course we raised the old ones about ^{one} billion dollars. But seriously, that is not our final answer to the excessive cost of government. We believe government should cost less and the people should pay no more than they can afford and no more than they are willing to pay.

The Creative Society remains our goal and we pledge its implementation. Indeed, the beginning steps have been taken. But bringing simple common sense to bear on the fiscal chaos confronting us was obviously a first priority, and common sense dictated cutting, squeezing and trimming to reduce as far as possible the rate of spending in the few months remaining before the end of the fiscal year.

The state had been increasing its number of employees between 4 and 5½ percent a year for eight years. We thought there were too many, but how to prove it without a lengthy study? Our decision was to put a freeze on hiring replacements for employees who retired or quit for any reason. The screams of anguish curdled your blood. But the wheels of government did not grind to a halt, there was no loss of efficiency and the annual 4 or 5 percent rate of increase in numbers of employees was reversed. There are today 2½ percent fewer employees than when we started.

Business and government are different we are told, and business procedures will not meet the needs of government. Being totally inexperienced I did not know that, so I kept on committing blunders.

We discovered California had no plan for centralized purchase of automobiles, no central inventory, no plan for selling or trading on an age or mileage basis. In fact, no one knew how many cars the state owned. Each department head was on his own and some were buying retail. We put a freeze on that. Strangely enough by May there was for the first time in the memory of man a surplus of available cars in the motor pools and the state's purchase of gasoline was reduced 15 percent. Some of that, of course, might have been due to another mistake we made.

It seems that many of our employees had a streak of tourist in them. We put a freeze on out-of-state travel. We did not say they couldn't go, we said they would have to come in and get permission. The budget for out-of-state travel has been reduced 78 percent.

Such ordinary, routine business procedures as centralized buying, standardizing of specifications and competitive bidding have been instituted and at last report have resulted in savings in excess of \$20 million.

Licenses issued by the state had a common expiration date resulting in long periods of near vacant office space and short periods of hectic hiring of temporary employees. We are staggering the expiration dates to even out the workload.

Everyone knows the phone company has a department that will come in, cheerfully listen to your phone problems and tell you what kind

of setup you need. Everyone knows that except government.

So, we called on the phone company for that particular service and since we were a \$16 million a year customer, they obliged. They found people at adjoining desks with intercommunication systems. We have now received notice our phone bill will be reduced by \$2 million a year.

Not all the savings were in the million dollar class. In my own office there was a sizeable supply of stationery bearing a name other than my own. Custom decreed it should be burned. Somehow the thought of all the unused stationery adding to the smog seemed shamefully wasteful. Now the girls in the office "x" out that other name and type mine in--and do you know I get a certain amount of pleasure out of that.

But a Creative Society must do more than this, it must not only make a solemn declaration of goals and principles, but must effectively represent each of its segments in the pursuit of the good of all.

What the Creative Society will attempt to re-establish is the principle that in the American federal system, the states in their proper constitutional sphere are independent from the national government.

Safeguards, however, must be provided to assure that the states themselves fully assume their responsibilities both social and economic. The sovereignty of our states has been dangerously eroded as hard pressed state governments reached eagerly for the handout of federal money. Our slogan once was "walk softly and carry a big stick." Now on the Potomac shore it's "walk softly and carry a big sock."

The Creative Society is concerned with state responsibility.

There are problems in our society which require attention and action. This action, I believe, should be taken at the state level where a thorough understanding of the problem exists.

As society grows more complex, administration should become decentralized. While the problems facing agriculture in the Midwest share common elements with the problems of California's agriculture, there are great dissimilarities which make rules from Washington difficult and at times impossible to apply equitably. The same holds

true for our urban problems, our problems of education and other problems which face the people of the United States.

Finally, the Creative Society to function in the best interests of the people, requires the participation of the people. It recognizes that no government can possibly find or afford an elite group of individuals capable of making the right decisions affecting the market place, the home and all or even part of the many facets of our society and our daily lives. It recognizes instead that a society will be only as great as the potential of its people and, therefore, government must call upon the genius and the ability of the people for the solution of their problems.

Now you ask - does it work? The answer is yes.

Immediately after the Watts riots, a Los Angeles businessman gathered a hundred of his associates together and challenged them to join him in fulfilling what he said was industry's responsibility to provide employment. He pointed out that what he was suggesting was good business. Jobs were going begging because of a lack of skilled workers. Workers were going on welfare because of a lack of job skills, and this was especially true in the minority communities. Along with the high cost of this situation to both business and government, we can add the vast waste in economic benefits when more than 10 percent of the buying public has less than average purchasing power.

The businessmen of Los Angeles followed H.C. McClellan into the Watts area where they set up an employment office. In sixteen months, 17,300 hard core unemployed were placed in jobs at an average pay of \$2.75 an hour (including women). More than 2/3 of them still hold those jobs and 1/2 of the other 1/3 have progressed to better jobs. Thirty percent moved out of the area, proof that the walls of the so-called ghetto are economic.

After the election I went to Mr. McClellan and asked if he would do state-wide what he had done in Watts. He agreed and today has a fulltime working program with 20,000 California employers involved and cooperating with our state employment office. Incidentally, foundations and private citizens have picked up the tab for administrative overhead so it is completely independent of tax revenues.

In the months between November and January a year ago, a Blue Ribbon Committee of citizens took on the task of recruiting for my administration. I did not think the Creative Society could be run by personnel of the type usually associated with the political spoils system. This committee did not screen job seekers; it went out seeking men and women who could be persuaded to serve because they had the skill and experience necessary for a particular job. In almost every instance those who accepted appointments did so at great personal sacrifice. Employers were persuaded to give leaves of absence to bright young junior executives--no one refused.

In the appointment of judges, that prize patronage plum of the governor's office, the same policy prevails because politics should play no part in the selection of those who administer justice. Joint committees of the bar, the judiciary and laymen screen and rate prospective judges and their recommendations are accepted.

Then we come to government itself and the need to make it modern, progressive and efficient. On invitation, more than 250 of the most successful people in our state volunteered and put in more than four months full time, organized into task forces according to their specialities, they included some of the top executives of our largest industries. These task forces went into every agency and department of government to see where modern business practices could be utilized to make government more efficient and more economical. They ranged from hotel management to data processing. For example, hotel men looked at prisons and institutions to see where housekeeping and kitchen chores could be upgraded.

We have received 1800 specific recommendations which we are now correlating. Some will require legislation--some we have already put into action by executive order. For example, one team discovered that no one in state government had ever applied a formula of how much floor space is required per employee for employees doing similar work. And yet the state has in process a giant building program in the Capitol.

As a result of this team's effort we cancelled entirely the construction scheduled for last summer of a ten story building. The savings, \$4.3 million. Total floor space for all branches of state

government is 9 million square feet. By applying normal private business standards, it is being reduced to 7 million square feet.

In our giant highway building program, \$110 million worth of freeway and highway projects are being started one year in advance of schedule financed by savings in administrative overhead in the departments financed by the gas tax.

Another citizen task force has completed a study of our tax structure and has presented recommendations for a complete overhaul and tax reform.

For every unsolved problem there are ten people out there eager to help if someone will only point the way. By "out there" I do not mean in California - out there all over America. The Creative Society is government of and by as well as for the people.

An Ohio doctor wrote: "For one shining glorious moment of history, we had the key and the open door and the way was there before us. And men threw off the yoke of centuries and thrust forward along that way with such brilliance that for a little while we were the light and the inspiration of the world. And now the key has been thrown away, the door is closing and we are losing the way."

We can rediscover that way. We can remind ourselves and those in government who have lost faith in the simple verities that the most profound words in the constitution are but three in number-- "We the people." Government is our creature, established by us for our convenience and we can leave no more valuable legacy to our children than the restoration of the American dream.

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OFFICE OF THE GOVERNOR
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Contact: Paul Beck
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RELEASE: Sunday A.M.'s

EXCERPTS OF SPEECH BY GOVERNOR RONALD REAGAN
Pacific Mutual Life Insurance Company Banquet
Century Plaza Hotel, Los Angeles
January 27, 1968

It is certainly no secret that for more than twenty years I was involved directly in organized labor as an officer and board member of a union. During that period I represented the membership at the negotiating table and I take pride in my record of service. That pride extends to the rank and file of organized labor--the working men and women of this country. I know them to be as fair-minded and patriotic as any citizens of our land.

When one talks of labor it is necessary to differentiate between the rank and file and the hierarchy of labor, that power elite which has gradually increased its control over the membership and whose members now take political stands and make pronouncements in the name of labor when in truth the rank and file have not been consulted as to their views.

Never have I felt that labor or any other particular group of citizens should have an extra or special claim upon government or be granted favored treatment.

But what is the situation today? At the recent AFL-CIO convention in Florida, President George Meany made it unmistakably clear that the ruling clique of organized labor considers itself as much a part of the administration in Washington as the State Department or the Department of Defense.

There was visible support for that contention. The President of the United States, the Vice President, five cabinet members and a host of lesser officials paraded across the platform. Labor Secretary Wirtz gave the affair its proper coloration when he said, "I'm delighted to be here at this first joint convention of the AFL-CIO and the President's Cabinet".

Labor's public relations director smilingly asked a representative of one of our largest corporations, "When was the last time a President of the United States addressed one of your stockholders' meetings?"

Now who will declare that our President, sworn to represent all of us equally, has not in truth subtracted from some Americans in order to grant special favor to others? The Quid Pro Quo being political support.

I have long been concerned about government and what has seemed to be a relentless inch by inch encroachment on or usurpation of rights traditionally held to be the proper possession of the people.

Now, I am a part of government, a formally elected member of the Establishment--a funny thing happened to me on the way to Death Valley. From the inside looking out the view hasn't changed. If anything, my concern about government's increased growth and power is even greater.

Some who have been in government a very long time as a part of the permanent structure of government seem to develop an arrogance

that leads them to claim^I jump the inherent right of the citizen to freedom of choice. And/have learned at first hand how savage can be their angry resistance to any attempt to reduce the size and power of government. I have also learned that size and power can be reduced and its reduction will be hailed by the people of whatever party.

At the moment, there appears to be a panic fear afloat in the air, partly due to a feeling of helplessness, a feeling that government is now a separate force beyond their control, that their voices echo unheeded in the vast and multitudinous halls of government.

I do not remember a time when so many Americans, regardless of their economic or social standing, have been so suspicious and apprehensive of the aims, the credibility and the competence of the Federal Establishment. There is a question abroad in the land, "What is happening to us? Where is the country headed?" It is as if we have lost any sense of national purpose. Particularly if we subscribe to the belief that our national purpose is to assure the ultimate in individual liberty consistent with law and order.

In the midst of material affluence on a scale unequalled in history, we have become a divided people. In many quarters, there is a defeatist and embittered mood of having been let down. Even the Secretary of Health, Education and Welfare has admitted out loud that "we are in deep trouble as a people", and he hinted darkly at possible repressions to come, unless the anarchists among us are put down.

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But a Creative Society must do more than this, it must not only make a solemn declaration of goals and principles, but must effectively represent each of its segments in the pursuit of the good of all. What the Creative Society will attempt to re-establish is the principle that in the American federal system, the states in their proper constitutional sphere are independent from the national government. Safeguards, however, must be provided to assure that the states themselves fully assume their responsibilities both social and economic. The sovereignty of our states has been dangerously eroded as hard pressed state governments reached eagerly for the handout of federal money. ✓ Our slogan once was "walk softly and carry a big stick." Now on the Potomac shore it's "walk softly and carry a big sock."

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EXCERPTS OF SPEECH BY GOVERNOR RONALD REAGAN
National Automobile Dealers Association Convention
Las Vegas, Nevada
January 29, 1968

I would like to talk to you about what we in California are trying to do---it is called the Creative Society. Now, I am sure that hearing that title may have caused some of you to jump to the conclusion that perhaps I chose the term "Creative Society" as a kind of play on words and a play off against the "Great Society." And you are absolutely correct. But because this is a non-partisan affair, let me hasten to add that I have no quarrel with the goals of the Great Society.

All of us, I am sure, regardless of Party, oppose human misery and deprivation. We feel the need to relieve poverty, improve education, solve unemployment, insure decent housing, and provide medical care and equal opportunity. But just so you won't forget which side I am on, let me say that I don't think the Great Society offers the only way or even the best way of achieving those goals. In fact, I don't think the Great Society could do any of those things and remain a "free" society. That makes the price too high.

The problem is not new. Government talks political equality and ends up trying for economic equality. And in so doing, it moves more and more toward a centrally managed economy. Lord Thomas Macaulay, the same Thomas Macaulay who, 100 years ago, predicted the middle of this century would see this system of ours grind to a halt, gave some pretty good advice to those who serve in governments. He said "our rulers will best promote the improvement of the people by confining themselves to their own legitimate duties, by leaving capital to find its most lucrative course; commodities their fair price; industry and intelligence their natural reward; idle and folly their natural punishment, by diminishing the price of the law, by maintaining peace, by defending property and by observing strict economy in every department of the state. Let government do this and the people will assuredly do the rest."

A federal agency recently ruled that television must give equal time for opponents of smoking to reply to the cigarette ads on television. But the government continues at the same time to subsidize the production of tobacco. Federal limits are advocated for the size and shape and weight and the promotional practices of manufacturers. They are urged by administration leaders at almost every session of Congress.

Government follow policies that drain away our gold supply and then it interferes with private business and the investments that private business makes abroad---even though private business is at least responsible for half a billion dollars of the favorable trade balance that at least is holding up a little bit the outflow of gold.

Under the guise of fighting poverty, a number of programs have become competitive with the private sector in the field of law and employment services to name a few. And in one small community recently, government even set up a newspaper on almost a metropolitan scale with a staff of 23. Then they bought 20 Polaroid cameras for the staff of 23.

Is government leaving capital to find its most lucrative course? Commodities their fair price? The federal government has ruled that the American Telephone & Telegraph rate of return is limited to 7 to 7½ percent. Granted that AT&T is a monopoly, a public utility subject to government regulation. But the FCC ordered lowered tariffs and at the same time flatly fixed the maximum over the overall profit percentage. And when government took this action, more than three million shareholders of the bluest of the blue-chip stocks took a billion dollar loss on their investment.

Not too long ago the same government whose deficit spending and deliberate policy of planned inflation now threatens us with wildfire, runaway inflation asked eight major oil companies to rescind a one cent a gallon increase on gasoline and they did it "in the national interest for stable prices." Well, strangely enough, gasoline before taxes is cheaper today than it was 10 years ago. But the gasoline tax has gone up 19 percent in these 10 years.

We once had a slogan, "Speak softly and carry a big stick." Now on the shores of the Potomac the slogan is "speak softly and carry a big sock." And what have any of us in government or in business been doing to prevent this destruction of the freest, the most virile economic system ever implemented by man?

If we lose this way of ours--this way of freedom--history will record that those who had the most to lose did the least to prevent its

happening. When the Bureau of Internal Revenue made its assault on business gifts and entertainment expenses, how did business defend itself? It lost the battle before it started and lost it by default. Business sat down with government as if at a bargaining table and debated whether the travelling businessman should be allowed filet-mignon or be limited to the blue-plate special. Whether the tax

deduction for gifts to the business employee or prospective customer should be \$25 or \$35, the issue was one of principle, not amount. Why didn't business say "so long as we are legitimately spending money in the belief that it helps produce a profit, it is not any of government's business how much we spend."

Those who still refuse to defend themselves, who prefer a path of appeasement, who hope that perhaps by smiling and holding out a hand they can get a little favor that someone else isn't getting from government, are only feeding the crocodile hoping it will eat them last. But eat them it will.

Government has legitimate functions and there is a large area for public good that is served by cooperation between government and the private sector. But this does not include government assuming the privileges and the prerogatives of management.

I ran for office on the theory that government does not rule, it does not lecture; but it leads, it cooperates, it listens, and instead of taking power into its own hands, it turns to the people for the answer to as many problems as the people can provide. And I would like to give you a little report how well that government "of" and government "by" the people really works if you set your mind to it.

In the past several months we have done a number of things consistent with our belief that in a creative society there are many functions now performed by government that perhaps can be better performed by using the full genius and the power and the ability of the people. Often those who classify themselves more liberally-oriented than I am--and that leaves a lot of room--have accused this administration of being business oriented. They are correct on the basis of two facts that some of them never learned. One is that businesses do not pay taxes, people do. The other is that government does not make jobs, business and industry do.

For these reasons we are doing everything possible to create conditions to insure that business and industry can expand and meet their job needs in a growing population in California. At the same time, we are trying to give Californians, the taxpayers, the people, as frugal and as efficient a government as possible. Neither of the jobs can be done overnight. We inherited government machinery a year ago that was spending more than a million dollars a day, over and above the state's revenue. In fact, my predecessor was spending so much money that I thought he was practicing to be President.

Now there has always been a lot of controversy as to whether or not government actually can be run like business. Well, I believe that government can afford only what it can pay for and should afford only what the people are willing to pay for. But proving that government can employ modern business practices is a little bit like rubbing your tummy and patting your head at the same time. And in these last few months I have discovered how savage can be the angry resistance of some in government when you try to make any change or reduce the size and power of government. But I also have discovered that the size and power of government can be reduced. You see, being totally inexperienced I had not learned all the things that you could not do.

In my inexperience I found out that a governor has the right to veto some of the poverty programs that come across his desk for his state. Of course, the federal government reserves the right to override the veto if it wants to, but also in my inexperience, I had not learned that you are not really expected to exercise this veto. So I went ahead and exercised it.

I was told, for example, of one program that was going to put the hardcore unemployed in a county to work clearing our open park-like lands in California. I had no quarrel with that goal, but then I discovered they were going to put 17 of the hardcore unemployed to work and more than half of the money was going to go for seven administrators to make sure that the 17 got to work on time. So we vetoed it. There was another program that we vetoed that was going to cost us quite a sum of money and it looked like it was a training course for picketers and demonstrators. And if there is one thing we do not need/in any more of California, it is demonstrators.

This system of ours was never intended to be monopolized by a hierarchy of career statesmen or government professionals permanently structured by civil service. This unique way of ours was intended to be constantly scrutinized by the people---this is the secret that we have overlooked too long in this system of ours. It works best when every once in a while--from the ranks of the citizenry--the inexperienced citizen just brings the fresh air, some common sense and everyday thinking to the problems of government. Now probably nothing has been so self-evident in this world in the past as the apathy that beset our people, our willingness to let George do it. Now don't read any endorsement into that for 1968 because this is a nonpartisan meeting. But I think that I can safely say after a little more than a year/that there is no apathy now on the part of Californians in regard to government.

We set out to keep our campaign promises and convince the people got over the shock they kind of took to the idea. Government, to start with, cannot compete in the market for talent with private business, but there is a way that government can compete and that is by asking private business to take a hand in government. One of the first things we did after the election and in the months before we took office was to appoint a committee of leading citizens of our state. It was a recruiting committee and it worked virtually full time, not just screening applicants. We did not want the kind of people to head up our agencies and our bureaus and our departments who might turn out to be empire builders and place an undue importance on those agencies. We wanted men and women from civilian life who had no intention of making government their career, and who would if possible discover that maybe they could do without the agency they were chosen to head. This blue ribbon citizens committee twisted the arms of employers throughout the state and came back with one of the finest groups of private citizens you have ever seen to come in and take over these jobs. Many of them admittedly came only for a year or two. Then we will let someone else take a turn at it. But we do have a type of personnel running those positions in our government that is unequalled in any state in the union in any time in our history.

