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Office of the Vice President
(Washington, D. C.)

REMARKS OF THE VICE PRESIDENT
AT THE
NATIONAL GOVERNORS' CONFERENCE
STATLER HILTON HOTEL
WASHINGTON, D. C.

(AT 1:15 P.M. EST)

Thanks very much, Bob and Billy.

You know something about Bob that, to me, personifies those qualities that we like to think of as Governors, that was when he was first running for Governor. I will never forget it. He was in a plane. The plane crashed. He had broken his leg. He didn't drop out. He went right on campaigning and won.

That is the kind of dedication and concern and belief in fundamental objectives which I think has made this country what it is today. I feel that about the Governors. Believe me, I would just like to say that Happy and I are thrilled to be here.

This is somewhat of a nostalgic occasion. It is very seldom you get three New York Governors in one room together.

(Laughter.)

Averell Harriman you already met. I would like to add that his wife was formerly the daughter-in-law of Winston Churchill. That has got to be a very important thing. We wouldn't all be here if it hadn't been for Winston Churchill.

(Applause.)

To all of these distinguished Senators and distinguished ex-Governors, I have got to say that John Pastore was a Governor before I got there. Now John is retiring from the Senate after a long, distinguished career as Governor and Senator.

We are going to miss him. I say we. I am part of the Senate, too. I have to say to all of you though that I am not allowed to speak without unanimous consent. You can imagine what that means to a Governor. I think you ought to think twice before you consider getting into this job, although there seem to be quite a few aspirants.

(Laughter.)

I am thrilled to be here with the Governors and their wives. This is a wonderful occasion. You are very kind to let me represent and bring alumni greetings -- at least from the gubernatorial classes from 1959 to date. I appreciate the opportunity of having a place in your yearbook in this Bicentennial year, which for all of us is a very important and historic occasion, even if it did take us an hour to get a quorum in the Senate.

MORE

(Laughter.)

We had to send the Sergeant at Arms out in the first session this year. But don't let any Senator think there was anything wrong with that. When we had the first meeting of the Senate of the United States when this country was formed, it took two months to get a quorum.

(Laughter.)

One hour is nothing. It seems to me it is appropriate at this time to look at where we are in our federal system of government and where we are headed. Throughout our history there has been a certain ebb and flow of attention, of programs and of politics and policies between the Federal Government and the States.

In the past 40 years or so that flow has been heavily and constantly toward the Federal Government, with few exceptions.

The process began with the urgent social reforms of the New Deal, which required Federal action to meet human need and to bring the United States into the company of modern industrial states so far as social insurance, welfare, civil rights and labor benefits were concerned.

In this period the Federal Government entered upon areas which had hitherto been the province of State and local governments, or the private and voluntary sector of our society.

These Federal programs were essential to provide basic security and opportunities for all American people. With the enactment of these efforts it became evident that the Federal Government's enormous financial abilities -- based principally on the income taxes -- could fund more and larger social and regulatory programs.

Consequently, the respective Congress and Administrations, particularly after the steep Federal income tax increases during World War II, became the focal points of pressure for meeting all kinds of demands.

These ranged all the way from health and welfare to house paint components to environmental clean-ups. The more detailed the legislation and the more new functions that were added, the more the demands increased.

Federal action and Federal money became the goal of pressure groups and politicians alike. Federal funds appeared to be inexhaustible and Federal power to achieve desired social change looked limitless.

We thought an expression of legislative intent would change the lifelong habit patterns and abolish human frailty. It was being said that the Federal Government could even fight a major war in Vietnam and abolish poverty at the same time.

We now know differently. We know that Federal expenditures and all government expenditures have increased so rapidly that they vastly exceed the growth of our economy, that is, in our ability to pay for the programs. Indeed, the enterprise sector of America -- which furnishes our basic

employment, produces goods and services and through taxes on its earnings supports our government -- has not been growing at anywhere near the pace required for current expenditures, much less, increasing rates of government expenditures.

