

Principal Concerns of Governor Patrick J. Lucey

Chairman of the Committee on Executive Management and Fiscal Affairs

1. Re-enactment of Revenue Sharing

Recent resolutions supporting early re-enactment of revenue sharing have been passed by the Democratic Governors' Conference, Republican Governors' Association, National League of Cities, National Association of Counties and the National Conference of State Legislatures. Clearly the Governors view general revenue sharing as one of the most effective federal assistance programs but despite the strength of state and local support, there is uncertainty as to what action Congress will take.

Governors are concerned that revenue sharing may be placed on an annual appropriation, removing the effective advance knowledge of funding now provided. Congress may also try to categorize the program by earmarking funds for further special functions. While Governors, Mayors and county officials will have to move aggressively and in unison to secure re-enactment by March, the continued support of the Administration is clearly essential and highly valued. The prospect of tax increases in many jurisdictions must be stressed to Congress and the public.

2. Public Employee Collective Bargaining

Bills introduced in the 93rd Congress brought this issue to national attention. The 94th Congress has been less active because of the suit over the Fair Labor Standards Act of 1974 now pending in the Supreme Court. A bill (HR 77), sponsored by Rep. Thompson (N.J.), would bring state and local employees under the National Labor Relations Act, but no Senate counterpart has been introduced. This issue is sensitive because of organized labor's strong and continuing support for national legislation. However, the issue is not whether better legislation for public employee bargaining is needed, but which level of government should enact it.

The Governors believe that matters concerning their public employees must be left to the States and local governments which have moved on several fronts in recent years to respond to the fair demands of workers and taxpayers alike. The Governors urge the Administration to oppose any congressional attempts to enact national legislation in this area.

3. Public Employee Pension Reform

The Employee Income Security Act of 1974 provided broad new federal regulation of private sector pension plans. Public plans were excluded, but a congressional study of the need for reform in the state and local sectors is now under way. A bill (HR 9155) containing sweeping new federal controls over public pension plan financing and administration was introduced to provide a focus for congressional discussion. The bill raises the same issues that are being debated in the public employee bargaining suit. The Governors urge the Administration to oppose any new federal incursion into state sovereignty in the area of pension reform.

4. Social Security Deposits and Reporting

All States now report on and deposit employee and employer contributions to the Social Security Administration on a quarterly basis. States are also responsible for the performance of local governments in collecting these contributions.

The Department of Health, Education and Welfare proposes to require monthly deposits and annual reporting. Such procedures would increase administrative costs and diminish quality controls over local performance. Governors are overwhelmingly against HEW's proposal because:

- a) The potential loss of investment income to the States would be about \$120 million. There is no estimate of local governments' loss, but it would have to be larger.
- b) The States and localities which already pay for administration of the program would have to assume a new administrative burden.
- c) Most States would have to change their statutes.
- d) The first year of change-over would require that 14 months of Social Security contributions be appropriated in one year.
- e) Formal agreements under Section 218 of the Social Security Act that have operated for more than 20 years would be voided.
- f) The gain to the Treasury would not be enough to justify the costs to the States, and the almost certain disarray in the system.

5. Support for Central Management Functions

Administration support for the continuing management reform of the federal grant-in-aid systems is vital. The Governors support the efforts of the Office of Management and Budget and the Office of Federal Management Policy to systematize grant management procedures.

In considering the fiscal 1976 budget, the House of Representatives cut the Office of Federal Management Policy's budget in half. The Senate and then the conferees on the fiscal 1976 supplemental appropriations bill restored enough funds to assure continuation of the valuable functions performed by this office but directed the office be moved from the General Services Administration to OMB, which opposes this transfer.

The Governors urge the Administration to ensure the continuation of the office's functions wherever it is located because it has been an effective force for sound financial management of the grant-in-aid systems.