At the same time that we assembled this team, we took office and we had to deal with deficit spending. We set a goal to reduce it by at least \$20 million by the end of the fiscal year a few months away.

We had to grab at the few things we could see immediately as a way of saving money. We discovered, for example, that common, everyday business practices so familiar to you in your work were virtually unknown in government. No one in the state of California knew how many automobiles we owned. There was no system of disposing of them on a mileage or an age basis. We found that department heads bought cars at retail so we put a freeze on the purchasing of new automobiles until we could find out what was going on. The angry screams would have torn your heart. And yet in about three months we received reports back that for the first time in the history of the automobile in California, we had a surplus of cars in our motor pools, over and above the employees' demands. Part of this was because we also put a freeze on out-of-state travel by state employees. We reduced the budget for that particular function by 78 percent. We also discovered that for eight years our

state government had been increasing its number of employees from four to five percent a year, five and one-half percent the year before we took office. So we put a freeze on rehiring replacements for those who left government service. We wanted to see how far down we could take it before the cracks began to appear in efficiency. Well, the freeze is still on. No cracks appeared, we stopped the growth and we have fewer employees in the state than there were when we started in January of 1967.

We wondered why a private firm could come in and offer to take over our building maintenance for us and do it more cheaply than it was being done by the state. So we decided to do a little digging. In the end we simply adopted the private maintenance standards that are used in private business for five of our buildings---using our state employees. As a result of this new procedure, we are now effecting savings totalling \$750,000 a year.

We consolidated buying. We took to more competitive bidding. We standardized specifications and we saved millions of dollars on the purchase of supplies. We bought high speed tires for the highway patrol and the bill was \$141,000 less than the previous year simply because we changed the method of buying.

When I took office there was a great big stack of stationery in my office. It had another fellow's name on it. I thought the height of it denoted a certain amount of optimism. But when the janitors came in one day and decided to burn it, I just couldn't stand it. I have some stationery with my name on it but I figured there must be a lot of interoffice correspondence where this can be used. So the girls just crossed out that name and typed mine in. And you know I got a certain amount of pleasure out of that. Our state used to put out an official state map with the governor's picture on it---at least my predecessor's picture. Well, this governor's picture will not be on the state maps. As a matter of fact there aren't any state maps and that saved \$192,000. So if you come to California, stop at your nearest oil station---they will be happy to give you one.

By last June we had trimmed the estimated deficit by \$23 million, but at the same time we were trying to reverse an entire philosophy. So we gathered the most successful professional and business and industrial men and women in the state of California together and told them of an idea we had. We told them that up until now, government

had asked everything of them but blood, and we were now asking blood, their blood. We told them what we wanted was not just the serving on a committee or a name on a letterhead. We wanted the most successful people in our state in a number of lines of activity to give up literally their homes, their careers, their businesses, their professions, for from four to six months full time---professions ranging from data processing to hotelkeeping. We wanted them to volunteer for task forces under a business management-consultant firm and an executive committee. For the next six months, they worked eight-hour days and five-day weeks---going into every agency and department of state government to tell us how modern business practices could be put to work to make government more efficient, more businesslike, more economical. They also raised the money it took for the administrative overhead so that it did not cost the taxpayers one penny. Their report--after six months of work--will be made public early next month.

We are already putting into effect some of the things that they have found. For example, hotel men went into the prisons--not to tell a warden how to run a prison, but to look at the kitchen, dining room and housekeeping chores. As hotel men who had to run these places for a profit, they could tell us what we were doing wrong.

We discovered, for another example, that many licenses issued by the state expire on the same date. We had vast office space that was standing vacant most of the year. Then there was that great rush for temporary employees and the confusion at the end of the year when the expiration date came around. We have staggered these expiration dates throughout the year on a regular basis so that we will have one work force and a continuous work load throughout the year.

We also discovered that no one in government had ever applied to government the principle or standards of floor space per employee that you use in private business. They just went out and built public buildings or leased them and filled them with people without realizing how much floor space was needed. So we started applying to state government those standards that you use in private business and we were able last summer to tear up the contracts and not construct a \$4,300,000 building because by putting the employees closer together in the buildings we now have, a new building was not needed then or in the foreseeable future. In a 14-story building already under construction, the interior was altered a little bit using the same space standards. It now will house 1,051 more employees. By the end of the year we will have reduced office space held by the state from nine million to seven million square feet.

We found out that our phone bill was \$16½ million a year. No one had supervised it; no one had ever thought to go to the phone company for their experts who explain what kind of a phone system is needed. We found out that we have people with adjoining desks who had communicating systems. They had lights on their phones so that the fellow could sit and look at the light and tell whether the fellow beside him was using the phone. That cost two dollars per phone a month extra. Now they can turn their head and look. Our phone bill will now be \$2 million less than it was before.

Every year--perhaps it is true in your state as it was in ours--the papers would report the number of highway and freeway projects that would be delayed for a year or so because of higher costs of right-of-way. Last year we were able to announce that on the basis of savings already affected in the departments financed by our gasoline tax, we were able to start \$99 million worth of highway projects one year in advance.

Our agriculture department has started a long-needed rabies research department totally financed by the savings that they affect within their own budget. We are rotating department heads just as you do in private business to give a fellow a new slant at someone else's job---to find out what a new viewpoint might discover. We discovered, for example, that different processing of licensees' applications will reduce the time from 39 days to seven to 10 days because someone completely inexperienced in their field took a new look at it.

We are going to contract out some of our state printing jobs because we found out the state printing office was not equipped to do some of the jobs as economically as private enterprise.

As you know, California is engaged in the greatest water program in the history of mankind and we are moving more water farther than man has ever done. At the same time, we are going to make multiple use of the reservoirs created. The largest earth-filled dam is at Oroville and it is going to create a lake with 169 miles of shoreline. We are going to develop recreational facilities, but not in competition with private resort operators. In cooperation with private business and private investors there will be more than two dollars of private capital invested for every one dollar of state spending. We are going to be able to cater in the recreational areas to the sleeping bag camper as well as to the people who want to live in luxury hotels. We are going to begin instituting this plan in all our recreational and park areas.

Several years ago California entered into an agreement with our federal aid program to supply technical aid to Chile. When my administration took office, the State Department began to throw some roadblocks in our way until finally we got the hint. Realizing the climate had changed---we discovered Little Brother no longer lived in Sacramento as far as Big Brother in Washington was concerned--so we just cancelled out that program. That is, we cancelled only the part sponsored by the federal government. We are going to continue with our own Aid to Chile program. We cannot engage in a formal program. We cannot spend any dollars we do not have. But California does have people with know-how, so we went the task force route again and I appointed a civilian task force. We think they will respond with a people-to-people program. We are going to start with agriculture. Despite the mild climate, the good soil and enough water, Chile is desperately short of food. California, on the other hand, has developed the world's richest agricultural economy and we are going to make our know-how and technology available to Chile. The people down there will be given proper incentive and leadership and perhaps this can spread throughout the states and perhaps we can do a little better with helping our neighbors across the seas.

Not all of the Creative Society efforts are directed towards streamlining the bureaus and agencies. When we had the terrible riots in the Watts area a few years ago, one of our industrialists--Chad McClellan--went in while there was smoke in the air and gathered together his fellow industrialists. He said we cannot solve all the social problems, but there is a problem we can solve. We have jobs to give so they organized 2600 industrialists in the Los Angeles area and within a 16-month period these businessmen on their own set up shop and put 17,800 of the hardcore unemployed in the Watts area into private enterprise jobs.

I contacted Chad McClellan and asked him if he would take this over on a statewide basis and this he has done.

We had another task force of financial experts who studied our entire tax structure with the idea of having a tax structure that just is not layer after layer that has been piled up over the past but rather a tax structure that will be geared to our economy. We do not have a monopoly on the Creative Society. All over the land people are finding out solutions to problems.

What are the other greater unsolved problems that government has assumed as its total jurisdiction? Housing is one. I do not offer this as a solution, but let me just throw it out for thought. We know that public housing is a failure and we know that in most of our cities the greatest area of crime is the area of public housing. We know that in public housing they use the halls and the elevators for toilets. We know how a man refuses a raise or refuses an improved job because it will put him above the salary bracket so he cannot continue to live in public housing.

Why hasn't anyone ever asked how did suburbia succeed? Why hasn't someone thought that perhaps the answer is private ownership? Wouldn't it at least be a try to give the person in public housing a deed to his apartment unit--give him ownership outright--so when he had the opportunity to move up to a better job, he had an equity in some property. And perhaps he could sell his equity by mortgaging and could live in the suburbs, too. And maybe you would make a lot of citizens kind of policemen and caretakers that would object to the neighbor that was defiling the halls and the elevators or throwing bottles through the windows. It might at least be worth a try.

We know that welfare is a failure. Welfare--to be a success--should bring people off of welfare instead of always increasing the size of it. Welfare is supposed to be salvaging people, not destroying them. In crime, the government's only answer is "cure poverty and you will cure crime." But we had the greatest poverty we had ever known in the dark Depression and we had the lowest crime we have ever known and now we are in our highest prosperity we have ever known and we have more crime here than in any other place in the world.

Could it be that while government is so busy meddling in things that are not its proper province it has forgotten that its principal function is to protect society from the lawbreaker and not the other way around?

There are so many other areas. Today there isn't a state in the union that doesn't realize that one of the great problems is the financing of higher education. Each year costs are going up higher than the tax revenues can expand with the economy and the federal government has stepped in with grants of all kinds to the point that now the autonomy of the college and university is being threatened. Because with that money comes certain strings and certain controls and people are beginning to worry about academic freedom.

Once again, what about turning to the private sector? What might happen, for example, if government would give a tax credit--not a tax deduction, but credit--to parents who were paying tuition for their sons and daughters? Thus, perhaps tuition could be raised realistically because now the parent could afford it because he could deduct that amount from his income tax bill.

At the same time, industry and business today must find some fund or some foundation by which to give money to have it deductible. What if they came to you, and within a ceiling of course, said to every business concern: "you can take as a tax credit 'X' thousands of dollars for the tuition that you will put up directly and personally to talented young people who are needy students and who need help in getting a college education." That, too, might be worth a try.

An Ohio doctor said "for one shining glorious moment of history, we had the key and the open door and the way was there before us and the men threw off the yoke of centuries and thrust forward along that way with such brilliance that for a little while, we were the light and the inspiration of the world and now the key has been thrown away and the door is closing and we are losing that way."

Well, we can find that way. We can find it if you and I are willing to reassert our right to run our own affairs; to remind government that its only power is derived from "we the people"; that these three words are the most profound words in all of the Constitution. "We-the-people" government is our creature, created by us for our convenience only. You can have no greater responsibility today. There is no greater challenge and you can leave no more valuable legacy to your children than the restoration of the American dream.

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

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EXCERPTS OF SPEECH BY GOVERNOR RONALD REAGAN
Governor's Conference on
Planning for Housing and Home Ownership Luncheon
El Dorado Hotel, Sacramento
February 1, 1968

I am grateful to all those who have participated in this conference--the sponsoring groups; the Department of Housing and Community Development; Nat Rogg, yesterday's keynoter; Congressman Clawson; and all the other speakers.

The wide representation from private industry, local, and state governments at this conference indicates the growing interest in and concern for our state's housing needs. This administration is convinced that many of our housing problems can be reduced, if not solved, by having those public officials, professional and business people concerned with housing, fully discuss the issues.

We were convinced in scheduling this conference that it would present an excellent opportunity for those of us concerned about California's physical environment, more particularly its housing, to discuss our problems and to explore new alternatives for their solution. Your presence here affirms that belief.

We have called this conference for several reasons: the legislature passed a bill in 1967 known to most of you as the "Housing Element Bill", or AB 1952, which the homebuilding industry sponsored on the basis that it would improve our local planning process as it relates to housing.

We are hopeful that this conference can give clarity and direction to that legislation as it relates to California's current and future housing needs.

Second, while recognizing the need for planning, it seems to me that a major weakness of planning has been that it has failed to involve the full complement of local and private resources, and much more importantly, the needs of the people themselves. In the field of housing, this weakness has been most obvious.

I signed AB 1952 because I believed it to be potentially a good piece of legislation. But, if that potential is to be translated into meaningful results, then discussion of its intent is very much in order. We have no intention of permitting this legislation to fall short of success because of failure to adequately involve private

industry and local government.

We also called this conference to add emphasis to this administration's hope that in the future, planning for housing in California will make maximum use of the home ownership principle.

Throughout our history, the principle of home ownership has been a guiding influence in this nation's development. A former President, ✓Herbert Hoover, said:

"A family that owns its home takes a pride in it, maintains it better, gets more pleasure out of it, and has a more wholesome, healthy, and happy atmosphere in which to bring up children.

"The home owner has a constructive aim in life. He works harder outside his home; he spends his leisure time more profitably; and he and his family lead a finer life and enjoy more of the comforts and cultivating influences of our modern civilization.

"A husband and wife who own their own home are apt to save. They have an interest in the advancement of a social system that permits the individual to store up the fruits of his labor. As direct taxpayers, they take a more active part in local government. Above all, the love of home is one of the finest ideals of our people".

People do not develop a sense of pride in their neighborhoods when the lawns are mowed for them by public housing employees; the garbage is taken out by a public housing employee; and everything else is done for them. Despite all the efforts and fine management of many local housing authorities, they cannot overcome the fundamental weakness of most public housing: namely, it fails to give a man a chance to own his own home.

What would be wrong with giving a resident of a public housing unit a one-time deed to that unit? He then becomes a property owner with the property owner's pride in his possessions. Property owners, without question, take better care of their property than renters.

With that deed the man in public housing would have the incentive to keep up his property, and if the chance came along to move to something better, he could ^{sell} / his public housing unit to make a downpayment on the house of his choice.

I believe this is something that should be explored in detail.

We, as a people, are not insensitive to the needs of the disadvantaged. We are willing to be bold, imaginative, cooperative and innovative in solving social problems.

But it is not unreasonable to want these problems solved within the framework of traditional American values. Fundamental to our

problem--solving must be the re-establishment of law and order, of safety in the home and the streets.

I believe home ownership can help solve these problems.

This administration has been accused of being business-oriented. It is, but not in the sense of offering special favor to any segment of society over others. It is business-oriented in the application of sound business principles to the solution of public problems. It is also a staunch supporter of home rule. There is no field where these tenets can better be tested than in the field of housing and home ownership. Local government, acting responsibly under its home-rule powers and in partnership with the California home-building industry, can make major strides in this field. I am confident this can happen.

There are those who imply that administrations which use business principles and practices as bench-marks in the operation of government are without "compassion" and do not recognize social values. They seem to harbor the belief that government obtains its financing from some extra terrestrial source. They fail to recognize that it takes a healthy economy to make it possible for society to do those things which must be done for its less fortunate members.

This is why this administration is doing everything possible to keep that promise to improve the business climate of California--because the factors making up that climate are so inter-related that a detrimental effect on one invariably affects the other. By the same token, the strength of one frequently accrues to the benefit of others.

Let me tell you about some of the things we are doing which are having effects on housing and home ownership in California.

Early in 1967 we established a Task Force on Building Construction which held many meetings during the year. The committee is composed principally of private builders and developers, finance and real estate men, and has as its objective the finding of new ways to improve California's building climate. The task force works in conjunction with the various state commissions involved in this broad field.

It is attempting to determine where and how we can cut government red tape that might be part of our building and development problems. It is investigating areas where the private sector can be encouraged to participate more in solving housing problems.

The director of the Housing and Community Development Department

between the committee and our administration.

Several recommendations have been made by the committee which we are now exploring. In fact, one of them is well on its way to implementation. This involves the development of meaningful research and statistics which would be of benefit to local government and the home-building industry.

Last June, when I addressed the Pacific Coast Builders Conference, I promised that the Department of Housing and Community Development would be restructured in such a way that this research capability would be provided by the Department. I am pleased to report that promise is being kept.

The committee also pointed out the need for more current information on the condition of our housing inventory. Thanks to the cooperation of the California Real Estate Association and many other private organizations, a very useful and unique report has now been published highlighting the condition of California's unsold housing inventory.

Third, a series of fact finding hearings have been held by the Department and Commission on Housing and Community Development to review and re-define principal housing and community development problems which should command our attention during the next few years.

We know that property taxes have in some cases acted as a deterrent to the development and preservation of low cost housing. As you know, we are working on a tax reform program. I have asked that this reform program produce some type of an incentive which will ^{help} stop the creeping blight in our cities. Too many potentially good homes are being lost to the bulldozer because the owners have found it more profitable to let these homes run down than to keep them in good repair.

One possibility is a tax moratorium that would be instituted on increased assessed valuation resulting from home repair and improvement. The common complaint is that the first person to congratulate you after you have improved your home is the tax assessor. We are studying a proposal to delay that increased assessment for five years, with the thought that more people will be encouraged to upgrade their homes, and the valuable asset that we have in existing housing will be preserved and maintained.

It takes money to build homes. Unfortunately, home building activity is one of the first victims when money gets scarce. There are signs already that unless new sources of money are found, and we will see within the next two to three years one of

the greatest housing shortages this nation has experienced since World War II.

One relatively untapped source for home financing is the billions of dollars in our various pension trust funds. To cite examples of groups taking a progressive approach in this area--the Public Employees Retirement System and the California Carpenters Pension Trust have shown their faith in California development by pledging considerable percentages of their available funds for home building.

Our task force on building construction is concentrating its efforts to provide answers in this field. If we can show fund trustees that real estate represents a sound investment and yields excellent, direct returns, we can at least partly solve the money shortage. Many builders say they can build sound attractive homes for \$8 to \$10 a square foot, and shall make a profit if the proper community climate exists.

That climate starts right here in Sacramento. Now we know that red tape is one of the biggest deterrents to economical subdivisions and home building. Our Commissioner of Real Estate, Burt Smith, has worked to cut subdivision processing time in half through streamlining of procedures.

Many communities, cities and counties, knowing that time is money to the developers, are finding ways of speeding their approval of plan checks and inspections.

We know that outdated specification codes add unnecessary costs to building, and much effort of late has been spent by more progressive building officials on updating codes to take advantage of new products and new materials.

But much, much more work and push is needed in this area if we are to enjoy the full fruits of the genius of American industry's research and development efforts. The Department of Housing and Community Development is taking a leadership position by shifting emphasis from enforcement to updating of codes and regulations.

Any discussion of housing must analyze federal involvement. You know, we are living in what might be called a "program era". The federal planners in Washington have a program for every social problem, real or imagined.

A rock is thrown in a Texas suburb and a national "program" is established as a part of the so-called creative federalism. The only "creative" thing about the program, however, is that it represents yet another federal creation that by-passes the states and takes away

individual initiative

Another outgrowth of the "program era" is the false hope created in people whose expectations of a better life rise but are never filled. Low income people see and read press releases, pretty brochures, and noble promises by the thousands that flow from the offices of federal agencies. When the promises are not kept, the dust gathers on the brochures and the press releases become yesterday's news, the "credibility gap" intensifies and "the long hot summers" become a way of life.