In our zeal for regulations, for programs, we have gone far from the basic reforms of the 1930's and early post-World War II years. We have entered upon far more detailed regulations of the citizens' day-to-day living and intruded upon his discretionary spending.

In our enthusiasm we have ignored the fact that productivity of our free enterprise system is the base of our economic vitality, our ability to provide jobs and income for our people and money necessary for governmental operations.

Only now are we beginning to take stock and endeavoring to do something about this fundamental truth -- that all our social and economic gains -- employment, equal opportunity, quality of life, private voluntary and governmental activity -- depend upon the continued vitality, growth and increasing productivity of American enterprise.

In this the beginning of our third century as a nation, as we did 200 years ago, we must again give serious attention to the way in which the tax systems and the government spending programs, together with governmental regulatory activities, either encourage or discourage our economic growth and the productivity of our system.

I expect to say more about this at another time.

Also, at this time, we must again give equally serious attention to the enormous concentration of authority, the immensity of the bureaucracy, the huge morass of red tape that developed out of the recent 40 years of burgeoning Federal programs.

These were enacted largely on a piecemeal basis, with scant attention to their achievability, their inter-relationships, their true costs to the economy or their impact on our Federal-State system of government.

We can now more realistically deal with these matters as the era of limitless Federal spending clearly is at an end.

In the series of town meetings I conducted around the country for President Ford, there was almost universal complaint against the complexity of Federal regulations, the mountains of perplexing forms, the insensitivity of Federal regulations to actual conditions and circumstances, and the difficulty of getting decisions and knowing that they will stick when they are given.

I would like to say, parenthetically, how much I appreciate the testimony that was given by many of you who are in this room, as Governors, as we moved from one part of the country to the other. It was tremendously helpful and very valuable.

There were widespread complaints about the layering

of local, State and Federal regulations and the bureaucracies and the duplication and costs involved. Of course, all of these are matters with which you are familiar and with which you have had to contend in the day-to-day administration of your State government.

But I sense a new impatience, bordering on exasperation, by many of the people. It is clear that something must be done and soon. As one of the first orders of business we should sort out our respective Federal and State responsibilities.

In this connection I would like to make five recommendations. These reflect my experience and studies during 15 years as a member of the National Governors' Conference. They do not purport to be Ford Administration policy.

First, I recommend that we put our present revenue sharing program on a sound, permanent basis --

(Applause.)

-- and tie it to a fixed percentage of the Federal income tax revenues. With its overwhelming access to the highly productive income tax and other national levies, the Federal Government must share a fixed portion of this growth revenue with the States and local governments. If we want to preserve the vitality of the Federal system, it cannot be left to the annual whims of Congress.

Our present revenue sharing program is the most efficient means of Federal assistance that has been devised so far. At present, the \$6 billion revenue sharing program costs only \$3 million to administer with less than 100 Federal employees involved. In contrast, with almost \$6 billion now being spent on the Food Stamp program, over \$600 million goes for administration and close to 2,000 federally-supported employees are involved.

Secondly, I recommend that we consolidate the 210 categorical Federal aid grants to State and local governments into seven streamlined block grants.

(Applause.)

Thank you. We all agree on these things, so, I appreciate it. At least all we Governors and former Governors.

Last year, at President Ford's direction, I took a hard look at the 1,006 domestic grant programs to try to make sense out of this chaos. Last year, these programs amounted to approximately \$265 billion. That is more than half of the total Federal budget.

Of this amount, some \$210 billion went to Social Security, Medicare, Federal commissions and regulatory bodies, for loan guarantees, mortgage insurance and the like, and for Medicaid and energy research, and \$55 billion was in the form of Federal assistance to State and local governments.

Of the \$55 billion, \$19 billion is already consolidated and represents essentially block grants to State and local governments or direct aid to individuals. The remaining \$36 billion involves more than 200 categorical grant programs.