The Governors commend to the President's personal attention the October 1975 report entitled Strengthening Public Management in the Intergovernmental System. This report deals with the need for improved federal management responsibilities for domestic assistance programs and stresses many of the same themes raised by Administration officials in recent months.

6. Dedicated Computers

Almost all States are moving toward centralizing the physical and management aspects of their data processing systems. This progress, which is essential as the uses and costs of computers increase, is continually hindered by the federal government in each of its functional departments.

Federal granting agencies whose programs mandate separate data processing by the state and local recipients exert constant pressure for dedication of computer equipment or primacy in the management of centralized facilities for their own specialized use. Economies of scale may call for dedication at the national level but not in most States.

The National Governors' Conference is about to resolve this issue with the Law Enforcement Assistance Administration but has recently become aware of a similar move toward dedication and management control of employment security systems by the Employment and Training Administration in the Department of Labor.

The Governors are aware of the need to protect individual privacy and the States now operate shared computer systems that guarantee this privacy. However, the Governors vigorously oppose agencies' attempts to require dedicated computers by the state or local agency receiving federal funds. State law and executive orders provide more than adequate direction and procedures for the organization and management of data processing systems. The Governors seek the President's support for the States' position that they should decide whether computers should be dedicated or shared.

Principal Concerns of Governor Cecil D. Andrus
Chairman of the Committee on Human Resources

1. National Health Planning

The Governors agree with the objectives of the National Health Planning and Resource Development Act of 1974 (PL 93-641) but are greatly concerned that the law has reduced their ability to set health policy in their States in the following ways:

a) Congress intends that the health services plans dictate the state health plan. However, the Governors must be able to integrate the efforts of the health service agencies to carry out effective planning.

b) Health service agencies and the state health coordinating councils will be dominated by non-profit corporations which lack public accountability.

c) The rigidity of the law affects present state health planning and prevents the Governors from resolving problems unique to their States.

Section 1501 of the law requires the Secretary of the Department of Health, Education and Welfare to set national guidelines for health planning within 18 months of enactment. If the Secretary implements a restrictive policy, the States won't be able to structure a program for their individual needs. If the Secretary fails to require uniform data collection at the state level to determine health needs, any health planning will be mediocre at best.

The Governors commend HEW's willingness to accept the primary role of state and local governments in administering the law but feel that strong gubernatorial involvement in health planning decisions is also essential since state expenditures are crucial determinants of the quality of care. The Governors will stand behind all efforts by the Administration to make this law workable, including legislative amendments.

2. Welfare Reform

The need for welfare reform is clear. A questionnaire sent to all Governors to determine their views on welfare provides a preliminary consensus in favor of:

a) A single need-related welfare program expanded to include all families;
b) Cash grants for all needs and a cash grant income maintenance system with work requirements and incentives;

c) National payment standards with regional or state variations;

d) State administration of the system;

e) A quality control program based on actual state performances, not on imputed error rates; and

f) Full federal financing of welfare and Medicaid but not of social services.

The Governors recommend the establishment of a federal-state task force under the joint sponsorship of the National Governors' Conference and HEW to review present welfare regulations against their statutory base to determine what simplification or modification may be possible.

3. Title XX Social Services

The federal regulations on PL 93-647 ordered immediate compliance with the Federal Interagency Day Care Requirements; the penalty was loss of federal funds for day care programs.

The Governors sent data to the Senate Finance Committee indicating that such compliance would cost the States more than \$200 million. Strong opposition to the requirements prompted Congress to delay the staffing ratios in the regulations until January 31 so that the standards could be reviewed.

Meanwhile, Senators Long and Mondale offered a bill (S 2425) that would increase the Title XX ceiling by \$500 million earmarked for day care centers and covering the cost of employing welfare recipients in the day care system. In response, the Administration said it would waive total compliance if the States showed good faith.

Faced with drastic cuts in day care services or increased expenses to maintain current enrollment, Governors are considering the revision of the interagency requirements or a request for increased federal funds. The Governors ask the Administration to continue the waiver provision until a satisfactory solution can be found without increasing government expenditures.