To those who interpret these words as lacking in social conscience, let me remind you that the federal government entered the housing field in 1937 with a public housing program. Thirty years later that same federal government says 26 percent of our population remain ill-housed.

Thirty years later the streets of our cities are unsafe. Thirty years later most of that housing created under the 1937 program fails to meet the social and physical needs of the people living in it.

Is this the best we have to offer? We think not. Public housing has not and cannot solve the housing problems of California and the nation.

In recent months there has been increasing momentum and effort to involve the independent sector in social problem solving.

American industry has the know-how, the resources, and the motive to solve many of our problems. The motive--and it is a good motive--is profit, under a competitive system. A few housing units may be built out of compassion, but the major needs will be met because of improved technology utilized by our private enterprise, profit-making system.

After all, profit is not a dirty word. The building of homes for profit creates jobs for the groceryman, the painter, the gardener, and we could go on--but the alternative is clear that profit must be considered in the production of housing.

California still has relatively few slums. The sordid tenements of the East have been avoided, thanks to an active home-building industry and a progressive home rule approach to government.

The excellent speakers and panelists you have on this program have discussed many of the problems facing home building.

I will not restate those problems. However, there is one which seems to stand out as a principal factor--land. Although it is not yet the most costly item in home production, it is rapidly reaching

Land is a primary factor in influencing site selection, design of dwellings, and most important, the direction of California's growth. Good planning and land utilization, therefore, assume great importance in the field.

Local officials should thus ask themselves:

1. Do our regulations unnecessarily affect the availability of land for housing and impede development of homes?
2. Are we setting aside an adequate supply of land to meet the needs of California's present and future people?
3. Are corrective actions needed for any aspects of the land economy?

You know, this administration already has had a great deal of success in utilizing the talents of those in private industry to analyze some of California's more difficult problems and come up with creative solutions to them.

I would commend this approach to the city councils and county boards and suggest that each of the 58 counties and 403 cities establish its own blue ribbon task force on building and housing. We have found the task force works best when all segments--financial, home-builder, labor union and local officials--are involved. Working together, they should be encouraged to express their observations and recommendations through such a task force on the following subjects:

1. Codes and their application;
2. Land utilization;
3. Financial innovations with emphasis on private housing for low and moderate income families.

The League of California Cities, at its conference late last year, placed the objectives of this conference in perspective when one of the League reports urged:

"Let us turn for the moment away from the problems of today and face squarely the challenge of tomorrow, to shape our communities so that each community of California will make a maximum contribution not only to the good life for its own citizens but for the society as a whole. For, in the words of George Leonard of Look Magazine--

'California presents the promise and the challenge contained at the very heart of the original American dream; here, probably more than at any other place or time, the shackles of the past are broken. In helping to create the society of the future, a man is limited only by the strength of his ambition, the dimension of his concern, and the depth of his courage to face the dangers of his own creation'".

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

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OFFICE OF THE GOVERNOR
Sacramento, California
Contact: Paul Beck
445-4571 2.2.68

EXCERPTS OF SPEECH BY
GOVERNOR RONALD REAGAN
CALIFORNIA NEWSPAPER PUBLISHERS' ASSOCIATION
LOS ANGELES, FEBRUARY 2, 1968

Thank you very much. You are very gracious.

Mr. Chairman, I want you to know that it was kind of a shock to me to discover that those pickets were yours and not mine. I have gotten so used to them, I don't ask whether they are going to be here, I just ask which ones? One of my most joyous moments of last year was vetoing an OEO program that was going to set up a training school for more demonstrators.

If there is one thing that we do not have a shortage of, it is demonstrators. Incidentally, I am sorry if there was any confusion as to whether or not I would be here. You told me last year that it was a tradition, and if there is one thing that I do not break, it is tradition. I am even observing Washington's and Lincoln's birthdays this year. Here we are after a year's on-the-job training. The redwoods are still standing and the search goes on for the Eel River.

I suppose we have all made some mistakes in Sacramento, but sometimes that just proves that somebody stopped talking and tried to do something. One thing for sure, there is one mistake we will not be making up there. I doubt that we will see the state of California get into the same situation as Iowa found itself recently. When the state of Iowa's Conservation Department returned a citizen's \$23 dollar gift for a small lake project--saying, we appreciate the gesture, but such a gift has to be processed through too many offices--they sent it back. We are here to testify that in the opening months of our administration, we received a great many gifts--small gifts, checks and sometimes bills--from people in California who said that they wanted to help out in the financial situation of our state.

I'll tell you something else that we have learned up there too, a lesson that another fellow had to go to Alaska to learn. He was up there as a young boy in an earlier day. They began teaching him

how to drive a dog team. They told him that it was possible of course to pat the dogs on the head and they would be friendly, but not to fall down, or they will tear you to pieces.

Now, with regard to protocol, I did not really put down some of my notes here with protocol in mind. I only know that Frank Jordan has to be mentioned first by me because he and Nancy are in collusion right now on how to get somebody to paint a couple of the corridors in the state house up there that are a rather sickly shade of green. And there seems to be a lesson in that someplace--as to why Frank went to Nancy and not to me. I haven't figured it out yet, but I will tell you that, after a year up there, all of us understand better why he has been elected and re-elected time after time through the wisdom of the people of California. We are most happy that he is there. I do not know if it is protocol, since Frank is absent, I think that I should refer to the absent member--Tom Lynch--who has been proving to us why the two party system lends strength to our way of life.

He has served the state and this administration without partisanship and has cooperated to the fullest in trying to help us with legislation that will solve the problems of crime and pornography.

Now, I do not know where the next person comes on the protocol list, but because there is such a wrong impression around, a feeling about me and education, I want to make it perfectly plain that it "just ain't true that I got no respect for book learning". Max Rafferty, of course, is the constitutional officer who is non-partisan in a friendly sort of way. He continues unceasingly to upgrade education every day.

Then, there is our controller, Hugh Flournoy. While Hugh has been denied the legislation he wanted in order to solve the problem of the inheritance tax appraisers' system, he has proceeded on his own to reorganize that particular branch of government, not only to make it more efficient, but to make the criteria for those who would serve in that capacity, by test and examination, proof that they have the knowledge and proficiency necessary, instead of simply having to demonstrate an excessive amount of political zeal at

Then, of course, there is our den mother, a woman who has handled more money than any other woman in the history of the world and she is proving to us that "mother knows best". She has marketed \$600 million dollars worth of California's bonds this year, in spite of a bad bond market and until it got too bad, many of those bonds were marketed at lower rates of interest. This bespeaks confidence on the part of a great many of the financial people in the country in Ivy Baker Priest Stevens and also in this state of ours. Now, one of her functions is to invest state funds so they will earn revenue until the time has come to use them. And this year, she had an average of \$18 million a day less to invest than in the previous year. Yet, with that reduced amount her investment earned this state \$11 million more than had been earned in the previous year. The \$67 million in earnings is enough to run her department for 150 years.

It is hard to know what to say about the Lt. Governor. He just lulls around presiding over the Senate, when he isn't a college trustee or a regent of the University, or on the State Lands Commission, or holding a meeting of the Commission of the Californias, or being chairman of the Automatic Data Processing study that is being undertaken to bring us some of the management tools we need. Then, of course, he also is chairman of the Bicentennial Commission, the Job Opportunities Board, and certainly, of great importance, is his liaison with H.C. McClellan in that great program that is going on in our state with regard to employment.

There are a number of other things that he has to do. He is the only first term Lieutenant Governor ever to be appointed to the Executive Committee of the National Council of Lieutenant Governors. He is busy.

But just to prove though that he has some spare time--since I have to leave town tonight--he will be making the awards in the morning which I understand his predecessor was never allowed to do.

Some months ago I was attending a Governors' Conference. We thought that it was a very important Governors' Conference and one at which California should be represented. After arriving there

it seemed that a piece of the long hot summer might erupt. In fact, it was about to erupt in California. There were some who thought I should climb into the plane immediately and head back to California. I said, "Well, Bob's there isn't he?" They agreed that the situation was well in hand. So I just stayed at the Governors' Conference.

He is a teammate. I told all of you people last year he would be just that--and we are.

We operate in that way--a kind of board of directors with the Cabinet Officers and these Constitutional Officers who regularly meet once or twice a week. At these meetings we roundtable the problems we have in California.

It was just a year ago that I interrupted what I was told was my honeymoon to be with you and incidentally, I've learned since then that it wasn't a love match. I reported to you then what we were going to try to do as well as some of the first steps that had already been taken to meet the fiscal problems of California--problems which we had just been uncovering. Those problems could not have been worse if this state had gone to Las Vegas. At that time I told you we had set a goal for the six months before the end of the fiscal year to try and reduce the expenditures by some \$20 million dollars. Well we made it by June 30th, and with a number of millions of dollars to spare, thank heaven. While we were busy economizing wherever we could by trimming our sails, there was one run-a-way program in the area of welfare called Medi-Cal that was spending so excessively that we were only able to balance the books and balance the budget by dint of the savings that had been made in the economies during that six months period.

We submitted a budget shortly after coming into office a year ago that was 7% higher than the previous year, which meant that it was within the ability of the then new tax structure to cover.

Our taxes produce about 7-8 percent in increased revenue each year. This 7 percent increase represented a little less than half of the increases we had come to know during previous years. Of course it was referred to as a record budget. But all California budgets are record budgets and will continue to be record budgets

as long as we increase in population and as long as we have inflation, because the combination of these two factors amounts to between 7-8 percent increase in the cost of government. That figure is predicated on the higher price of materials, the higher wages that must be paid, the growth that must take place in certain departments to match our own state growth, and so forth.

This year's budget, which will be announced next week, will be 7.1 percent higher than the previous budget.

Had it not been for the economies that had taken place this last year, in spite of last year's tax increase, we would have had to ask for \$130 million in new taxes simply to finance this budget this coming year. Now this doesn't mean that the cost of Government has to be as big as it is. As a matter of fact, the story that I just told about the coming year's budget is a little more attractive than what I presented because, within that 7.1 percent tax increase, there is some \$200 million that is actually for tax relief. It is going to be returned to the citizens at the local level in some practical form to help alleviate the tax burden at the local level and at the county levels. In addition to that, it also includes \$90 million for capital construction, largely at our universities and colleges. This is a first because, heretofore, this construction has been financed out of bonds. Now we're going on a pay-as-you-go basis just as far as we can, so the budget also represents that increase.

I believe that we should continue to reduce the cost of government. This will require the help of the legislature, since we will come to the point where there is nothing further we can do administratively. During this session we will need the help of the legislature with regard to welfare and the program I mentioned earlier, Medi-Cal. There has been some confusion about this but in this last year we began to discover the run-away tendencies of Medi-Cal.

Our first estimate was some \$210 million in excess of the budgeted amount. But this was not \$210 million of state money. This was the \$210 million total of state, federal, and county funds. This means that there was something less than \$100 million in excess spending at the state level.

There has been some comment we have been loose and careless with figures. This is hardly true when you stop to think that Medi-Cal wound up the year spending \$63 million in excess of what had been budgeted. And \$63 million is not too far away from the \$100 million that was projected several months before, when we had to guess at what was in the pipeline. And part of that reduction was not just a mistaken estimate. It was because of administrative improvements made in the program by Spencer Williams' department, some with the help of the legislature who allowed us to change to a modified accrual bookkeeping in this field, and also allowed us to shorten the six month period to a two month period for submitting bills.

Now, Alan Post, the Legislative Analyst told us and told the legislature that in spite of the administrative savings that we have made and are continuing to make in that program, we cannot continue Medi-Cal as it is presently structured without having a tax increase almost every year simply to pay for this one program.

Incidentally you all know that for several years the counties have been storming the gates of Sacramento demanding that the state take back the administration of welfare, take it off their hands. You might be interested to know that this year there has been a complete turn-around and the counties do not want the state to administer it. This comes as a result of the efforts that have been made at the state level to free the county administrators from undue regimentation, regulation and the red tape that has bound them heretofore. As a matter of fact, in less than a year, Spencer Williams trimmed 2500 pages of regulations enforced on the counties by the state to one manual of 200 pages. Now this is just one example of the sound business principles that are being put to work as we promised a year ago.

And more to follow, particularly when we begin implementing the task force reports you are all familiar with.

Some 274 of your fellow citizens--perhaps that includes some of you--have been serving the state for about six months and have given us 2,000 specific recommendations for making government more efficient, more economical. Some will require legislation. Others can be put

into effect simply by administrative order. Last year I told you we were going to put a freeze on the hiring of replacements of employees. Every year for the last decade the number of employees in government has increased 4-5½ percent a year. We put a freeze on simply hiring replacements. By June 30th, at the end of the fiscal year, we had not only stopped that climbing trend but had reversed it by 2.3 percent fewer employees in the state than there were when we started in January, 1967. It has been somewhat reduced in the last few months about 1.8 percent. That's simply because we have recently been implementing legislation of two years ago which calls for tripling the size of the state highway patrol.

We are nonetheless continuing our efforts to make government more efficient and a little smaller in size.

We have one particular department, as a matter of fact, that has almost doubled in staff simply because they are switching to automation, and in the switch-over they must have a large number of temporary employees. But when this is finally completed and the temporaries are dropped, the permanent structure of that department will be reduced. Public Works has reduced its budget positions by 11 percent through employing better buying procedures and using more modern business practices. From February to October of last year Public Works saved \$22 million in the purchase of supplies and equipment for the state. We have a need to install in every department adequate cost controls. This would be in a simple, uniform format. Business management practices would enable us to push a button to find out how we are spending throughout the year, how many employees we have, and so forth. At present you would be surprised at the amount of snooping that it takes to find out how many people are on the payroll.

In the division of corporations such a procedure is now being employed. This is one of the divisions that is self-supporting. Money comes into the department and excess money is turned over to the general fund. Bob Volk estimated last year, shortly after he had taken over this assignment, that in this coming year the general fund would reap an estimated profit of \$163,000. By the end of the

first six months of this fiscal year, the profit has reached \$892,352 and it will top \$1½ million by the end of the year. Cost reductions due to eliminating unneeded work, strict controls and a business approach to government were all responsible.

The division administering savings and loan could not save the state any money, but it did save some of the citizens some money because they are financed completely by assessments leveled against the savings and loan institutions. They have reduced those assessments by \$300,000 a year, simply in economies through modern business practices in that department. Of course this is not reflected in a reduction of the budget. There is also another great savings I would like to tell you about. It is not reflected in the budget because it is in the area of those departments financed by the gasoline tax. Now, here the money must be spent in those areas for highways. There is no way to turn this back. But you might be interested to know that over in that department they have exercised such controls and made such reductions by means of modernizing and streamlining their operations that I believe I can say we are starting, one year in advance, 44 highway and freeway projects totalling \$110 million. This is red tape translated into concrete and steel. The fact is, \$110 million comes almost entirely from administrative savings.

How many of you drive down a street that has been newly serviced and three days later they are digging it up to put a pipe under it. Don't they talk to each other? Well we do. This round table set-up I mentioned--the constitutional officers, Gordon Luce, Spencer Williams, Ike Livermore and Earl Coke--has helped the administration reduce departmental requests for this year's budget by a total of \$500 million.

In San Joaquin County, a canal which is part of the water program is going through the delta. We also have a freeway called the west side freeway. They are both going to be routed across the west side of the county. This was going to entail two right-of-ways. It was going to entail a water project buying land on which to dump the dirt which they take out of the canal. It was also going to entail the highway department buying land from which to get 7 million cubic

feet of fill for the freeway. Instead, they came into the office the other day to sign an agreement--an agreement for one right-of-way which both the canal and freeway will share. The highway is going in first. This will provide the rough digging for the canal. The dirt that comes out of the canal will, in turn, provide fill for the freeway.

But the excavation will create pools. So, Fish and Game got into the act and is stocking the pools with warm water fish. The savings on just the fill alone and the grading will amount to \$5 million. But, it doesn't stop there.

Down through the years we have read about the conflict between the highway department and those who look at the aesthetic values of the state: the park and recreation people, the people who want to preserve beauty. We know the horrible battle that took place up north with regard to putting--or trying to put--a freeway through the redwoods a few years ago. Well, here they are talking together. For example parks and recreation and the highway department have a six man commission, a team that is up in the Tahoe area right now, choosing the right-of-way for the freeway that will be going around the lake, to make sure that it in no way interferes with, or harms, the beauty of that area. And they are going to continue along this line so that wherever possible we can keep the aesthetic values, the natural values, the beauty of our state.

There is more to this administration than just trying to practice economy. Although I know we talk so much about it--because it is such a problem--I am sure some people think that we are completely negative in what we have done. Sometimes ~~when~~ they complain, I wonder if they have a picture of us sitting up there in Sacramento on a treasure chest, just being stubborn saying, "we're not going to give it to you, we won't spend it." And of course the truth is if someone gets all the money they want for their department it's got to come from somebody else's department, because there is just so much to spend, and it's all going to get spent. At the same time I think we're taking as much money away from the people of California as any government should take. I'll tell you now this administration is

pledged to not ask, and will not ask, for an increase in taxes. But we haven't over-looked the services we have to perform.

We have a transportation task force for the first time in this state. It is headed by William Pereira, a noted architect. It covers every type of transportation from rapid transit, to highways, to air, to water. In this way, all of the problems of transportation can be put together under one group qualified to discuss it, to try and get some overall plan for our transportation needs. We have the same basic type of commission to appeal to the problems of pollution, not only of air, but earth and water.

In the area of conservation, with all the water needs that we have in the state, we have already succeeded in protecting one wild river along a fifty mile stretch in northern California. We are going to protect others where we can so they will remain the scenic wonders that they are.

I have always been disturbed flying over some of the great lakes that have been created in our water system. On one portion of the lake there is usually a piece of brown with some concessions that have been created there, or which the state has commandeered, and if someone wants to use the lake for recreation, he must come in through that one particular entrance. But the rest of the lake shore stands vacant and idle with a fence around it--assuring that no one can have access to it. Well, in Oroville we are filling up behind that greatest of all earth filled dams a lake that will have 169 miles of shore line. Bill Mott, in Parks and Recreation, has embarked on a plan whereby that lake is going to be opened up to private investors and we are going to provide resort recreational facilities for everybody from sleeping bag camper to the person who wants a luxury hotel. Included will be housing developments that will be created around the lake, lake shore developments, lake shore homes, and so forth. In fact, there will be \$2 of private capital invested for every dollar the state has put in and we are going to spread this to other areas because again we believe that the resort operators in our state are the best qualified to make use of these wonders and to make them available for the people of our state.

We haven't neglected human resources. In the first six months of this year three times as many of the physically disabled were rehabilitated and put out into self-sustaining jobs as in the previous period a year ago. One of the great programs in human resources, and Bob (Finch) should be telling you about it because he has been dealing closely with it, is one by Chad McClellan. Right after the Watts riots he moved into the area and got 100-150 industrialists to go in with him with the idea of providing jobs for the hardcore unemployed. And in a 16-month period they put 17,800 of the unemployed in that area into private enterprise jobs. They put them to work and 2/3 of them still remain with jobs. Half of the remaining third are only out of these jobs because they were promoted to better jobs. Thirty percent of them have moved out of the area to better homes, proving that the walls of the ghetto--if there are such--are economic and can be broken down if you give a man the price to go through those walls and to choose where he wants to live. Chad McClellan agreed, at our request, to do this on a statewide basis. He has organized, in all our leading cities throughout the state, a program aimed directly at the minority communities, and underprivileged areas. Today there are 20,000 employers in California signed up and participating in this program. They are putting the unemployed in those areas to work.