These should be consolidated, simplified, and redesigned to eliminate matching requirements and excessive regulations.

President Ford has taken major steps toward these goals. In his new budget, he has proposed a human services consolidation package which combines and simplifies programs in four major areas -- health, elementary and secondary education, social services and child nutrition.

This package accounts for about \$14 billion of the \$36 billion target. It represents a dramatic first step toward making some sense out of these programs and toward allowing State and local governments the flexibility they need to be effective.

Following this lead, I think we should move to the consolidation of the remaining programs into seven broad areas -- human services; transportation; post-secondary education; State planning; research demonstration and evaluation; rural assistance; and welfare cash assistance.

Third, I recommend that we move as rapidly as possible toward a program of 100 percent Federal financing of public assistance on the basis of cash payments within the framework of federally-established standards.

(Applause.)

Thank you, sir. Let me tell you, we New Yorkers stick together.

Such a nationwide standard for federal cash assistance would be adjusted for regional variations as determined by the Federal Government. On the grounds of equity, ladies and gentlemen, for both the recipient and the taxpayer, extreme diversity in the level of welfare payments should be eliminated and progressive steps taken toward uniformity within the nation.

Today, for example, annual benefits under Aid for Families with Dependent Children, for a family of four, range from \$720 to \$4,800 in different parts of the country.

As the Federal income tax sets uniform rates to take from people nationally according to their income, so the time has come when there should be uniform national rates to assist needy people.

Something is wrong with our system when people migrate for welfare need rather than employment opportunities. Something is wrong with our system when the freedom of a State not to do becomes the responsibility of another State to do.

Moreover, with the need for mobility in our society today, with the interdependence of our national economy, and with the competition among the States for job producing industries, assistance to the needy has become inherently a national problem and must be dealt with on that basis.

It is interesting to note that last year's tax bill set a precedent for using the federal income tax structure to transfer federal funds to the low-income population. This was done as a means of supplementing income of the working poor. This is already a matter of law and has been adopted.

So, the precedent has been set. We should build on this precedent.

By using the federal tax machinery for welfare payments to the needy, we would drastically reduce administrative costs, red tape, and the opportunity for fraud. This would better serve both the person in need and the taxpayer.

Such a proposal should consolidate many of the present federal cash and in-kind assistance programs, put them all together, and include a carefully thought out work incentive and work requirement program. As an initial step, we should urge the Congress to adopt the President's proposal to give him the authority to standardize eligibility and regulations among the various federal programs.

Fourth, I recommend the elimination of those requirements in federal grant-in-aid programs that force the States to further enrich and improve their existing programs as a condition of receiving federal funds. A progressive State should not be penalized or forced to increase its level of benefits in order to receive federal aid. This only leads to unnecessary expenditures and to further distortion of benefit levels.

Fifth, I recommend we use federally certified State plans as the basis for federal regulatory programs and the channeling of financial assistance as an alternative to the elaborately detailed federal requirements currently imposed on a project-by-project basis.

A start in this direction already exists with regard to social services and a similar approach is being considered by the National Commission on Water Quality.

Such State plans would be subject to federal approval. However, the criteria for the development of such plans should be spelled out clearly in federal law. Once certified, federal funds would flow to the States on a regular basis as provided under federal law.

An audit of a State's performance under the plan would be conducted on a regular basis and adjustments would be made in the payments as required. This procedure should eliminate the current interminable delays, the need for an elaborate bureaucracy to process mountains of paper, would eliminate red tape and would place administrative responsibilities on the States.

To summarize, these five recommendations are designed to simplify today's complicated and inefficient federal-state-local maze. They would place direct and identifiable responsibility for the administration of these programs, which under the current system is difficult, if not impossible, to determine.

These recommendations I have outlined would maximize the potential and flexibility of our unique federal system. They would go far toward restoring the vitality of State and local government. The federal system has served us well for nearly 200 years. Let us use it with the same imagination and foresight that created it.

Thank you very much.