4. Intermediate Care Facilities

Final regulations issued last January include a detailed set of program standards applicable to intermediate care facilities serving the mentally retarded. Eligible state and private facilities must comply with the standards by March 18, 1977 or lose Title XIX aid. Obviously disturbed by the potential effects, the Governors recommend that HEW eliminate excessively rigid regulations on the life safety code, minimum staffing standards and the four-to-a-bedroom rule.

5. Education for Handicapped Children

The Education for All Handicapped Children Act of 1975 will reduce state participation in the handicapped programs, produce fiscal inequities in handicapped and general aid programs at the state and local levels, and provide unnecessary and unworkable reporting requirements for state and local governments.

The law requires States to provide "free appropriate" education to all handicapped children while limiting federal support to a percentage of the national cost of educating all children. This standard bears no relationship to the special education needs of many States and requires the pass-through of funds to local education agencies, a provision that will effectively fragment state programs and hamper comprehensive statewide plans for the handicapped.

The legislation also deprives poorer jurisdictions of needed funds, interferes with new state aid programs that provide for more equalized funding and establishes unworkable grievance and complaint procedures that contravene state laws.

In signing this legislation the President criticized many of its provisions. The Governors urge the Administration to propose amendments that will make this law more workable and pledge full support to effective legislation.

6. Quality Control in Welfare Programs

Congress has been pressing HEW to impose fiscal penalties on States with sizable error rates in their Aid for Families with Dependent Children programs. Governors strongly support quality control as a management objective but reject the proposition that there is any legal basis for fiscal sanctions. Also, the 3 and 5 percent tolerance levels for ineligibility and overpayment errors are arbitrary and unrealistic; these levels could seldom, if ever, be maintained nationwide. No federal program other than revenue sharing has such low tolerance levels.

Governors believe such sanctions hurt the needy and strain working relationships between the levels of government. They also point out that the lack of lead time for States to make program changes required by regulations and the variations among federal regions in interpretation and application of programs lead to disorder and confusion. A more cooperative quality control program must be developed with the help of NGC's Committee on Human Resources.

7. Supplemental Security Income

The error-ridden Supplemental Security Income Program, administered by the Social Security Administration, has cost States millions of dollars in supplemental payments and has caused errors in state Medicaid programs. The Governors suggest that HEW resolve its own quality control problems as an initial priority.

The Governors are also concerned that regulations and guidelines on the eligibility, screening and treatment of disabled children under 13 have not been promulgated for legislation enacted in 1972. While 100 percent of the costs of such programs are federally funded for disabled citizens over 13, the Administration recommends that only half the cost of services for those under 13 be federally paid, with the States paying the other half.

The Governors urge that disabled children receive the same benefits as older citizens and oppose any reduction in federal funding.

8. Jobs and Public Service Employment

The goal of full employment, however defined, has not been attained. The current official rate of unemployment is well over 8 percent, and many individual States have much higher rates.

Governors support efforts to reduce the level of unemployment through tax cuts, public works projects and adequate public service employment under the Comprehensive Employment and Training Act. More than half the Governors support counter-cyclical revenue sharing based on unemployment levels.

Administration endorsement of CETA's Title VI extension is essential as an early 1976 enactment if state and local budgets are to be prepared efficiently in the next few months. The Governors want these Title VI changes:

- a) Allow 15 percent of the funds for administrative costs and purchase or lease of job-related equipment and supplies, and
- b) Promote an equitable number of state public service employment opportunities in areas of more than 100,000 population.