Now, I talked a great deal during the campaign about turning to the great welth of manpower and womanpower that we have in the state. Incidentally I should add that in Chad McClellan's effort, as they continue to put thousands of people to work, those who are already at work are averaging \$2.75 an hour, including the women. Here too there is a great staying power. Once given jobs they are proving what so many of us have said. Government should stop being in the business of destroying human beings by way of the soul destroying dole. On the contrary, we should be salvaging and helping human beings.

I suppose you think I should stay away from a subject like mental health, but I'm not. Here again I am happy to tell you that in spite of all the furor that was raised and all of the somewhat confusing

information that came up, we will again this year, as we did last year, be increasing the budget for local health care, the regional health care centers for the mentally ill, to further stimulate the reduction in the patient population in our mental hospitals. Just a few years ago that population numbered 37,000. We believe that in the next few years it will be down to a hospital population of about 13,000 which will really represent the irreducible minimum because these will be custodial cases that will have to be hospitalized for the rest of their lives. The others represent an actual gain, in that they are returned to their communities and are able to live normal lives.

You might be interested to know that in spite of all you have heard, California is spending more per patient in the area of mental health than any other big population state in the nation. But what is more important is that you are getting your money's worth, because we also lead in the percentage of patients who are taken out of our hospitals and returned. They are then able to live a normal life and live on the outside.

At Camarillo Dr. Nash recently announced that for some time he has had two retired executives from industry here in California. They are volunteers at that hospital. He gave them carte blanche. He admits that he took the cue from our task forces. He gave them carte blanche to come in and look at the business operation at the hospital and make recommendations. They have been engaged in every one of these efforts doing a fantastic job. We are going to continue to find uses for these prematurely retired people because we think they are only too happy to serve if only someone will ask them and point the way.

We are seeking a program in tax reform in an attempt to give our tax structure economies so that we don't have to keep coming back for a tax increase; so that we can have a flexible tax structure that will fluctuate with the economy. We have again introduced legislation to control pornography and crime. We are going to actively get into the area of welfare reform.

Incidentally, and I should have said this while I was back on that subject, perhaps we just started too soon with some of the things that we are doing with Medi-Cal.

You know, for a time it was kind of lonely out there. Then in the last few weeks it began to get brighter. I got a phone call from the Governor of Maryland who said that he would like to talk to me about some of the problems of Medicaid because he had just discovered that Medicaid was just about to throw his budget out the window. And the next call I got was from Massachusetts. And we found out that our good neighbor over here in Nevada ^{was} asking the legislature to cancel Medicaid entirely and start over. They George Romney called to say that if they implement a next step to Medicaid in Michigan they would be \$50,000,000 in debt.

When Nelson Rockefeller called, he told me that he was asking the legislature to schedule permission to drop 600,000 people from the Medicaid rolls in New York. The plain truth is that federal government foisted on the states a program which will in truth bankrupt any state in the country that tries to operate without the proper controls. But let me, because there has been so much confusion, make one thing plain about this--there is no desire on our part and no intention of doing anything to see that those who need medical care and can not provide it for themselves are denied such care. We believe that it is our responsibility to provide it and we will provide it.

However, we believe that we shouldn't be bound in ~~any~~ ^{any} administrative monstrosities that make it impossible to control the program. I'd like to cite the example of a family here in California that was late in getting to the doctor. The whole family was coming in for shots and examinations and so forth on Medicaid. They apologized cheerfully to the doctor for being late. They said that they had had another errand on their way to the office that took longer than they thought. They were picking up their tickets for Honolulu. I suppose the shots were to enable them to go.

Well, I just have taken more time than I intended to. I noticed that the tradition that prescribed my being here also said that this

was something in the nature of a report. I thought that because last year we started off by telling our troubles, you had a right to read the scoreboard and find out what we're doing and we shall continue to do along this line. I believe that California can be as great as its people. I think that its people have just been greater than anyone could believe they would be. I don't believe that there is any apathy in California on the part of people about their government. I might also tell you we have quite a tourist trade out here because this is where the action is and they want to see what is going on.

We hope that in another year we shall be able to make a report that will contain less predictions of things in the future, and will include some of the answers in the form of the continuing task force reports. We hope that we will be able to tell the success of the newly instituted tax reform.

I can tell you now that we are going to continue along the course that we have set for ourselves. We are going to continue reducing the cost and the size of government. We believe that this can be done without impairing the efficiency of government. We believe that there is still more leeway and more fat to be trimmed away. But we also believe that we can keep this state in the forefront as it is today:

--In the areas of providing highways for our people to travel the length and breadth of the state.

--In providing recreational land and providing parks for our people.

--In the areas of caring for the needy and those who require our help.

--In the area of preserving what is one of the finest educational systems and higher educational systems in the nation today.

For we are not only going to carry that on, but we believe that the educational system should be more available to those who are disadvantaged and come from the lower income groups. We believe they should not be prevented from getting an education in our public universities because the cost is too high. That is why we are doing our best to institute a plan that will provide the where-with-all

for deserving students who are denied an opportunity for an education today.

We'll continue, that is Nancy will continue, to look for a place for us to live. We've done that, too, since we were here the last time.

Again I want to thank you for the opportunity to report to you, and to tell you that in the days ahead, also, I hope I have an opportunity to meet with you on some of these projects; to brief you in advance and hopefully enlist your support on the things we are trying to do.

There's one other promise I'll make at this particular place to this audience. Our's is an administration that believes, without any question, in the people's right to know. And that means your right to tell them, and you will be kept informed of all that we are trying to do.

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

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OFFICE OF THE GOVERNOR
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445-4571 2.1.68

RELEASE: () or PMS of February 5, 1968

BUDGET MESSAGE OF GOVERNOR RONALD REAGAN TO THE
SENATE AND ASSEMBLY OF THE LEGISLATURE OF CALIFORNIA
ON FEBRUARY 5, 1968

In accordance with the provisions of the State Constitution, I submit herewith the budget of the State of California for fiscal year 1968-69.

I want to make my position on fiscal policy absolutely clear at the outset of this message. I do not seek, nor will I support, any increased taxes for Californians in the coming year. Neither will I support the adoption of any programs that are beyond the capacity of the State's revenue system to fund in the foreseeable future, and which would in effect dictate an increase in taxes in the following year.

Total expenditures for 1968-69 are listed at \$5,699,536,034, an increase of \$379,351,028 or 7.1% above the revised 1967-68 budget. These proposed expenditures are financed from three sources: 69% is derived from General Fund revenues, 23% from Special Funds and the remaining 8% from Bond Funds.

Examining these three principal budget categories in reverse order, it should be noted that Bond Fund expenditures are projected at \$465,031,711 for a reduction of \$184,788,586, or 28.4% below the revised 1967-68 level. The reasons for this reduction are threefold: (1) utilization of \$38.5 million of tideland oil revenues for higher education capital outlay, (2) a reduction in the overall State building program, and (3) the transfer of

our building program for State institutions from bond funds to current revenues.

The level of expenditures projected for Special Funds will remain almost unchanged. The projected level for 1968-69 is \$1,336,424,700, and is 0.4% below the estimates for the current year. It should be noted that 43% of the expenditures from Special Funds in 1968-69 will reflect shared revenues collected by the State and returned to local governments for use by them.

The remaining two-thirds of the budget for the coming year is financed from the General Fund. These expenditures are projected at \$3,898,079,623, for an increase of \$569,810,193, which is equal to a 17.1% increase above the 1967-68 revised spending level. However, a total of \$216 million of this nearly \$570 million increase will be set aside to provide local property tax relief in the coming year, leaving a balance of \$354 million to finance the added costs of the State government and local support programs for the coming year.

Adjusting for property tax relief, we find the General Fund budget increasing by approximately \$354 million or 10.6% above the revised budget for 1967-68. It should be noted, that if Capital Outlay for 1968-69 had not been shifted to pay-as-you-go, then the General Fund increase would have been 8.8%. Included in the \$354 million increase are five items that total \$303 million. These are: (1) education subventions, up \$69.3 million; (2) higher education, up \$67.8 million; (3) Medi-Cal, up \$62 million; (4) State employee salaries, up \$57.3 million; and (5) welfare programs, up \$46.6 million.

The remainder for financing the General Fund increase in State operations, after allowing for the foregoing five high-cost items, totals only \$51 million. Therefore, adjustments within and between programs were required in order to strengthen this small margin to meet priority services, growth needs, and to provide the base for the conversion to a \$90 million capital outlay pay-as-you-go program.

This, then, is a capsule account of the budget which is presented to you today.

The following paragraphs, will, offer some pertinent background on our budgeting procedures, emphasize some of our budget proposals and summarize the fiscal challenges facing us for the coming year.

Budget Background

The continued practice of overspending the State's annual revenues and covering yearly deficits by "one-time" tax accelerations during the first half of this decade reached a climax in fiscal year 1966-67. That was the year when the State, in recognition of the fact that it would be spending more money during the year than 12 months of revenue could produce, turned to a full accrual accounting system in order to achieve a balanced budget. In fact, the State Controller's financial statements now show that the State of California in 1966-67 spent \$112 million of its reserves plus \$334 million of revenue collected in the following year in addition to the revenue collected during the normal 12 months' period.

Moreover, the adoption of the accrual system depleted the 1966-67 year-end cash operating position to the extent that, for the

first time since the depths of the depression, the General Fund entered 1967-68 in the red by having to borrow \$194 million. This condition if it had been permitted to continue, would have violated the constitutional provision prohibiting continued debt without a vote of the people.

It should be recalled that the original budget proposal for 1966-67 contained a request that \$132 million be set aside as a reserve to overcome the obvious detrimental effects of the then-proposed accrual accounting. Unfortunately, this provision was discarded and until this year the cash problem remained unsolved along with the greater problem of how to finance a deficit budget after no more "one-time" tax adjustments were available.

In 1967 I asked the Legislature to work with me in solving the State's financial problems, and together we took the initial steps towards reality by tightening up on State expenditures in all departments and by adopting a badly needed tax increase program for 1967-68. This tax program provided funds for five major purposes:

1. To finance the State's current level of expenditures on a realistic basis by providing adequate revenue.
2. To set aside \$194 million in 1967-68 for restoration of the General Fund to a minimum position of cash liquidity following the depletion of this cash position by the advent of accrual accounting.

3. To provide \$216 million for an ongoing property tax relief program in 1968-69.
4. To increase funds for support of local schools by \$145 million, again on a continuing basis.
5. To allocate \$90 million to a pay-as-you-go capital outlay program, thus reversing a long time trend of piling debt upon debt to provide for the annual needs of state construction.

However, even with these new funds available there remain some very important financial problems for us to solve.

Last year, we did not legislate an answer to the problem of controlling those major programs which are increasing at a rate much greater than our rate of tax revenue increases. It is obvious that we cannot long continue programs that outpace our revenues without eventual, tax increases. Nor can we adopt new programs financed by "one-time" tax windfalls without regard to costs and sources of revenue for ensuing years.

Government has an obligation to look beyond the down payment stage, when it adopts a continuing program.

In answer to this need, I am today asking the Department of Finance, with the cooperation of all State agencies, to prepare five-year forecasts of revenues based upon our existing tax structure and five-year projections of operating costs based upon

our existing programs. These projections will be updated annually and will provide the taxpayers of the State, as well as the State government itself, a blueprint of our future commitments. For years our capital outlay budget has been projected on a five-year basis, while our operating and support budgets, which are many times larger than capital outlay, have been routinely considered on a year-to-year and too often on a crisis-to-crisis basis.

Also we need a realistic operating reserve to absorb revenue and expenditure fluctuations. Since a drop in General Fund revenue of just 1% would create a fund shortage of almost \$40 million during the next fiscal year, I strongly favor the reestablishment of a reserve figure, equal to at least 2% of our annual General Fund budget, at the earliest possible date. Such action could eliminate the need for emergency program reductions resulting from normal economic fluctuations during a budget year, as well as provide some protection against unforeseen overspending such as may happen this year in the School Fund, wherein the statutory spending limit exceeds the funded estimates of school apportionments by over \$60 million.

Budget Proposals

Governments throughout the United States today are feeling the pinch of limited financial resources. The Federal Government is faced with an annual deficit in the magnitude of \$20 billion as well as severe program reductions. In California, our cities and counties are finding it imperative to establish and enforce tough priorities in order to fit their services to their revenues in the coming budget year. At the state level, throughout the

Nation, the problem is much the same. Either state spending programs must be controlled or taxes must again be increased. The State of California is confronted with the same predicament, but I am convinced our problems can be solved without imposing additional taxes.

In fact, in keeping with our promise to support property tax relief, later in this Session I will present a plan to reduce property taxes through the application of State revenues.

I firmly believe that we, the Legislature and the Administration, have the joint responsibility to enact a state budget within the limits of existing income. This, however, can be accomplished only through coordinated administrative economies and legislative actions.

The budget I submit today reflects economies in administration and anticipates specific legislative action to control the spiraling costs of Medi-Cal and welfare programs.

In preparing this budget, we were faced with many decisions. Program priorities had to be determined within departments and between departments. Administrative controls, which we adopted last year, were supplemented by further savings as we reexamined each departmental proposal. In our budget hearings and related budget review procedures, all State programs were analyzed in detail. Staffing patterns were challenged, and operating expenses broken down for better scrutiny.

Early in this process, I established certain priorities. One was for higher education. Although revenue limitations preclude granting all that was requested, I am proposing a General Fund operating budget of \$280 million for the University of California and a corresponding budget of \$224.3 million for the State Colleges. This represents an increase of \$36.6 million for the University,

including restoration of the \$20.8 million one-time reduction (Regent's funds) of last year, and an increase of \$27.3 million for the State Colleges. In addition, salary increase funds will add another \$14.1 million to the University budget and \$13.5 million to the State Colleges' budget.

A second priority was salary adjustments for the balance of all California State employees. Here we have set aside a total of \$47.6 million to provide salary increases that will average 5.85%. This is based upon an allowance of 5% for across-the-board increases, as recommended by the State Personnel Board, and 0.85% to be used for equity adjustments. Additionally, \$2.2 million has been reserved for increased salaries for judges and justices in accordance with Sec. 68203 of the Government Code.

Due to projected savings in other areas, I am increasing the funding of the Short-Doyle local mental health programs by \$3.6 million in State funds. This will enable us to provide full 75% - 25% matching to all counties for the first time, as well as allowing for program expansion.

As I stated earlier, some programs have had to be curtailed in order to provide dollars for areas of greatest need. Although we find we can meet the State's requirements for capital outlay, we do not have the resources to continue granting funds to local public and private hospitals for construction and remodeling. This will in no way affect the Federal allocation to California hospitals, but will require the individual hospitals to provide two-thirds of the project cost in order to qualify for the one-third Federal share.

Medi-Cal and Welfare

Our projections for the State cost of Medi-Cal during the current year total \$274 million. Unless necessary program changes are adopted, this cost will soar an estimated 46.7% to \$402 million in 1968-69. However, I propose a Medi-Cal budget of \$336 million for next year. This represents an increase of \$62 million or 22.6% over the current year. During this Session, I will request legislation to enable us to administer the program within this limit. We cannot continue to fund a program of this magnitude and extreme growth rate from a revenue source that is increasing at only 7% to 8% a year.

In the State's welfare program, we also are faced with a serious problem of expansion. State welfare costs are approaching one-half of a billion dollars annually. This year, for example, the State's share of welfare expenditures will reach an estimated \$409,387,600. If left unchecked, this would climb to \$466,048,100 in 1968-69--an increase of 13.8%, or \$56,660,500. However, I propose a welfare budget of \$456,048,100 for next year. This provides an increase of \$46,660,500, or 11.4%. In keeping with the proposed reduction in the rate of welfare spending, I will request specific changes in welfare laws.

Budget Summary

In addition to the curtailments and program augmentations already mentioned, we have provided for other program adjustments and new programs within the limit of existing revenues.

For example, we are making available funds for the creation of a new unit within the Department of Justice to direct the State's

fight against organized crime, while at the same time expanding the staff in the Department's Bureau of Narcotic Enforcement.

We are providing funds to meet the needs of a cost of living adjustment for retired State employees.

We are boosting our allocation of funds to the counties to help defray the costs of employing public defenders.

We are adding \$3.3 million to our State scholarship program in accordance with Chapter 1659, Statutes of 1967.

From the Motor Vehicle Fund allocation, we will be able to employ 500 new highway patrol officers and support their related costs at an estimated \$7.3 million. In addition, \$1 million has been set aside to continue the work of improving the communications network of our highway patrol system.

One-half million dollars will be made available for new positions in our Parks and Recreation Department to provide improved maintenance and services in the recreation areas throughout the State.

Although it is not practical at this time to list all of the many detailed proposals contained in this budget, I want to assure you that we are fully dedicated to a continuing analysis of every State program. Consistent with this policy, we shall take determined administrative action and actively sponsor legislation necessary to fulfill our obligations in those fields where we find the State's greatest need as reflected by our growth and the requirements of our citizens.

Last year, the Legislature and the Administration took those actions which were necessary to restore the State's financial

solvency. This year, our tasks will be equally demanding as we adjust expenditures to meet the limits of our tax resources. And, we must jointly develop the basis for progress in our programs of the future.

Therefore, once again I ask the Legislature to join with me in these efforts to provide the State of California with a budget based upon sound fiscal policy and dedicated to providing that balance of public service which will best meet the needs of all of the people of California.

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OFFICE OF THE GOVERNOR
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RELEASE: Thursday P.M.'s

EXCERPTS FROM SPEECH BY GOVERNOR RONALD REAGAN
Governor's Industrial Safety Conference
Fairmont Hotel, San Francisco
February 8, 1968

Like you I have a personal interest and concern in the reduction of accidental injuries in California. The size of the attendance here is a direct indication that interest in this important work of saving lives and preventing industrial injuries is growing.

There is no question that reduction of industrial injuries can best be made in a climate of understanding among management, labor, and government, with goals defined and good programs of action. I am more than a little self conscious talking to you with the knowledge I have that everything I say is known to you already and believed by you. I can only excuse taking your time on the theory that it bears repeating. In the last year we have endeavored to institute economies in state government wherever possible. Now there is something I did not really have to say. The screams of anguish from those whose pet programs have been cut are ringing in our ears.

Today I would like to discuss with you briefly one area where I believe highly beneficial savings can be made, first and most important, by preserving lives and limbs through the prevention of accidents, and then by reducing unnecessary and unproductive costs which always accumulate when serious mishaps occur.

Seventeen California workmen were trapped for a day by a caving tunnel. No expense was spared in rescuing the entrapped men, and this is as it should be. But how much better if the accident had never happened. How much less the cost in worry, anguish and money.

We are a large and growing state. Civilian employment surpassed the seven and one-half million mark for the first time last September. These millions work in about 400,000 places of employment. Many are exposed to on-the-job work hazards in varying degrees--and unfortunately these hazards take their toll each day, in the form of unexpected and unwanted accidents. Last year in California, there were approximately 195,000 industrial injuries and 669 deaths. The direct cost of injuries in the form of workmen's compensation benefits paid was approximately \$500,000,000. That is almost one-half the states total revenue from income tax. This figure does not include the indirect accident costs. Depending on the type of industrial environment

failure to meet contract schedules, damage to facilities and equipment, and many other intangibles, including morale of employees, will make the total loss from three to four times higher. In California we are used to big numbers and are trying to make most of them smaller. This is one we can and should make smaller.

Between 1950 and 1958 California had a healthy twenty-five percent reduction in disabling industrial injuries. Since 1958, however, there has been only slight improvement in the percent of accidents. Obviously there is genuine need for a renewed effort to get the accident graph started downward again. This is true especially in the manufacturing industry which has shown a significant increase in its disabling injury rate during the last few years.

On the bright side, a recent estimate released by the Division of Labor Statistics and Research in the Department of Industrial Relations indicates the overall industrial injury rate for 1967 will be at an all time low of 30.7 disabling injuries per 1,000 workers, down almost three and one-half percent from 1966. Fatalities in 1967 were down seven and one-half percent. We can take considerable satisfaction from these figures, and we can all hope that this downward trend will continue.

Traffic safety is a vital part of our accident prevention effort. About one-third of our industrial deaths each year are attributable to vehicles--most of them to operators involved in collisions while driving on our public streets and highways. To truck drivers, travelling salesmen, and thousands of others, our highways are a place of daily employment. In view of the vehicle's critical relationship to the industrial death problem, I would like to review some of the decisions and goals established at the Traffic Safety Conference held last December.

California has more than 164,000 miles of roadway in daily use, a figure that is growing steadily. We have 12 million licensed automobiles, trucks, and buses travelling more than 90 billion miles each year on those roads, streets and highways. But the cost was high. There were 4,286 traffic fatalities during the first eleven months of 1967. Another 211,000 were injured. The death rate was down 1.9 percent from 1966, but this was offset by an increase of 2.1 percent in the injury rate. Regardless, both fatality and injury figures are far too high and this administration is taking action to reduce them.

The drinking driver is one of our most serious problems. Alcohol is involved in approximately thirty-five percent of all fatal auto accidents. We are seeking a way to stop issuing drivers' licenses to chronic alcoholics, and I am hopeful that a three year trial program now underway will prove effective. Additional legislation will be proposed this year to establish a presumptive limits law to provide new protection from the drinking driver.

We also will support legislation which will require special licensing procedures and special protective equipment for motorcyclists.

While we continue to work with the negligent driver we must also focus more of our efforts on the "average driver" through improved education programs, and better licensing standards and techniques.

We are hopeful schools will be able to expand driver education and driver training programs.

More lives can be saved by improving emergency medical service and providing better transportation to hospitals or emergency stations.

Along with the tightening of licensing standards for drivers, we must also improve the standards for vehicles. We cannot allow unsafe vehicles to operate on our highways.

There are other sources of off-job injury and death that need attention. The fact that home accidents cause twice as many deaths as work accidents is important to everyone here. Many of those injured at home are members of our industrial work force and thus a loss to our productive capacity as well as to their families when unable to work. Falls and burns are the most frequent causes of home deaths. These can only be reduced through stepped-up public education programs.

It is obvious that there is much work to be done in all fields of accident prevention. Such work demands leadership from you here today and others like you.

Your interest in preventing traffic and home accidents along with those in industry is in keeping with a trend toward a broad, public spirited move for accident prevention in all human activities.

As an example, labor unions in recent years have teamed up with the National Safety Council and other organizations in a campaign to make Labor Day a safe day.

The matter of off-the-job injuries whether on the highways, at home, or elsewhere, is especially important to those who work for wages, and to those labor officials and employers who concern themselves with the welfare of such workers. Even with the help provided by workmen's compensation, industrial injuries are a serious blow to

the security and well-being of the working man and his family. Off-the-job injuries cause even greater financial problems since there is no assurance that such injuries will be covered by payments corresponding to those provided by workmen's compensation.

I would urge that you continue to expand your safety efforts in all areas so that your knowledge and experience in the industrial safety field will be helpful in preventing injuries everywhere.

Fortunately, many of the methods of accident prevention effective in industrial operations are equally effective at home and on the highway.

Employers these days are also paying more attention to off-the-job safety, not at the expense of industrial accident prevention, but as an extra effort to avoid job disruption from injuries wherever they might occur. Industry is aware that its strength and its ability to earn a profit rests with the strengths and abilities of its individual workers--workers who are on the job and free from injury.

Society has an obligation to do what it can to reduce accidents in every area. Industry especially must take a lead role since it has a moral responsibility to send its workers home at night in good physical condition--tired, perhaps, but at least healthy. In order to do this, industry must make employment and places of employment as safe as humanly possible.

New techniques in manufacturing processes, some of which require the use of inherently hazardous materials, now form a part of the industrial complex. Industry is dealing with higher temperatures and pressures. The use of radioactive materials is increasing. New chemicals and solvents are being developed. Techniques are becoming more sophisticated, requiring in some cases specialized knowledge to prevent accidents including fires, explosions, and collapse. The safety problems encountered today are far different from those found in industry just a few years ago, and I do not pretend to know the answers. I have faith, however, in your ability to solve these problems for the future welfare of our workers.

Government, of course, also has a responsibility especially in California where laws require that minimum standards of safety be maintained. It is government's job to see that these standards are appropriate, reasonable, and up-to-date. Procedures must be maintained for their enforcement in accordance with the law--a responsibility of our Division of Industrial Safety. Fortunately there are many employers who willingly follow safety standards well above the

Industrial Safety to devote a larger portion of its time to the educational and training aspects of safety.

The theme of this conference is safety education. Widespread education is indeed an essential ingredient in stimulating proper safety attitudes and interest. Over half of our industrial injuries are preventable by the avoidance of unsafe acts. Of course this is not the whole story, and it is not the easy answer to all our safety problems. But it is worth the big push that this conference group is capable of launching. It may be the means by which the industrial injury rate is again started on a trend of definite decline.

Safety to be effective must be constant, and if it is to be fully effective, we must work at it every day. William Wrigley was once asked why he devoted so much of his advertising budget to billboards. He replied that "If you tell people often enough about something some of it is bound to sink in."

The individual cannot be overlooked; his work procedures must be examined to eliminate faulty habits and unwise short cuts that will eventually lead to an accident. Supervisors have a responsibility to teach and train workers the safe way to perform industrial tasks and to augment their safety program with periodic safety meetings or discussions.

Our labor organizations also have an important part to play in this endeavor--by promoting and by endorsing safe work practices in cooperation with business and industry.

Let me say I have enjoyed being here with you today. I know your discussions and deliberations will prove to be effective in this important battle that must be continually waged against needless accidents.

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

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OFFICE OF THE GOVERNOR
Sacramento, California
Contact: Paul Beck
445-4571 2.14.68

(Not distributed to Press Corps)

REMARKS OF GOVERNOR RONALD REAGAN
California Council on Criminal Justice ✓
Sacramento
February 14, 1968

It is a great pleasure to welcome you here today at the initial meeting of the California Council on Criminal Justice. As you know, the creation of this council was one of the principal objectives of all of us during the 1967 session of the legislature. I am greatly indebted to many of you here for your efforts in securing the passage of that legislation, and particularly the cooperation shown by Attorney General Tom Lynch and Senator George Deukmejian.

The report of the President's Commission on Law Enforcement and the Administration of Justice, released in February 1967, recommended that each state establish a state wide body with the responsibility for planning and development in the field of criminal justice. We feel that this council, which was already on the "drawing board" before that report was published will ably fill this requirement.

With the many problems of crime and disorder which daily face the public officials and the citizens of our state and our nation, the prevention and control of crime is clearly our number one problem. It is appropriate, therefore, that we recognize this priority in establishing this Council on Criminal Justice, composed of leading representatives of all agencies and levels of government which are involved in the criminal justice process.

As you will note from the composition of this council, your membership will continue and enhance the partnership which has traditionally existed between state and local government in the handling of law enforcement matters. Under this partnership, the primary responsibility for maintaining law and order rests with the local community. The state serves to provide that support and assistance which is beyond the scope of city and county government. Together all levels of government cooperate in forming a strong and effective means of combatting criminal activity wherever it may occur in the state.

As defined in the legislation which created this council, you have five major responsibilities:

First---to develop plans for the prevention, detection and control of crime, and for the administration of criminal justice.

Second--to encourage coordination, planning and research by law enforcement and criminal justice agencies throughout the state and to act as a "clearing house" for proposals and projects in this field.

Third--to develop plans for the dissemination of information on proposed, existing and completed research and development projects.

Fourth--to advise the various governmental agencies charged with responsibility in criminal justice matters.

Fifth--to provide a vehicle for the implementation of federal crime control programs that are applicable to this state.

This is a broad mandate for action. We cannot be content with the ideas and concepts of past decades. Our ability to cope with crime and the criminal must include the most modern facilities which science, technology, and education can furnish. Only by careful planning and coordinated effort can new horizons in criminal justice be discerned let alone achieved.

Your work should encourage every police department and sheriff's office, every court, and every correctional agency to attain new heights of accomplishment in serving the citizens of our state. You can be a catalyst for advance thinking and improved techniques, so that we as a state can begin to catch up with the ever increasing crime wave, and hopefully to begin to reduce it.

This council is not just another "paper organization," nor is it just another "committee." Each of you was selected because of your expertise in your area of criminal justice. We feel that the combination of this talent, and the utilization of this council as the focal point for progress and development, will produce results that will benefit every city and county in California.

In carrying out your work you have the authority to utilize the existing resources of any department or governmental agency. I hope you will operate in this manner, so that you will provide the planning, the coordination and the guidance, and will then call upon such groups

as the Board of Corrections, the Commission on Peace Officers Standards and Training, the Judicial Council and the Department of Justice, and other similar agencies, to provide the detailed studies and proposed solutions to our problems.

As you begin your work I would particularly call your attention to certain areas which appear to pose immediate and grave problems for our state. These include:

1. The increasing incidence of narcotic and dangerous drug use, particularly by young people;
2. The continued threat of organized crime;
3. The increase in violent crimes, particularly assaults;
4. The need for crime prevention programs which will involve virtually every citizen in helping to deny to the criminal the opportunity to commit his crime;
5. The long and short range correctional requirements of our state, and the need to reduce recidivism.
6. The need for bringing together our scientific and educational resources through improved programs to prevent and control criminal activity.

This is an imposing list of objectives, but I feel that the members of this council are equal to the task that I pose for you. I want to express my firm support of your work and my continued cooperation in all of your activities. You have the opportunity to render a great service to the state of California, as well as to provide a model for the rest of the nation to follow. The results of your actions will certainly benefit every citizen of our state, if by your efforts he is able to live in a better and safer community.

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OFFICE OF THE GOVERNOR
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Contact: Paul Beck
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RELEASE: Thursday P.M.'s
February 15, 1968

EXCERPTS OF SPEECH BY GOVERNOR RONALD REAGAN
Stanford Business Conference Luncheon
Fairmont Hotel, San Francisco
February 15, 1968

Of 853 recommendations submitted by the task force, 137 have been implemented to date. One hundred twelve of these recommendations have been referred for further study and evaluation, and 604 are already scheduled for implementation. Of the 604 which have been scheduled for implementation, 505 can be effected by administrative action, and 99 will require legislative implementation.

Of those recommendations already implemented, a total of just under \$7 million in annual savings has been achieved.

Future implementations will provide the state of California with annual savings in the millions of dollars, and this is only a part of the dynamic influence the application of sound business management techniques is having in California.

My administration has waved no magic wand over the halls of government in order to arrive at a more realistic approach to the management of government and its affairs in California. Instead, we have had outstanding business-oriented men to administer the program of the administration.

We have sought to eliminate unnecessary work, consolidate operations wherever possible, refused to replace departing personnel unless there was a strong justification for doing so, enlarged existing responsibilities; we have been decisive instead of bureaucratic, and we have not been afraid to make changes even with "sacred cows."

By following this plan of action, the yield has been significantly encouraging.

...In Public Works we operate with 17,924 employees, down from 20,079 authorized positions, or 11 percent under the 1967-68 budgeted figures--and, in many cases, handle a greater workload with an improved work product. The quality of our service has increased with our efficiency.

...In General Services, purchasing techniques have been changed in order to provide for more competitive bidding, and more product competition and volume discounts. As a source of General Services' actions, better space utilization is being made by reducing square footage allowances per employee. Savings from this department are at a level of \$22 million. Additionally, the Cal Expo project is a primary example of private enterprise working with the state for public benefit.

...In terms of investments, we found that by law state highway funds could only be invested in government bonds. A change in that law, suggested by us, which allows the investment of these monies in banks and federal agencies' securities will result in an increase of \$500 thousand in increased revenue to the state each year.

...In the Drivers' License Division of Motor Vehicles, we were able to save \$164 thousand by the application of sound business procedures, and, as Hubert Humphrey once said, "A billion here and a billion there....it all adds up!"

But--the application of sound business practices to government is only one important part of the story. There is another very meaningful part to the story of business and government. This second part is one to which you are all addressing yourselves in this conference--that is, the role business can play in helping to solve some of the great social problems with which we are faced today.

My administration views the application of sound business practices to government as a process through which government can better do the job it must do. But government alone cannot solve all the problems of our society without great personal sacrifices on the part of every individual in society. Instead, we must also turn to the collaborative efforts of business and government to seek solutions to these pressing, demanding, and challenging problems.

Many of California's public needs are not responding adequately to present approaches by government. Many of these public needs are intertwined and are unresponsive to the fragmented, undersourced, unimaginative, and shopworn approaches designed by people in govern-

ment who are far removed from the actualities of the problems. Many of these public needs approach crisis proportions--if they are not there already--air pollution, traffic congestion, crime and delinquency, dependent children and broken families, urban blight, racial unrest, unemployment and underemployment.

California must turn to its most talented, resourceful, and innovative sectors--not just to government--to provide solutions for these problems. We must organize a total systematic effort to analyze and attack these critical needs. Not government alone, and not business alone, but the imaginative collaboration of the public, private, and independent sectors of our society.

If you reach any decision at this conference, it should be a decision that the opportunity for business to engage in social action problem-solving is the most needed and challenging task which is before any of us today.

Just as government cannot "create" jobs for our unemployed and our unemployables--so it is that government, without the help of the independent and business sectors, cannot run efficiently, nor can it satisfy the needs of our citizenry. Indeed, without the input of business, government would be full of sound and fury, and signifying nothing.

Beyond this, without a combined thrust by all the sectors of our society, this may well be the sad commentary of our society.

I am confident this will not happen--as I am confident the business sector will see their responsibilities and accept these challenges.

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

2/15

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If you reach any decision at this conference, it should be a decision that the opportunity for business to engage in social action problem-solving is the most needed and challenging task which is before any of us today.

Just as government cannot "create" jobs for our unemployed and our unemployables--so it is that government, without the help of the independent and business sectors, cannot run efficiently, nor can it satisfy the needs of our citizenry. Indeed, without the input of business, government would be full of sound and fury, and signifying nothing.

Beyond this, without a combined thrust by all the sectors of our society, this may well be the sad commentary of our society.

I am confident this will not happen--as I am confident the business sector will see their responsibilities and accept these challenges.

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

2/19

EXCERPTS OF REMARKS BY GOVERNOR RONALD REAGAN
Seminar on Intergovernmental Relations ✓
Senator Hotel, Sacramento
February 19, 1968

It is a great pleasure to extend greetings to participants at this seminar on intergovernmental relations. This is one of a series of statewide conferences in which representatives of government, education, and the private sector come together to discuss and seek solutions for the problems facing our state.

Some of you recently attended a very excellent conference on housing where state and local government officials were joined by representatives of business and industry in a significant review of the problems involved in providing adequate housing for all the citizens of California.

I am sure that this conference will likewise be successful in identifying the major challenges which face state and local governments, and which will require the joint efforts of all these groups represented here. You can help provide the citizens of this state with the quality of life they need and deserve.

Too often we are all necessarily concerned with the day to day problems and crises which demand immediate resolution. Yet we cannot afford to overlook the equal, but sometimes less apparent, necessity for long range planning. We must look today at the problems of California 5, 10, and even 20 years in the future so that we can begin to develop a blueprint for the type of California we wish to achieve.

We have already started this in state government by initiating a five-year projection of information on needs for state services and facilities and the availability of resources to meet these needs.

Your conference today is certainly consistent with the idea of taking a long-range view of California's future, establishing goals and objectives, and bringing together the talents of a variety of disciplines and backgrounds, to formulate solutions and recommendations.

As we look toward the California of the 70's and 80's, one of the traditions and strengths of our state which we certainly wish to preserve is the partnership and concept between state and local government--and the strong concept of "home rule"--which has reserved to cities and counties a high degree of governmental authority.

This administration recognizes and seeks to strengthen the role of local government as a vital force in our society. The cities and counties of California daily fulfill the most essential needs of the people. These functions, carried out at the local level, give our citizens the greatest opportunity to exert strong and constructive influences over their government.

The growing national trend towards centralization of government has done much to remove political decision-making from the people. This, in turn, has too often sapped their sense of responsibility for the course of government. To counteract this trend we must build strong local governments that are responsive to local needs and which allow their citizens to directly shape the policies which affect them.

While we are talking about keeping government close to the people, I also want to talk about involving people--private citizens--directly in government itself. I am sure you are all aware of the many ways in which the private sector has been involved in many of the programs of this administration.

The recent reports submitted by our Survey on Efficiency and Cost Control are examples of this. Other groups have worked on legislative recommendations, environmental quality, fiscal and revenue management, and a variety of other projects.

I know that at the local level there is a similar willingness on the part of public officials to obtain the ideas and efforts of citizens who are not regularly a part of the governmental structure. I certainly want to encourage such involvement and to indicate that the dividends which will be gained--both in good suggestions and in a renewed sense of participation in the processes of government--will be beneficial to government and to the citizens alike. The fact that so many of you are here today as representatives of the independent sector attests to your agreement with this principle of citizen participation and responsibility.

I spoke earlier of the partnership between state and local government, because, to me, this certainly characterizes the working relationship which we seek to promote in California. Intergovernmental problems are perhaps the most complex issues that we face in Sacramento. Virtually all action taken by the state affects local government in one way or another, and likewise the views and actions of cities and counties have a great influence on the policies and programs of the state.

We have therefore felt the need to expand and improve the techniques and the organizational means for managing intergovernmental relations. We seek the most effective vehicle for relating the needs of city and county government, of schools and other local agencies to state programs and planning.

I am therefore happy to discuss with you today some of our ideas for enhancing the state's capability of working with local government in achieving our common objectives.

As you know, we recently submitted to the legislature a plan for the reorganization of the executive branch of state government. Within this reorganization we are instituting a new concept designed to provide a vehicle for handling intergovernmental problems. It is our plan to expand the role of the Intergovernmental Council on Urban Growth, and give it the capability for exercising an advisory overview of all problems mutually affecting state and local governments, and to engage in long-range planning in these areas.