9. Unemployment Insurance

During 1976 the Human Resources Committee will consider reform of the various income maintenance systems including unemployment insurance. Governors are concerned that:

a) An increasing number of States--about 30 at the end of 1976 --will have to borrow from the federal unemployment insurance reserve fund to pay benefits specified under state law;

b) The federal government is relying too heavily upon income maintenance instead of creating jobs;

c) Individual States have an inequitable share of national unemployment;
and

d) Mandatory federal benefit standards and a shifting of other administrative and benefit costs to States while expanding coverage (HR 10210) may place a heavy financial burden on taxpayers.

Principal Concerns of Governor Thomas P. Salmon

Chairman of the Committee on Natural Resources

1. Energy Conservation

The Governors' commitment to conservation is founded on the conviction that this is the best hope to redress a serious imbalance between supply and demand as well as to ease the burden of those whose economic survival is threatened by mounting energy costs. In the short-term there is no way of increasing domestic production enough to keep up with present demand. The only feasible answer is conservation at all levels, on all fronts.

Conservation efforts must be measured against the fact that every million barrels of oil imported daily means four billion dollars exported. Against that yardstick, the Governors are not satisfied with the federal financial commitment to national conservation. They want an aggressive program that includes financing of and investment in methods of reducing consumption, including public education. Such a program requires financing conservation research on a major scale, with close coordination between federal and state governments, using the States as the basic delivery system for services and capital.

2. Governors' Cooperation with Energy Agencies

A process of policy identification and refinement has brought the Administration and the Governors into harmony on several potentially divisive issues, such as building code standards and petroleum products allocation. The Governors through their national organization have coordinated their efforts in the energy field with the Federal Energy Administration and the Energy Research and Development Administration to avoid duplication and avert problems. Coordination of research agendas and operating procedures is moving forward.

The Governors are concerned that the federal government may circumvent the States in dealing with local governments. The Governors want a clear understanding that they will coordinate local government activities in energy. The President's Energy Resources Council is setting up a state liaison office, which should serve to upgrade a good working relationship even further.

3. Coal Development

The nation's coal reserves can meet its energy needs for more than a century. The problem is to forge a comprehensive, national policy to mine the coal, to transport it from the mines to the marketplace, and then to use it in an economic and environmentally acceptable manner.

The Governors believe that efforts to utilize this fuel source must concentrate on upgrading coal technologies such as desulfurization, converting gas or oil burning generating facilities, factories and public institutions to coal use through tax credits and other incentives, reviving the nation's transportation network to make coal a readily available substitute fuel and developing viable processes for the production of synthetic fuels.

Research into stack-gas desulfurization (scrubbers) is presently being carried out by the Environmental Protection Agency, which also has regulatory responsibility for enforcing provisions of the Clean Air Act. The Governors believe that scrubber research, development and promotion should be separated from regulatory functions, and that the Energy Research and Development Administration should assume part of EPA's research efforts and coordinate them with programs now under way in coal-producing States.

Accelerated coal extraction will strain state and local governments to serve the needs of more workers and will affect the air, land and water quality of coal regions. The Governors believe that the increased costs of public services should be borne proportionately by the ultimate users of coal and that state laws on environmental protection, energy facility siting, land use planning and intrastate water rights should not be pre-empted by the federal government.

4. Economic Impact

The development of the outer continental shelf oil and natural gas deposits, the siting of new energy facilities and the increased exploitation of existing natural resources have propelled the Governors toward a consensus that no State should suffer from the effects of such activities and that no State should shoulder unfair burdens in the national energy interest.

The Governors want a federal-state system to measure and monitor the effects of development "in the national interest" and, where negative impact cannot be avoided, to compensate the affected States and communities through loans and grants to ameliorate such impacts.

5. Proposed Dredge and Fill Regulations

A recent U.S. District Court order has resulted in proposed regulations that vastly expand federal authority to control dredge and fill operations under Section 404 of the Federal Water Pollution Control Act Amendments of 1972 (PL 92-500).