This concept does not accept the idea that we can compress into a single department of state government the problems of local governments. Indeed, virtually every department of state government is concerned with some subjects which affect cities and counties. Therefore, we need a council which can cut across the governmental structure and provide a comprehensive and coordinated approach to the common problems of a variety of governmental agencies.

We propose, therefore, to create a Council on Intergovernmental Relations which will give all of us the best possible means for working together. We hope this council--reporting directly to the governor's office--will serve as a sounding board for new ideas and new programs and recommendations for implementation at the state and local level.

Rapid growth and economic development have seriously affected the quality of California's natural environment and there is an immediate need to provide effective waste management controls. Legislation has already been introduced which will approach this problem. I will ask a group of outstanding citizens to determine an appropriate course of action to preserve and enhance environmental quality on a long-range basis.

Public service manpower shortages are critical now and will intensify by 1975. Changes in urban growth patterns have created the need for a new dimension in public service. Last week I authorized the creation by Executive Order of the California Public Service Education and Training Advisory Council. Their charge will be to develop creative plans and cooperate and assist in the development of programs for the training of public servants for all levels of government.

The Council on Intergovernmental Relations also will be called upon to assist in the implementation of certain federal grant programs and to provide assistance in local planning and community development efforts.

One direct result of the intergovernmental approach has already been achieved. That is the creation of the Intergovernmental Board on Electronic Data Processing which is concerned with the development of information systems as an essential part of long-range data collection and planning.

But mere recognition of the importance of local government is not enough. We must be aware that an increasingly complex urban society--with the problems of the core cities and sprawling suburbs--creates new and difficult problems.

We believe the answer to these problems is to strengthen, not to abandon, the basic concept of local government. It is to find new solutions which will promote greater efficiency and effectiveness, while at the same time retaining local decision-making and responsiveness to individual citizens.

There are certain immediate problems to which the Council on Intergovernmental Relations might direct its efforts:

1--To review the allocation of governmental services and resources between state and local governments and to make recommendations for changes where necessary.

2--To give local governments the opportunity to develop fiscal programs and sufficient revenue capabilities to finance local services without having their taxing capacity pre-empted or reduced by excessive federal and state taxation. In this regard, our recent action in proposing to the legislature that certain sales tax revenues be allocated to the counties for property tax relief is a first step in this endeavor.

3--To solve the problem of the proliferation of special taxing districts and to develop a plan for strengthening local government by improving its efficiency in providing the various services which are too often fragmentized in small and costly local taxing agencies.

These have been some of the ideas developed by this administration concerning the problems of California and the programs which will fulfill our future needs. It is no exaggeration to say that the quality of life which will be enjoyed by Californians of the future depends to a great extent on efforts such as yours today.

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

3/4

OFFICE OF THE GOVERNOR
Sacramento, California
Contact: Paul Beck
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C-O-R-R-E-C-T-I-O-N

In Release of Excerpts of Speech By Governor Ronald Reagan 20th Annual California and Pacific Southwest Recreation and Park Conference to be released for P.M.'S today, please correct Page 2, Paragraph number 5 to read:

Occasionally, a property in our park system can function better if it is not state owned. This is true of our Squaw Valley ski area. So we are going to sell it.

* * * * *

OFFICE OF THE GOVERNOR
Sacramento, California
Contact: Paul Beck
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RELEASE: P.M.'S MONDAY

EXCERPTS OF SPEECH BY GOVERNOR RONALD REAGAN
20th Annual California and Pacific Southwest
Recreation and Park Conference
Community Concourse, San Diego
March 4, 1968

It is a pleasure to be here among such a large group of fellow conservationists. I recognize that one of your primary interests is in the conservation and preservation of America's natural resources so that they can be used and enjoyed by future generations of Americans.

I share that interest with you because it is part of the conservative philosophy to preserve the best of our heritage--including our natural resources. But the conservative philosophy also demands that the best use be made of those resources we preserve.

In California we are proud of the record we have made in preserving our natural heritage and this administration is striving to build on and improve that record.

We are proud, also, of the recreational use we are making of park lands and our great natural resources. And of the innovations our Parks and Recreation Department is bringing into this broad field.

At the same time, we recognize that what we are doing today is not enough. We must prepare for tomorrow--to make parks and recreation even more readily available to the increasing millions of Californians and others who need to share and who have a right to share in all that California has to offer.

We must examine and plan for our environment and how it properly relates to economic progress of our state.

I don't suppose a governor can be expected to be a technician or an expert in specific fields of resources--but he can be held responsible for the appointment of experts and outstanding leaders who can provide imagination and advanced thinking. In the language of my former occupation, we have done a good job of casting and I am particularly proud of the team we have put together. The captain of this team is Ike Livermore, a noted conservationist. With him are Bill Gianelli, director of the Department of Water Resources, an acknowledged expert; Jim Stearns, director of the Department of Conservation, a life-long dirt farmer experienced in soil conservation and timber management; Admiral Ned Sprow, director of the Department

of Harbors and Watercraft, with his Coast Guard experience; Walter Shannon, director of the Department of Fish and Game, a noted and experienced leader; and William Penn Mott, Jr., director of the Department of Parks and Recreation, world-famed in conservation and park management.

Conservation people tell us that there are few departments of parks or resources as free of political interference as those of this administration. It is going to stay that way.

Under Bill Mott's guidance the department last year added more than 12,500 acres to the park system, including more than 2,500 acres of redwoods (no, I don't believe if you've seen one redwood, you've seen them all).

But, while we added parklands, we do not think that just adding more land is the answer to all of California's park and recreational needs.

Occasionally, a property in our park system can function better if it is not state owned. This ^{is} ~~was~~ true of our Squaw Valley ski area. *are going to sell it.* So we ~~sold it at a profit.~~

In addition, we think that developed park properties should undergo regular re-evaluation to make sure that they still meet the needs for which they were originally required. If they do not, then they should be disposed of and new lands should be acquired that do meet current needs. In other words, we do not think a park system should be static, and in California, it is not.

Let me digress here just a moment to point out that about half of California is federally owned. Most of that land is mountain and forest land in the Sierras. We are working to persuade the federal government to make more of these lands available for recreational development and use.

We think that it is possible to evolve an integrated program with the federal government, letting it concentrate on the mountains while we concentrate on providing recreation along the coast, in the desert and in the interior valleys.

But, since there seems to be a determined effort to portray this administration as only interested in saving money, let me get back to a brief report of our accomplishments and progress during 1967.

Working with Bill Mott, we started out by adopting a 13-point "action program for the state park system." This included reorganization of the department, development of a master plan for the park

system, more utilization of private capital in park and recreation development, development of a more realistic user fee schedule and institution of a camping reservation system.

Then we went one step further. We lifted the ban on pets. We figured, "love you, love your dog."

One of the things we did was increase park fees, not to deprive people of the use of our parks, but rather to charge a larger proportion of the costs of maintaining parks against the park users instead of the general taxpayer. But, we also cut them in half for the fall and winter months in order to stimulate off-season use.

A major advance has been the establishment of communications between departments. I am pleased to tell you of the progress being made by the special committee which I appointed to resolve problems between highways and parks, an interdepartmental committee made up of representatives of the Resources and Transportation agencies. This committee has, in its short life, resolved many problems and resolved them not on engineering values alone, but has looked at the problem in a total environmental planning process considering all of the values, not just the economical ones.

For instance, a special technical task force made up of planners, ecologists, landscape architects and engineers is now studying the problem of locating an all-year-round road on the west side of Lake Tahoe. This will be done by environmental planning so that the unique resources of the area will be protected, at the same time providing for the transportation of people and things. Quality and creativity are being emphasized in all of our planning efforts.

As part of that emphasis, we intend to take a strong look at possible ways of bringing parks to people. Everybody does not have the time or the money to travel to the desert or to the mountains or to the wilderness areas.

We think there should be a way to give our city and slum dwellers the advantages of parks on as nearly a daily basis as they wish. The quiet and tranquility of the great city parks such as Central Park and Griffith Park can do much for modern man in today's hurried and harried living.

And, the small neighborhood parks can go a long way / ^{toward} keeping our boys and girls off the streets and channeling their energies into worthwhile activities. As our cities and urban areas continue to grow, the need for new parks grows greater and the strain on existing

facilities mounts ever higher.

I am asking Bill Mott to look into ways and means of helping our urban areas develop and expand their park systems to meet the needs not only of today but also of next year and the next 50 years.

One possibility is to look at freeways and their rights-of-way with the idea of multipurpose use of the land around them and perhaps even the space above them. It is possible that freeways can be more than merely the shortest distance between two points. They can be focal points for parks, recreation, even industry and shopping centers.

Our parks and recreation people, along with our highway and public works officials and representatives of cities and counties, are being asked to sit down together and study closely the existing possibilities we think are here.

Thus, the challenge to the Department of Parks and Recreation is clear. Its responsibility is not only to protect the environmental quality of California, but also to provide for the recreational needs of our people. In reorganizing the department, it was not our intention to give greater emphasis to these recreational needs than to preservation of the natural resources of this state, but rather to provide an organizational structure that would recognize not only the preservation and conservation responsibilities that the department holds, but also to accept the challenge of constructively providing for the leisure-time demands of our citizens.

We recognize also that good conservation practices go beyond merely preserving what we have left. We must also be in the business of reclamation, as well as that of protection. We must not only protect our rivers, lakes, bays and beaches from pollution; we must reclaim and purify those that have been polluted.

And, we must do the same for our air. These major problems will not be solved this year or next. But Californians are determined they will be solved, and we are working in that direction.

Referring to Tahoe again--that very unique beauty spot we share with our neighbor state, Nevada--years of frustration were ended with the establishment by our legislature of the Tahoe Regional Planning Agency which will move toward protection of the unparalleled beauty of the area while insuring balanced recreational and economic development there. In the best spirit of neighborliness and cooperation, Governor Paul Laxalt and the legislature of Nevada enacted similar Tahoe legislation so that both states can move forward together

I have asked the Resources Agency to lend full support to the Bay Counties Development Council which, this year, will complete a comprehensive study of protection of the natural attributes of San Francisco Bay along with proper respect for its economic development.

We are concerned with the problems of coastal development and conservation. We know too little of the enormous values for mankind of proper understanding and use of our coastal resources and the sea. But, we are going to know more, thanks to the fine work and information provided by the Advisory Committee on Ocean Resources. Through their efforts we have created the Interagency Council on Ocean Resources, with Lt. Governor Finch as chairman. Here is an advisory commission of experience which will probe the problems of coastal development and conservation.

Legislation has already been enacted creating the Middle Fork of the Feather River as a wild river. This fifty-mile stretch of nature will provide a primitive area where man can enjoy the outdoors as it was before he arrived.

California is also progressing in the area of open space protection as it relates to land usage and the tax base. Few realize the extent to which green grass is giving way to blacktop, but the threat is real and serious. Open land in Southern California is being converted to urban uses at a rate of 70 square miles per year. You can get some idea of what that means if you think of the city of San Francisco occupying only 44 square miles.

Legislation was passed last year to provide tax relief for agricultural lands which remain as open space. A broader study by the Legislative Joint Committee on Open Space Lands and its advisory committee will clarify our direction with regard to this complex problem.

Though we are moving in these many specific areas of resource protection, all of it and more must come together to produce an environment which will provide the people of this state a healthy and exciting place to live, next year, ten years hence and in the year 2000--just 32 years from now when as many as 50 million people may live in our state.

Environmental protection study legislation is now before the legislature and I have instructed our Resources Agency to provide all leadership and technical assistance for its passage.

We must come to grips now with the total environmental needs of people and their enjoyment of life as it pertains to the quality of air and water and its availability; to the proper protection and use of the land and the rivers and streams, lest there be none; to the creation of a balanced transportation system, lest we be overwhelmed by autos and freeways, aircraft and airports, rails and terminals--all gobbling up the land, without plan or coordination. We must study noise and its effects on people, the potential of thermal and nuclear pollution, and we must have adequate parks, recreation areas and space, and peace and quiet for people and living.

I have asked Director Mott also to concentrate upon the preparation of the master plan. This will define state responsibility so that it is clear to other agencies and groups who must supply city, county and regional recreational areas. This plan will define the needs for scenic and historical areas and for recreation. Updated, regularly, it will give us a solid five-year look ahead as well as a longer vision into 25 years for park and recreational needs, and the private sector will participate. Not only is the recreational industry, on its own, becoming most significant in the state, but we are assisting by review of statutes which unduly restrict or discriminate against such development. There must be no double standard which places higher requirements on private development than on public or ^{state-owned} parks where supervision, sanitation and density are equivalent.

Wherever possible, we are seeking private capital expansion of concessions in state parks--stores, cabins, roadside camping areas, boat launching--perhaps even golf courses in state recreation areas.

The Department of Parks is seeking a partnership with the local communities adjacent to state park monuments by the appointment of citizen advisory committees. We need the imagination and enterprise by which, for example, in Coloma, at the John Marshall Gold Discovery Site, local citizens helped rebuild Sutter's Mill--as it was that day in 1848. Or self starters of the "Save the Redwoods League" who recently helped us acquire the final major addition to the Avenue of the Giants, in Humboldt County, or the enterprise of the Sierra Club, whose members recently planted 10,000 seedling trees in one of our major redwood park watersheds.

It is possible that we will see a Redwood National Park in the next year or two. And this is well and good. But let me emphasize

that we do not need a national park to protect our redwoods. California has already done that. Most of the remaining virgin growths of the redwoods are already protected in state parks. And let me point out that any national park, to be meaningful, will have to encompass at least two state parks.

Desirable as a Redwood National Park may be, we are insisting that at the same time the economy of our Northern California timber areas be protected.

And we are also insisting that the federal government, in return for our redwoods, give us beach and mountain lands that can be developed by California into useable recreational areas.

We recognize that the future is in the hands of our youth. The youth of today will either be the protectors or the destroyers of our land. Our schools are doing a magnificent job with conservation education--but we must help. We have created a Resources Agency Conservation Education Committee of Fish and Game, Parks and Recreation, Water Resources, with the lead from the Department of Conservation, to work with the State Department of Education in this all important program development. I asked every school, service club, the press, T.V., radio and news media and every citizen to help emphasize Conservation Week, March 7-14; to bring home the message to youth and adults alike: "Understand the value of our land, streams and countryside; protect it from litter and degradation; leave it unsullied for future generations because if it is destroyed, it is lost forever." We are determined not to let that happen.

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

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EXCERPTS OF SPEECH BY GOVERNOR RONALD REAGAN
California Taxpayers Association Annual Meeting
Fairmont Hotel, San Francisco
March 6, 1968

It is a pleasure for me to be here today. This is not the first taxpayers group I have appeared before, but we made certain at the last session of the legislature it would be the largest--if not in numbers, at least in terms of taxes paid.

Regarding that tax increase, I feel like the mother spanking her lovable but recalcitrant child--it hurt me more than it hurt you.

You know what happened. I spent a year campaigning for fiscal responsibility and against new taxes.

Then^a/little better than a year ago, when I took office, we found the fiscal affairs of California in such a state that it was impossible to have both fiscal responsibility and a balanced budget without new taxes.

So we had to raise your state taxes. Those of you who have already paid your tax bill know this all too well.

The tax increase amounted to \$855 million.

I want you to know just why that tax increase was necessary--how it came about and where the taxes are going.

Of the \$855 million in tax increases, \$690 million went to pay for left-over programs and debts. These were debts incurred but never paid during past years:

--First, a \$194 million debt which was a carry-over from the last year before our administration took over. We took the position that this debt had to be paid off. The attorney general agreed, saying that a continuing deficit was unconstitutional in California.

--Second, we had to raise \$496 million to pay for programs and spending projects which had been started by the previous administration. Some of these programs may have been worthwhile, but the hard fact is that the money should also have been raised on a continuing basis at the time the bills were passed. This was not done and we had to do it--we had no other choice.

So, these two items--\$194 and \$496 million, which total \$690 million--came due and payable last year. The taxpayer charge account:

which had been piling up over the past several years caught up with us and you had to pay.

In addition, your state government decided to help offset the spiraling costs of the local schools and the increasing pressures on the property tax. This amounted to \$145 million. To have failed to do this would have been to jeopardize the educational system and would have increased the pressures on the local property taxes even more.

Twenty million dollars out of the total tax increase--that is the request my administration asked for to meet the needs of a growing state. That \$20 million was less than 0.6 percent of the total tax increase. We asked for that amount because the programs were started and we believe in a pay-as-we-go policy. We will not duck hard decisions and we will not try to hide the costs of government from you.

Let me also point out that if it had not been for the economies we put into effect during the early months of this administration, the tax increase would have been \$130 million greater--in other words, \$985 instead of \$855 million.

If it were not for the economies we have achieved already--not counting those that we are now also working on--if we had allowed the growth of state government spending to continue at the same rate as the Brown-Unruh administration during the last five years of the previous administration--we would have to increase your total state taxes at a rate of about four percent per year.

We cannot allow this to happen. Now that we have paid off the debts and straightened out the accounts we inherited, we are determined that this government will live within the means of its taxpayers, and will live within the revenues which are now projected--without any tax increase.

When I took office I pledged that we would cut and squeeze and trim. We have done that. We will continue to do that.

When we did cut back on some of these programs, the cries of anguish were loud and long. But I heard no great storm from the taxpayer whose dollars were being discussed. Now we hear from them as the tax bill comes due. And I want to point to those who have made a career of buying gifts for the people with the people's money, it is their turn now to listen; it is their turn to hear the anger and the wrath of the taxpayer.

If they did not hear it in their budget meetings when they refused to cut costs or when they passed more spending bills, let them hear it now. Keep it in mind the next time they ponder the spending of millions of dollars.

In face of all these problems--the absolute necessity to raise taxes to cover past debts and inherited programs--and the need to adopt a budget of \$5.7 billion for the coming fiscal year--in face of all this, there are those in the legislature, there are those on our campuses who complain that we are not spending enough of your money. They demand that you spend even more through taxes.

Despite the fact that we increased the budget for the University of California by \$30 million over the last year, there are those who demand that we increase that budget even more. Despite the fact that we increased the budget for the state colleges by \$39 million, there are those who demand that we increase it even more.

It is the same in some areas of public assistance--Medi-Cal, social welfare, etc. There are those who want to spend more and more.

Where, I ask, is this money coming from? From the taxpayer? He cannot afford it. He just cannot afford it. And, we cannot continue to confiscate his earnings--raising the state's take, year after year.

Almost every day in the legislature bills are passed which demand more of your money....some would take millions of your dollars. The votes are cast--and the bills passed--by those legislators who know full well that if the taxpayers were voting, the bills would be turned down. Yet, too many legislators continue to vote to take or mortgage more of your money.

The time has long since passed to put an end to this.

We must have a new set of priorities, a new agenda for state government. We must place more emphasis on cutting costs. The taxpayer must be permitted to keep more of what he earns.

Let me say that from a strictly political viewpoint, trying to hide the heavy costs of state government and ducking the wrath of the taxpayer, it would have been expedient for me to go along with withholding. This might well have been easier for some of you, too, but the credit-card approach somehow makes it seem as though we are spending less when we are actually spending more.

But, I have refused to go along with this easy way out--it would

be a disservice to the taxpayer under the present circumstances.