These proposed regulations, which were issued by the U.S. Army Corps of Engineers on July 26, are vague and imprecise and do not help determine what activities would require a federal permit. The regulations largely ignore present and potential state capabilities to regulate dredge and fill activities. The Governors believe that these conditions will lead to an enlarged federal bureaucracy, greater delay and cost for citizens, and duplication of existing state capabilities to provide adequate environmental protection.

The Governors believe that Congress should clearly redefine the scope of federal jurisdiction under Section 404 of PL 92-500. The Administration should support amendments to delegate the necessary authority to the States to avoid federal duplication of existing state capabilities.

6. Amendments to the Federal Water Pollution Control Act

These amendments are currently scheduled for mark-up by the House Public Works Committee. Major portions of the Governors' policy are reflected in HR 9560. The key changes would authorize States to administer the sewage treatment construction grant program, with federal support of administrative costs. This should eliminate duplicative and time-consuming reviews by the States and EPA. Both Congress and the Administration support this change. The Governors appreciate the Administration's support of their policy.

Principal Concerns of Governor George Busbee

Chairman of the Committee on Transportation,
Commerce and Technology

1. Highway Aid

The Federal-Aid Highway Act of 1975 was reported out of the House Committee on Public Works and Transportation on December 9, and the Senate passed the bill, 86 to 1, on December 12. The President and the Governors have recommended consolidating the 37 highway categories into four (Rural, Urban, Safety and Interstate), which the House has not done. Also, the Transportation Department recommended a two-tier funding mechanism with priority for completion of Interstate gaps, which is included in the Senate bill (S 2711) but not in the House bill (HR 8235).

Since 30 to 35 States are running out of funds and desperately need an extension at this time, the Governors are urging a reconciliation of the positions of Congress and the President to avoid a veto.

For the future, the Governors would like to promote the pre-emption of 3 cents of the 4-cent federal gas tax, which leaves 1 cent for the completion of the Interstate Highway System. The Governors oppose the Administration's proposal to put 2 cents of the tax into the general fund.

The Governors also support greater flexibility at the state level in the uses of Highway Trust Funds with each State receiving its fair share of funding to be used as its own transportation priorities dictate, including reconstruction, realignments and safety projects.

2. Aviation Management

State governments build airports equal to and surpassing federal standards at 40 percent of the cost of federally administered programs. A federal government-sponsored study supports the view that States give the best cost-effective performance in general aviation airports.

The President has recommended that States take over the whole general aviation program in three years. The Governors would like a continued federal presence to help determine the National Airport System Plan and funding of general aviation airports.

The current House Bill (HR 9771) contains an 11-State demonstration program that will give the States an opportunity to show their competence in managing general aviation. The Senate is currently debating a similar measure. Forty-eight States have aviation departments and are now capable of managing general aviation. The Governors support the President's initiatives for the States in airport management and development.

3. National Transportation Policy

Since 1971, the Governors have espoused a unified Transportation Trust Fund as one of the best approaches to transportation finance and organization. The problem has been how to get from a visionary statement of policy to practical ways of achieving that goal. With expiration of the National System of Interstate and Defense Highways Act of 1956 and the Airways Trust Fund Act of 1970, there is an opportunity to examine the provision of more flexibility and comprehensive statewide planning for the Governors in all modes of transportation.

National Governors' Conference policy states:

"The Governors continue to call for the creation of a single unified National Transportation Trust Fund by incorporating all transportation tax revenues and other tax revenues made available for transportation, or by beginning a phased program of percentage transfers from the highway and aviation trust funds and other funds made available for transportation into a unified National Transportation Trust Fund. The unified trust fund should be for use comprehensively within all modes of transportation and made available for appropriate transportation funding purposes, based on a comprehensive and integrated National Transportation Plan reached through purposeful study. Such study should rationalize rates of investment among all modes and should clearly address transportation problems in a long-term energy supply context. In addition, a major proportion of the revenue generated by any energy conservation taxes should be included in the unified trust fund and supplemental funds should be added as necessary to meet the urgent and immediate needs of an adequate comprehensive, integrated transportation system."