It is important that you know just what state government is costing you. It is time that all of us realize the grinding load which is imposed upon each one of us, that we know the actual cost of government on our income, our lives and our futures.

The tax increase should make you angry. I hope it does make you angry. It makes me angry.

But, focus your anger on those who caused it--those who first spent your money without telling you what the bill would be--and without making clear to you that you would have to pick up the check.

Focus your anger on the politician who uses your money to buy his votes and then tries to shift the blame when the bills come due.

An angry taxpayer is the best weapon we have for keeping down the costs of government.

The lesson of April 15, 1968 will be a harsh one. It should serve as a reminder that government is not free--not even when the costs are hidden and sugar-coated and dribbled out through gimmicks and slogans, which may sound good, but which only delay the day of reckoning.

But now that I seem to be in a complaining mood, let's talk about the numbers game that is being played with Medi-Cal. According to some, we made a false and horrendous estimate of Medi-Cal overspending and then had to readjust and blushingly admit we had been guilty of crying wolf until, finally, according to these financial sooth-sayers, we actually turned up with a surplus. After listening to them, I am better able to understand the record of the past several years.

The numbers game is not limited to Medi-Cal. When we are successful in effecting economies, those economies are loudly denounced as surpluses resulting from our miscalculations. Well, those surpluses for the most part are hard-earned through the careful business practices of those we have appointed to head our various departments. They accrue to the benefit of the taxpayer and, as far as I am concerned, those department heads have my thanks. If they are to be censured, let those who have no regard for the public treasury do the censuring.

Of course, we do not always find surpluses. We have found a couple of deficits--the last one for \$70 million--due to miscalculations in a piece of legislation adopted last year. May I say it

was not a part of our legislative program.

The last error will be compounded by another \$82 million next year unless the legislature acts to rectify the legislation--AB 272--which is at the base of the trouble.

I have invited the Speaker of the Assembly to sit down with me and members of the staff this week to see what we can work out. In the meantime, we are hopeful that continued economies may give us enough funds to meet at least part of this year's deficit. Just as last year's economies paid for the excess spending in Medi-Cal, I have promised already, and I will repeat it here, we will not go to the taxpayers for more money to rectify that error.

I have not changed my belief that we are already paying too much for government.

I am still convinced we can trim the fat out of government and then base our tax rates on what government should cost rather than on what it costs now.

We are also working on the premise that taxes can be spread more equitably. Certainly the hodgepodge, crazy quilt tax structure California has now can be improved upon.

As you know, tax reform is a major goal of this administration. We had hoped to be able to present a comprehensive tax package this year for the legislature to consider.

It appears now that we may have been overly optimistic. Nevertheless, our own people are continuing to work diligently with the California Taxpayers Association and others toward this end.

We are taking full advantage of a report turned into us after nearly a year of study by a special Tax Task Force I appointed early last year.

We are examining the merits and demerits of a number of proposals and suggestions all aimed at simplifying and making more equitable our tax system.

I should like to discuss some of these proposals in detail, but I have noticed that it is easy for the press to mistake our examination of proposals for adoption of policy. For that reason I will not go into any specifics here tonight. But, when we are ready to make a proposal for tax reform, the people of California will be the first to hear what those specifics are.

Now, just as you have an interest in our tax system and our tax take, so should you have an interest also in where and how your tax

money is spent.

You not only have a right to demand maximum efficiency in those existing programs we spend your money on, you also have a right to know what programs are being contemplated and why.

And just as you have a right to these answers, so do you have a responsibility to ask questions, to keep an eye on your government, to insist that it function properly and efficiently.

Let me warn you here that if you--if all of us--do not accept that responsibility, government will not long function properly and the blame will rest on your shoulders as well as on the shoulders of those in government.

An indifferent electorate paves the surest road to bad government.

Today, more than at any time in our history, we cannot afford bad government. The demands on government by society and the complexities of society itself are too great.

Government at every level must be aware of the problems we face and must seek to deal with them within a framework that preserves the rights and freedom of the individual, and calls into play the genius of those who make up our society.

No government, however large or however powerful, has at its command the resources and the brainpower to find the answers to society's problems and to apply them equitably.

Too many in government today at almost every level fail to recognize this. As our nation has grown in population and in technology, those within government more and more have tended to believe that only they have the answers, and they have attempted to foist their answers onto the people with an increasing "father knows best" arrogance.

Somewhere in our nation somebody has found an answer to almost every problem that besets us. Those answers are more available than ever before, to be used wherever they are applicable.

Government must not be too proud to turn to those with the answers, to use them, to help with them, to provide the encouragement and the incentive to make them work.

We are trying that at the state level in California. We turned to the business community to help us streamline our state government. We turned to Chad McClellan, and he has more than 20 thousand industrialists and businessmen organized and working in cooperation

with government to provide job training and job placement for our unskilled minority citizens. We turned to a citizens' task force and the California Medical Association to look at our mental hospitals and recommend changes and improvements. And, as I mentioned earlier, we have turned to many people, including your organization, to help us with our tax programs.

We will listen to anyone who may have the solution to one of our problems, who can help us not only attack the symptoms, but also the root causes.

It is easy to point to the pressing problems of our time:

--The awakening discontent with their lot of the poor, the underprivileged and the minorities

--Crime--against individuals in the form of increased violence, and against society in the form of new uses of violence.

--The plight of our cities, racked by crime, stifled by traffic, smothered in air pollution, infested with slums, afflicted with urban sprawl.

The solutions to the problems come less easily. There are some who would have government--preferably big government--take over.

There are others who believe that solutions begin at the grass roots--where the people are--that local government knows its peculiar problems best and can solve them best, that state government must do what local and regional government cannot do, and that the federal government must do what states cannot.

In recent years this approach to government has been out of fashion.

For 35 years the federal government has been usurping the powers of the state governments, the state governments have been taking power from the local governments and all governments have tended more and more to limit the options of the individual citizen.

Compulsion has become a way of life in our land--all in the name of problem solving.

And yet, too often we fail to reach the root cause of the problems. We deal only with the symptoms.

I am not foolish enough to say we shouldn't deal with the symptoms. We must, of course. We cannot and will not tolerate rioting in the streets or on the campuses. We will make a determined effort to make our streets safe from those who would murder and rape and rob; we will work to unclog our streets, purify our air, educate our children.

But beyond all this, we must seek to determine and correct the causes of our failures. Why have the cities decayed; why have crime and dope addiction increased; why have not our minorities of this generation escaped from the slums?

And, at the same time that we seek answers to these present problems, we must look to the future and anticipate new problems.

Already we have people looking down the road to see how California can adjust to the problems of a peacetime economy, looking at new approaches to our water problems, studying the possibilities offered by our ocean resources. We must anticipate a state park system that will take care of a California population approaching 50 million persons; and work on a plan for an integrated transportation system.

Most of these projects are going on at minimal cost to California taxpayers and are depending on the involvement of leading citizens throughout California. But more of them can be carried out by a government always on the brink of insolvency due to excess and fiscal irresponsibility.

The fact remains that California must maintain a stable and prosperous economy.

And that takes us right back where we began. A stable and prosperous economy goes hand in hand with a sound and equitable tax system. We are determined, with your help, to give the people of California such a system and to have the courage to say no to living collectively beyond our means.

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

3/14

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TRANSCRIPT OF SPEECH BY GOVERNOR RONALD REAGAN
Joint Sacramento Service Club Luncheon
Old State Fairgrounds, Sacramento
March 14, 1968

You do me a great honor by inviting me to break bread with you. One of the first things that happened to me as Governor was to be immediately shipped off to Washington to a conference that was going on there. I left the Camellia City as a brand new resident, had two hours with Ev Dirksen and discovered that flower you're wearing is a marigold.

Seriously, I appreciate the opportunity to report to you on the doings of one of the major industries of your community. And, in this case, I'm reporting also to the stockholders. And if some of you haven't become aware of that, you'll find out when you get the bill from your broker on April 15.

I've had the opportunity to get around the state since the election some. I was up in one of our more spacious but less populated counties in the North and an old fella accosted me and said, "You're from the Capitol." He says, "They got some smart fellas down there." And I said, "That's so." And he says, "They got some that ain't so smart." I allowed that was so. He says, "Pretty damned hard to tell the difference, ain't it?"

One of the first things I learned in this new job was the truth of an old story that has to do with a newcomer in the gold rush days to Alaska. And one of the first things he had to learn was how to drive a team of husky dogs. And they showed him how to harness them up and then they told him, "These dogs are all right. You can pat them on the head and they won't hurt you ... unless you fall down, and then they'll tear you to pieces."

A couple of days ago, I heard a fellow on the radio here in town. I don't know who he was, but I have a deep affection for him. He was on the radio and for some reason or another he said, "Every man should have a wife, 'cause sooner or later something will happen that you can't blame on the Governor."

But I'm sure that a part of your hospitality in extending this invitation to me must have been prompted by curiosity. After all, it isn't every day that a fellow who, for a number of years, has been riding off into the sunset with "The End" superimposed on his back, turns up on the State House steps with something called "The Creative Society".

Briefly and informally for the next little while, let me open this stockholder's meeting. This Creative Society that I have talked about is based on a belief in the people's ability to manage their own affairs and, in cooperation with government, solve the vexing problems that have plagued us for so long. It's based also on a belief of mine that government tends to get hidebound and the hides are laced together with red tape and the story of government is usually, and too often, written in red ink.

Now, let me give you an example of this and of what seems to be some strange philosophy that government and people in government have.

I know it's kind of like the sergeant. The young rookie was asking him why he was doing something a certain way, and the sergeant said to him, "Son, let me ask you something. If you were starting a brand new country and one of your first chores was to create an Army and you got the first division of that Army organized, what would you call it?" The kid said, "I'd call it the First Division."

He says, "In the United States they called the first one the Second Division, and if you can understand that, you'll understand everything."

Well, with regard to the red tape and the red ink of government, in 1920 it cost \$20.75 to phone from New York to San Francisco. And for that amount of money, you could mail 1,037 letters. Today it costs \$1.00 to call from New York to San Francisco, and for that amount you can only mail 16 letters. So, the government is investigating the Bell System.

The one thing the Creative Society isn't and can't be is a magic wand. Taxes had to be raised. The budget is an enormous 5.7 billion dollars. The budget is too high. Taxes are too high. And I have discovered that there is a savage resistance on the part of some to reducing either the size or power or cost of government. There's a defeatism on the part of too many of you with regard to a belief that nothing can stay the growth of government.

Now, I'm here to tell you that, while we have a long and hard road ahead, the power and the size and the cost of government can be reduced, that we've made this start, and that now we have reached a point in which we have to have the help of the people of California from here on.

I won't go into the story that you know already about the fiscal mess that we were in. I'll just tell you something of our approach and the results so far.

We had quite an awakening when we first arrived in Sacramento. It seemed that with every drawer we opened, the story got worse. One day when I was shuffling through the papers on my desk, thinking there must be a letter of resignation in there someplace, somebody came in and said, "Cheer up, things could be worse." So I cheered up, and sure enough, they got worse.

But 44½% of our budget goes back to the county and local governments. That's fixed by law. Eight percent is in the use of the bond funds and California is the biggest marketer of bonds in the United States. Fourteen percent of them marketed by us--about an average of 600 million dollars a year. That's, of course, specified and controlled by law. Twenty-three percent are special revenue funds, and again, these are fixed by law.

But at least here we can do something. We can exert an effort to see that you get a better buy for your dollar. Only 22% is the amount of that big budget that goes to pay for the administration and the running of the government of the State of California. And here we can make an effort in the way of economy.

I would like you to know that if we could cut--you can do a little bit of arithmetic and figure it--if we could cut the cost of operating the State of California in two, we would only be reducing the overall state budget by a little more than ten percent. Which will give you some idea of how tough the job is.

However, I didn't set out to discourage you. We made our first start. We realized that we had to start effecting economies very quickly. We looked around for the immediate ones.

In the last ten years, while we've increased the population of California 39%, the number of state employees has gone up 70%--so one of our first efforts was to put a freeze on the hiring of replacements for employees who left the services of state government. And I am able to tell you now that, after that continued growth and size of government here, there are today 1.8% fewer employees in the State of California than there were a year ago last January. But even here we've been handicapped. We could only apply this to the administration of the State of California.

Higher education was a different matter and we couldn't exert that freeze or have an effect on them. You'll recall, incidentally, that the state University was going to be put out of business by the reductions we made in the budget for the University.

But somehow they've not only managed to stay in business, they've managed to increase their number of employees by 8.4%. Even with the limited budget, that wiped out some of the gain that we've made.

Now our gain, incidentally, was made also in spite of the fact that we're increasing the California Highway Patrol to keep up with our expanding network of highways. There is a bill introduced in the Legislature to provide radar for the California Highway Patrol. It is an established and proven fact that by the use of radar ... each radar set is the equivalent of a great many highway patrolmen. It is also a proven fact that, in the country, with the use of radar, you protect the lives of citizens on the highways and you can reduce automobile deaths and accidents. *highway safety*

But I will predict that before the week is out, that bill will be killed in committee. It'll be killed because one particular lobby is exerting a great deal of pressure on the Legislature, and that lobby isn't within a tenth of being as powerful as the people of California could be, whose money will be taken and whose lives will be lost in highway accidents. But, unfortunately, the lobby is here, and the people have not made their will known to the Legislature.

Now we had another thing something in the nature of a freeze. We discovered that our state employees were tourists at heart. They were all over the place. We didn't tell them they couldn't leave...we just told them they had to come in and tell us where they were going and why. And that reduced the budget for out-of-state travel by 78%.

By last spring we had reduced the amount of gasoline the state had to buy for the state cars by 15%. Incidentally, we discovered also that nobody knew how many of those cars we had, so we put a freeze on buying them. And that's made some changes. But one of the weird changes is, suddenly by stopping buying them, we got a surplus of automobiles in all the state motor pools.

We did something about the beautiful four-color reports that were being circulated from department to department each year. They formed a stack that was half as high as I am. We found that mimeographed reports will do just as well.

We discovered that we had a phone bill of 16½ million dollars, so we brought the phone company in. Somehow someone had overlooked that they have a department that will come in and survey your needs and tell you what kind of a phone system you need. And we brought them in.

They found people sitting at adjoining desks with intercommunicating systems. They had phones on their desks with lights on them so they could look at the light and see if the fellow sitting alongside was using the phone. Those cost two dollars per month extra per instrument. Now they turn their heads and look at each other and the phone company tells us the bill will be reduced two million dollars this year.

We consolidated buying, indulged in competitive bidding, standardized specifications. For example, we have bought this year's high-speed tires for the California Highway Patrol at \$141,000 less than they cost a year ago. All in all, from February First a year ago to October 31, we reduced the cost of supplies and equipment purchased for the state by 22 million dollars.

You know, the state used to be in the pheasant breeding business for restocking of our countryside for the hunters. We're not against that- but we found that we could go out of the breeding business and buy them from private enterprise and save \$3300 a year. So now we buy them instead of raising our own.

We found out there were a number of jobs being done by the State Printing Office that they were not equipped to do, and that we could actually get them done cheaper from private enterprise. We are now contracting this work out.

Incidentally, in one of those task forces we had going through the state government, they just happened to be in the State Printing Office on an occasion when they were getting ready to scrap one of the presses. A great many thousands of dollars were involved. But somehow the press just wasn't equipped to do the particular job. It had to be done. And one of the members of the task force just

happened to be in the printing business and he showed them how. If you just went around in back and made some minor adjustments, you didn't have to scrap that printing press--and that saved a few hundred thousand dollars.

We sold the Grizzly for \$204,000 and now occasionally have to travel by charter, but most of the time we travel commercial. That saved the state \$116,000 a year on the Governor's Office traveling expense. I did draw the line, however, when some of our eager beavers suggested I start traveling by "Flying Nun".

We're taking an inventory of the lands. We're selling the biggest white elephant we found. We've had it since that famous Olympics--the state's holdings in Squaw Valley.

But also now, particularly in our mental institutions, as we've declined in population and as there's been a change in the type of patient involved--because the patients who could be rehabilitated are now being sent back to regional health care centers--we're inventorying the farm land that used to be kept for mainly rehabilitation around those as well as other state institutions, and they are going back on the market and going to be sold.

With regard to investment of funds, we have gotten a change in legislation giving us more flexibility in investing state funds. And they are invested up until the time they have to be spent or have to be used. This has added hundreds of thousands of dollars to the earnings on those funds.

We have a program, a merit program, in the state--have had for years--whereby employees are given bonuses when they suggest things that will result in increased efficiency or economy. We're paying out three times as much in those bonuses now as had been paid out previous to this administration, because the fine employees of this state--and there are a great many thousand of such employees who take great pride in their work and are dedicated to their tasks--they've discovered that someone is interested.

A couple of weeks ago I awarded two bonuses of \$11,500 each to two young men who had, on their own time, worked out a system for speeding up the delivery of funds such as the federal grants and getting them invested and, as a result of their plan, the state is getting an additional \$309,000 a year on return on just the brief investment of those funds.

The Savings and Loan Department is financed by assessments against the savings and loan industry, which may not cut someone's taxes in the immediate run, but certainly it's a return of money where it should be. We've reduced the cost of operating that department by \$300,000 a year.

Throughout this country our business climate has not been the best. And one of the drawbacks in the business climate was our Corporation Commission. And down through the years, businessmen throughout the country and here in California have known that here was a great hold-up and a great, massive bureaucracy that was hindering what we were trying to accomplish. But we have a self-supporting Corporation Commission now.

The Corporation Commissioner told us at the beginning of the year that he had begun effecting some economies and efficiencies and he believed that he would be able to hand the General Fund, by next June 30, a \$163,000 profit over and above the running of his department. Well, a short time ago he was in to tell me that that \$163,000 was a wrong estimate--it's already a million and a half dollars, and by June 30 expected to be a \$2 million profit. Around one half million of that is a reduction in the cost of his department.

Throughout the country, as I've had occasion to get out, I have found that the increased efficiency and improvement in the Corporation Commission here in California is the talk of the business community in the nation.

Have you ever wondered in government whether people ever talk to each other? You know, you drive down a newly surfaced street and three days later they're tearing it up to put a pipe underneath? Well, we've got people that do talk to each other. Some of them are here today.

I can see Bill Gianelli out there. Bill is heading up our great Water Project. Bill came into my office the other day with Sam Nelson, who is in charge of our Highway Department. They had an agreement. They just thought I'd like to have them sign it in my office. I was delighted.

I'll tell you what the agreement does. As you know, the Water Project is going on down through the Valley. There's a peripheral canal going around the Delta. You know also that the West Side Freeway is also going down through the Valley. Well, across San Joaquin County, there were two rights-of-way. The highway needed land from which it could get seven million cubic yards of fill, and the canal needed additional land where it could dump the excavation. Well, those two rights-of-way are now very closely parallel. It means that less land will be taken off the tax rolls of San Joaquin County.

The highway is going first. They'll do the primary grading or digging of the canal first. That digging will provide the seven million cubic feet of fill at a savings of five million dollars and they won't have to tear up any of the county's roads because the trucks bringing the dirt will simply go from the site of the canal next door to the freeway. And, incidentally, Fish and Game even got in the act.

As you know, if you dig a hole that big and let it stand for a while down in the Delta, you're going to have a lake. So Fish and Game is stocking the pools of water in the primary digging area until it's time to finish the canal, and the people will have fishing holes there.

But this taught them something else--out of this has come a program whereby as they go on down the two hundred miles of the Valley, they are going to use one administrative headquarters for both the Water Project and the Highway Program. They are going to use the same areas for equipment, for servicing, for repair, for fueling. They are going to use the same staff and the same equipment for emergencies, such as for slides and so forth.

And this has now spread over into permanent structures. For example, a forestry camp had space and utilities already in. With the addition of only a little office space, we found we could use that same location at a great savings for both the offices of the Highway Project and the Water Program. This has all come about simply because in government we now have some men, like these gentlemen I just mentioned, who believe that their function is not to build an empire, but is to run government as if it were their own business in the way a business should be run.

With regard to the gasoline tax, since I've touched on highways, this is one of the areas where we can't reduce the budget. The money there has to be spent. Spending is based on the amount of gasoline tax which comes in.

But we can make sure that you get a better buy for your dollar. A few months ago I was able to tell the people of California that as a result of savings in administrative overhead in the use of the gasoline tax, we were starting forty-four highway and freeway projects--\$98 million worth--one year ahead of schedule.

In fact, I am now pleased to tell you that I spoke too soon. The figure is now \$194 million--translated from red tape and administrative overhead into miles of concrete highway for the State of California. This is the equivalent of a 2 $\frac{1}{2}$ % increase from your gasoline tax.

We are reducing our office space and believe that within a year we will have it accomplished. The office space occupied by state government offices will go from 9 million square feet to 7 million square feet. And all that it took to do this was to simply apply the private business standards for square foot of space per employee for those doing similar work. That same standard applied to government workers made this reduction possible.

I'm sure you already know about the four million, three hundred thousand dollar building that was to have been started last summer for one of our state departments. It will not be built. We simply tore up the contracts without signing them because by applying these same standards we found that we have no need for that building, now

You received your notification for the renewal of your automobile license a little early this year--that's because we got word of the postal increase and we saved \$110,000 in postage by sending them out early. You're going to get them even earlier next year.

And we had some sideline benefits. We discovered that by sending them out early we reduced the amount of overtime and the number of temporary employees needed for this rush period. So we are going to put them out about another month earlier next year and reduce it even farther. Renewal time for license is 40 days. We have already reduced this by five days, and we're in the midst of a planned phase out which, by July, at the time for renewing licenses, will be ten days.

Incidentally, having men of this kind who ask questions, as businessmen do, Verne Orr over in this particular department took note of the fact that when you lose your driver's license you go into one of the Motor Vehicle Bureau offices. You give them your name and address and they hand you a certificate. That certificate is good for sixty days, as a license. And Verne got wondering how we really know who the people are and whether they're who they say they are when they come in and get those certificates.

So we changed the rules. If you go in now with a lost driver's license, they tell you it will be put in the mail the next day, and you'll have it. And in the first 23 days of the change of the rules, we received back 551 of those certificates, all of them sent back to us by people who said we didn't lose our licenses, we don't know why we've been sent this. Maybe one indication is a woman who wrote us to say she received it. She didn't lose her license because she never had one. She can't drive an automobile. But she said also that in the same week she received the license, a check was stolen from her mailbox. Those certificates are as good as a driver's license for credit and for identification for cashing checks. So, we're sending those letters and those returned certificates as they come in to local police throughout the state.

Now, some of our economies and our attempts at economy were met with great screams and dire predictions. In addition to the one I've already mentioned, another was that the colleges and the Universities were going to disappear and the quality of higher education would sink to an all-time low because of the economies we made.

Increases in the budget for higher education are based in part on higher prices we all have to pay and on increased enrollment. But with the cuts that were made last year and this year in the budgets which higher education asked for, you might be interested to know none of the dire things happened because, even with the cuts required this year, our budget provides the highest increase per student of the average of the last ten years.

And, in addition to this, believing that a program-type budget is good business, we have in our budget this year, made proposals that will give the college system more flexibility than they have ever had in being able to use their money.

We knew of an incident a few years ago with this tight-line item budget where one state college wanted to buy some motion picture cameras and some very intricate lenses for scientific research. Under the system previously in effect, somebody in Sacramento blue-penciled the cameras and not the lenses. The college is sitting there with shelves full of lenses and no cameras to put them on. So we are giving them a program-type budget to the best of our ability.

You have heard, of course, that with the changes we have made in the mental health program--and here the screams were especially loud--we were going to destroy this program which was admittedly the leader of the nation.

California, with the exception of one or two small states that don't have the great problems of the large states, is the leader in the mental health field. I don't see some of the same critics rushing into print to acknowledge, now that the year is over, that we have increased our lead over the rest of the nation.

We are spending more per patient than is being spent in any other state of the Union. We are enlarging the floor space per patient to the 70 square feet we always wanted instead of the 55 square feet they've always had. We've accelerated the pace of putting patients

that can be cured or rehabilitated into regional and local health care centers. We are moving toward the day when we'll have only the custodial patients there for whom there is little or no help or improvement.

We have improved the mental retardation program. We're working toward the day when we can stop operating these large hospitals for the mentally retarded with their thousands of unfortunate young people and to get more of them into the local centers where they can live in more normal surroundings and be taught to have a more useful life. We have given them a flexible budget which they have requested but never had before, and there will be an increase in the nurses compared to the number of patients.

In the midst of this fiscal crisis, some of those who must share the responsibility for the financial plight we were in have been the most vocal critics, not only of our efforts to economize but, of course, of our efforts to increase the taxes in order to get out of the debt position we were in. But at the same time they continue to propose spending measures.

Indeed, they introduced enough spending measures last year to increase the budget by $43\frac{1}{2}$ million dollars at the very same time they were complaining about the economies. And I blue-penciled $\$43\frac{1}{2}$ million out of that budget.

We're unhappy with the tax situation. It doesn't reflect our thinking on the kind of tax system we should have in this state. So we have a task force that's been working for the better part of a year, and we are now working to put into legislative form proposals for complete reform of our tax structure, to see if we can't have a tax system that will be geared to our economy, that will go up with our economy so that we don't have to keep changing the rules on you and coming back every couple of years and telling you we're going to take a bigger percentage out of your earnings.

In that connection, I've made a suggestion and I'd like to make it again right here, because in the days ahead I'd like to solicit your thinking. You know that the corporation and insurance tax can only be raised in California by a $2/3$ vote, a $2/3$ majority of the Legislature. I see no reason why the individual taxpayer should not have the same protection. And I am going to seek a Constitutional Amendment that will make it necessary to have a $2/3$ vote of the Legislature to increase any tax in the State of California.

Maybe I can take a minute here and mention something there's been a great deal of discussion about, particularly in view of April 15 coming up. It has to do with withholding. I have taken a position against it. I believe this reflects the feeling of the majority of the people of California. I personally am opposed to withholding.

I would like to point out that there are some people who are dropping us letters to tell us they've changed their thinking since receiving their tax bill. They've changed their minds about it... they want withholding. I can understand that and I have said and will say again, if this is widespread and the people of California have changed their minds and want it, certainly I cannot stand in their way.

But before they make that decision, before perhaps some of you make that decision, I want you to know that the greatest proof that withholding is a sedative and not a cure for the ailment is the fact that, had we put withholding in, with this present increase in the personal income tax there wouldn't have been a peep out of anyone. They wouldn't have noticed it.

Here is the greatest proof that when the people become conscious of the size of the tax, withholding then becomes a convenience for government. It puts in the hands of government an easy method for increasing the tax.

Also, before the people make any change in their thinking, I want them to know, I want them to understand, the main convenience is for government. It makes it easier for government to manage its funds. It makes it easier for government to collect. But it is an increase in your tax.

We have today a record of collection in which there is only about a 1.8% loss by way of people who either make errors or cheat or leave the state. And there is no proof at all that withholding would correct that.

I don't think the federal government has that good a record and they have withholding. So forget any idea that there are hundreds of millions of dollars being lost to the people of California by others not paying their taxes. There are some, to be sure, but the biggest increase that the state would get from withholding is going to come out of your pockets.

Even without increasing the rate, there would be anywhere from 60 to, in a couple of years, a hundred million dollars under withholding. This would represent the state's ability to take advantage of increased prosperity the minute it happens and get more out of your pocket without waiting a few months before catching up with that increased prosperity.

Also, for whatever ability this would give the state to cure cheating on the part of some individuals, it would just put the state in the business of cheating, because they have a happy term.

They say the state would get about \$20 million from what they call a "recurring windfall". Now isn't that a nice sound? A "recurring windfall". That means, \$20 million a year that you don't owe, but you pay...and you don't know that you don't owe it, and the state gets to keep it. I don't think the state should be in the business of cheating.

Well, enough about that. Now, I don't want you to think that because we've placed a great deal of emphasis on money matters that we've neglected the area of people, the people's problems.

Our programs of state subsidies to the county probation departments have substantially reduced the number of commitments to the state's correctional institutions. There are nearly 1500 less than were anticipated nearly a year ago.

For the first time in the history of the Youth Authority there are empty beds in the institutions where a short time ago they were talking about the need for new building.

We are now working on a special program with regard to the young women who are in our correctional institutions. And if this works out, it will save \$170,000 a year and mean that here, too, there will be adequate space. This program has been hailed nationally by others who are in this field.

In the Division of Apprenticeship Standards, we have set up 30 new programs. We have adopted a new code to insure that minority races have an equal chance to take advantage of these programs.

With less personnel in the Division of Industrial Safety, we have increased the workload and the results. We've increased the number of safety inspections. We have vastly increased the conditions that have been corrected and the net result is that our rate of disabling injuries is at an all-time low in this state.

At the same time, in the program to rehabilitate the physically and mentally handicapped, we have doubled the rate who are being aided, rehabilitated, and put out into private self-sustaining jobs.

Over a year ago I went to Chad McClellan, who had gone into the Watts area right after the riots with a program in which he had enlisted the support of his fellow industrialists to provide jobs in the minority areas. I asked him if he would take this on, on a state-wide basis. He did. It is at no cost to the state and today, in some 16 major areas in the state, he has set up a program in which thousands of businessmen and industrialists are engaged in cooperating with the government on job training programs, putting these people in the minority areas to work.

And, I might add, we have the lowest rate of unemployment that we have had in well over a decade--right now, in the state of California.

On the subject of the task force, composed of almost 300 of your fellow citizens that went into 60 agencies of state government and came back to us with 2000 recommendations for economies and efficiency controls, I had to laugh about an editorial in a certain local paper. It was to the effect that this report, like all the others in the past, would be warehoused, gather dust, and nothing would ever happen.

Well, we've only had those for a few weeks. Yet, 206 of their recommendations have already been put into operation for an \$8 million a year savings. I have approved another 600 that can be put into effect simply by administrative decision, and 99 that will be submitted to the Legislature because it requires their approval.

If and when the bulk of these are implemented, they can reduce and will reduce the cost of government in the neighborhood of \$200 million a year. They will cancel out the need for \$153 million in capital construction. They will save on a matching basis \$67 million a year to the counties and local communities and they'll even reduce the federal funds that we need by \$92 million. When you can save money for the federal government, you have performed something of a miracle.

Very shortly a lake, with a 169 mile shore line, will be filled to capacity behind the dam in Oroville. I don't know about you, but every time I fly over some of those multiple-purpose lakes of the water system and see them with a dam and one little civilized patch where the state has condemned some land and given a concession it recalls to my mind that if you want to get on the lake and fish or boat or anything you've got to go through that small patch, because the rest is cut off by a chain link fence. It says, in effect, don't you dare dabble your hands or feet in the water.

Well, it's not going to be that way anymore. Up at Oroville, Parks and Recreation has worked out a plan whereby in the lake behind the dam at Oroville we are going to the private sector, to resort promoters and to builders, on plans which will give us control.

We are going to develop the lakeshore by private means for resorts all the way from luxury hotels to campsites and to building of lakeshore homes around the lake. And when this is done there, we're going to spread this system to the other areas that the state controls in the same way.

In the area of judicial selection, we have a bill before the Legislature, and it's going to have hard going unless you make your desires known. I don't believe that judges should be appointed on a basis of political favoritism. I think what they do is too well nigh sacred.

We have a piece of legislation which will take, once and for all, the appointment of judges out of politics. This is a program whereby on the highest level of the court there will be a statewide commission appointed: two judges, two members of the bar, two citizens. And this board will take all names of possibilities for judgeships and screen them.

The board will then submit the names to the Governor, who must make his selection from among them on the basis of character and ability and experience.

There will be five regional boards of the same texture, made up of local people of the judiciary, the bar and the citizenry around the state for the lower court levels. And there will be advisory members from each local area that will be appointed to help those boards even though they don't have a vote.

And in this way, governors henceforth will be handed the names of people chosen by their peers and their fellow citizens as being qualified, both personally and by experience, to be judges. I am doing everything I can to see that this is approved, but, as I say, it is going to require the support of the people to let government know that that's exactly what you want.

Over a ten-year period the population of our state has increased 39%. Welfare spending in California went up 247% in constant dollars over the same period.

We are bound in and limited by what we can do by federal regulations as far as reforming the program until we can get help from the federal government. We have done what we can for the local counties. We have reduced 2500 pages of state regulations to one 200-page manual.

But we've gone farther than that. We have just announced that in Fresno, we will have an experimental program. In Fresno we're starting a pilot program where all of the multitude of welfare agencies are going to be formed under one director, into one program, to funnel people in at this end and funnel them out at the other end into jobs they're trained for in private enterprise.

We're going to break the dependency cycle and have a goal of making people independent of welfare instead of the other way around.

I'm running over my time and I didn't intend to. But I'll just take a minute or two more, if I may.

A challenge of our society, of course, goes far beyond what we in government are attempting to do. There is a challenge to you here as the leaders in your community, and this challenge extends to service club members throughout the state and throughout the United States. You have a great and personal stake in what happens in your state and your nation.

The challenge is simply this: If our system of government is to work the way it was meant to work, we must reverse the trend of turning more and more authority and control over our lives to government. We must accept our responsibility as free men and as concerned citizens.

Now it is easy enough to say, "Well, I vote and I pay my taxes and I obey the laws." But, we are kidding ourselves. This isn't enough, and you know it. Otherwise, you wouldn't be members of service clubs--because by their very name they imply that they're of service to fellow citizens.

What can you do? Well, the answer is as easy as it is varied. The problems lie all around you. And, only you can provide the lasting solutions within the framework of a free society.

What are you as businessmen doing, for example, to prevent juvenile delinquency? You, as individuals or your clubs, can do a great deal. Most kids old enough to get into serious trouble would rather work than play if we gave them half a chance. Where are the summer jobs and the after-school jobs that you and I used to have? Well, most of them are gone and the excuse is government regulations and government paperwork. And that excuse has some validity.

But, if we're interested in keeping the kids off the street and out of trouble, we can make an extra effort. If there's some way that the state government can get out of your way, let us know and we'll do it. The alternative is to keep criticizing the younger generation while we turn our backs on them.

Now you can make your complaints about the high cost of government meaningful by demanding fiscal responsibility at the city and the county levels where your tax dollar doesn't buy as much as it should in most cases.

You can work in the poor areas and the slum areas through government programs or through privately sponsored and financed programs. It's not enough to just give to the Community Chest or the Red Cross or the Salvation Army, although this, too, is vital.

Today's problems demand your time and your energy as well as your money. They demand your personal involvement and that again is the meaning of the Creative Society.

Money may seem like an answer in Washington where the slogan used to be "Walk Softly and Carry a Big Stick" and now it's "Walk Softly and Carry a Big Sack", but if money is the answer, how do we explain that California ranks third in the nation with the number of poor and first in the amount of federal anti-poverty funds that we've been allotted. Since mid-'64 we've spent \$288 million in this program in California.

And we didn't alleviate poverty, we created an administrative nightmare. Follow ; Watts, millions of dollars were funneled into that area as a hot spot. They had to solve it. For a time there, I can assure you that the poverty program administrators outnumbered the residents. And then a national magazine doing research found out that more than 50% of those funds went for administration.

This is why I vetoed a number of poverty programs in the state. One in Fresno was set up to teach people how to demonstrate. If there's one thing we don't need in California, it's more demonstrators!

There was another one down in Ventura County...it was a pilot program. It was going to put 17 of the hard-core unemployed to work clearing up our park lands. I vetoed the program because they were going to have seven administrators to make sure the seventeen got to work on time. But it wasn't enough. The seventeen were expected to travel 12,000 miles doing this job and there was no provision made for their transportation or their housing.

The general accounting office has said that there is one Job Corps Training Center in California with 1,860 enrollees and a staff of 1,078.

But even this pork-barrelling has been topped by one in Chicago. They had an organization that was awarded \$872,000 to teach basic arithmetic and reading to dropouts. Well, that's a worthy purpose. Kind of curious, a reporter for the Chicago Tribune went down one day to see how they were doing in school. And he interrupted a crap game. They explained to him that it was a recess.

But then he started looking at the teachers--they got \$3840 to \$6500 a year--not an excessive amount, but neither was their work. He found that two of them were in jail--one charged with murder, one charged with conspiracy to commit murder. Three were out on bond--waiting trial for rape. Another was waiting trial for aggravated battery, and still another one was on probation for a burglary conviction. And the director said it was too early to say whether the program had been successful.

Incidentally, the teachers were paid \$5 a head for each dropout they could bring in. And since they were able to offer the dropouts \$45 a week plus a family allowance, the best recruiting place was the nearby school, where they were talking the kids into dropping out.

Well, there is a better way. Not only you, but those who work for you, could be encouraged to be involved. Ours is a world of increasing leisure...leisure to play golf, go boating, go skiing, and leisure to help those who need help and can profit by it.

You can be minimal good citizens--doing what the law requires and little more, or you can become involved--if you want to save our society and build a better society. There is a demand that you become involved. The alternative is a continued drift to big government...to bread and circuses...yes, and to riots and bloodshed fomented by those who've been promised much but have received very little.

You have a very definite stake in what we're attempting here in Sacramento. We have proven, I believe, already, just showing a little light at the end of the tunnel, that government can employ common sense and can employ business practices.

We've proven that the people can participate in government and can lend their abilities to the solution of the peoples' problems. We've proven that the size and the power and the cost of government can be reduced. We've brought hope across this land that government of and by as well as for the people is still a practical possibility and is still the basic American dream.

Chad McClellan, who I mentioned a short time ago, has received invitations from 20 Governors, Democrat and Republican, and he has gone to those Governors and today there are 13 programs in 13 different states started because of him, all similar to ours.

Ken Pryor, who was chairman of the citizens' task force, is on the same circuit at the invitation of other Governors. He has just returned from Maryland where they are now going to put a citizens' task force to work in their state to bring about the same improvements we have

No, we haven't totally accomplished all we intend to do or all that we've tried to do. But we've made a start and we have reached the point now where we cannot continue without your support. Because from here on, to make the real reductions, we need changes in the laws. We need the backing of the Legislature to give us the flexibility.

If those who place their faith in ever more powerful government succeed as they are trying to succeed in stopping what we have started here, then each one of us will have to ask, where, if ever, do we think it can get such a start again as we have given it here in California. We must succeed, or I believe it is probably the last chance for that American dream. Thank you.

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