4. Railroads

Adequate rail service is an especially acute problem on the Northeast and Midwest passenger routes as the U.S. Railway Association reorganization takes effect and commuter services are no longer subsidized by freight revenues. Pennsylvania and New Jersey have sought legislation to bridge the gap between the old commuter system of funding and the new ConRail system which will force the States and the federal government to subsidize commuters in a separate category. The Governors hope that Amtrak will re-evaluate its approach to passenger service problems in consultation with the States and call for the creation of regional gubernatorial councils to advise Amtrak on long-range goals to meet the public need.

Deteriorating roadbeds hamper the efficient operation of passenger service. The Governors urge that public service employees be used to begin rebuilding the nation's neglected railroads and that the Administration approve some form of financial aid for rail revitalization.

5. Commerce, Technology and Trade

Most Governors have led missions abroad to promote international trade in the interest of more economic development and jobs for the people in their States. The Governors seek a closer relationship with the Department of Commerce on international trade programs and initiatives. The Committee on Transportation, Commerce and Technology is prepared to work closely with the Administration to promote national trade interests.

6. Telecommunications

The Governors seek a more cooperative partnership with the Administration in basic telecommunications policy and programs. The day has already arrived when immediate communications between the President and the Governors, individually and collectively, are possible. The States would welcome a cooperative study and demonstration of the potential for sharing advanced communications technology with the federal government under policies decided by the President and the Governors.

Principal Concerns of Governor Otis R. Bowen
Chairman of the Committee on Crime Reduction
and Public Safety

1. Omnibus Crime Control and Safe Streets Act

The Governors strongly support extending the Law Enforcement Assistance Administration in its present form. They oppose separate spending categories for large cities, counties and court systems and further dilution of their authority. The LEAA program has helped the States to create comprehensive statewide community justice systems. In fact, the Governors can demonstrate that state programs are dealing effectively with the questions raised by the cities and the courts and that no further changes in the present law are necessary.

The Advisory Commission on Intergovernmental Relations, which includes four Governors as members, adopted an acceptable compromise on the issue of funds for cities and counties. ACIR proposed an amendment to the present law allowing mini-block grants to urban areas to prepare comprehensive plans for their own jurisdictions, which would then be presented to the state planning agencies for final approval. ACIR also approved increased attention to the problems of court congestion and reform which the Governors favor.

Since the Administration position is nearly identical to NGC's, the Governors urge the Administration to stand firm on this issue and to provide adequate funding for the program in upcoming budget proposals.

2. Juvenile Delinquency

The Governors regard prevention of juvenile delinquency as a matter of high priority. The Indiana legislature recently passed a law making it easier to waive to adult courts juvenile defendants accused of violent crimes. Also at the urging of the Governor, the legislature created a 24-member juvenile justice commission to propose recodification of the State's juvenile justice laws. The commission will report to the legislature by the 1977 session.

The Governors urge the Administration to spend the \$40 million recently appropriated for the Juvenile Delinquency Prevention Act, with emphasis on supporting state efforts to revamp their juvenile justice systems.

3. Extradition

The Governors believe that any comprehensive attack on crime must include less dramatic but significant issues, such as extradition reform. A lack of uniformity in extradition procedures, standards and practices causes major administrative problems to the States. As a result, in some instances criminal defendants go unprosecuted and the public lacks protection. The Governors believe that minimum state standards would benefit the States and the public and recommend that LEAA or some other agency of the Department of Justice undertake an extradition study in cooperation with the Governors and make recommendations for federal and state action.

4. Compensation to Victims of Crime

Legislation is pending in the House and Senate to help the States establish programs to compensate victims of crime. The Governors strongly support this principle.

Fourteen States have already established their own programs. Several others are expected to consider the question in their next legislative sessions.

The Governors urge the Administration to work closely with them and Congress to develop legislation to help the States establish these programs as expeditiously as possible.