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MEMORANDUM

THE WHITE HOUSE
WASHINGTON



November 24, 1975

MEMORANDUM FOR: JERRY JONES
FROM: DICK CHENEY

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You should be aware of the attached.

Attachment

November 3, 1975

MEMORANDUM



This is intended to be the report on my activities with reference to the project stated above which is underway by our mutual agreement. At the outset of my commitment I indicated my desire to make a report which would outline what I perceived to be the priorities of the research as they emerged from the first months' sorting of available information and sources of information.

I. The following seems to be the best priority for the research and I am proceeding on this basis unless either of you have some radical objections:

1. The Economy--I think we have all agreed that this is the area where the President will make it or break it nationally. In addition, it is the area where Reagan's "record" of the conservative philosophy falls apart easiest. Examples:

- A. Statistics on the Reagan era budgets will show that eight years of "cut, squeeze and trim" yeilded a budget increase from 4.6 Billion dollars to 10.2 Billion dollars. That is hardly what a conservative should be doing. In addition, it is good to use if he attacks with the growth of the national budget.
- B. While Governor Reagan was responsible for the largest tax increase in California history. Again, hardly "cut, squeeze and trim."
- C. While trying to sell the public the concept that tax reform had been accomplished the facts show that only tax shifts occured while Reagan was Governor.
- D. If the Ford Tax Cut program can be pushed through the Congress or any reasonable compromise, then

the dicotomy of Reagan Tax increase (the biggest in California History) can be made with the Ford Tax Cut--at a time when the economy needs the infusion of dollars that the tax cut will provide.



- E. The entire tax cut program is probably the single most important thing on the legislative front with large legislative/political impact. Lou Harris says that 72% of the American public says that they no longer get good value from their tax dollars. When the cut is successful, it would be well to emphasize that it is an effort to help bring more value for the dollars expended.
 - F. Included in this entire area of the economy will be the employment question. We believe that statistics in California over the Reagan years will have the effect of showing increased unemployment while Ford will be able to point to reduced unemployment while he has been President.
 - G. Reagan recently proposed a Federal Budget Reduction of some \$90 Billion. We believe that this can be shown to be nothing short of a tax shift from the Federal Government to the State and Local governments at a time when local governments are already squeezed financially and a shift of this magnitude could force even more bankruptcies with New York being the current example and Illionois being a probable if such a massive shift were to take place.
2. Crime--We are exploring the possibility that we can charge Reagan with being soft on crime specifically liberal on the parole of felons.
- A. During the central period of the Reagan Administrati (1968 through 1972) the number of male felons in California prisons declined more than 7,000, from 23,405 to 16,061.
 - B. While it is true that part of that drop can be attributed to the "probation-subsidy" program enacted by the 1965 Legislature to keep so called lesser criminals (burglars, check forgers, etc.) out of state prisons, Reagan's administration developed a very liberal parole policy. The

number of male felons on parole increased from 10,524 in 1968 to 14,533 in 1971.

- C. During that period of time the Reagan administration praised itself for its many corrections reforms.
- D. In 1973 Reagan's liberal parole policies came to and end largely due to pressure for change from law enforcement officials. Thus in 1973 and 1974 the prison population in terms of male felons began to rise again to the point of 21,547 when Reagan left office.
- E. Going hand in hand with the above problem are the following statistics on felony arrest dispositions in California during the 1973 time frame:



- (1) Of the 233,000 persons arrested in 1973 for a felony only 186,000 had a complaint filed against them and of those only 85,000 persons were prosecuted. Of those only 42,000 were convicted of a felony. Worse yet, of the 42,000 convicted felons only 5,000 were sent to state prison with another 1,000 being sent to the Youth Authority. 14,000 were granted straight probation and another 16,000 were granted probation and served less than one year in a county jail. Thus, in California in 1973 only 2.6% of those arrested by the police for a felony went to state prison.

- 3. Welfare--The Reagan Administration trumpeted its Welfare Reform measures around the nation as an unheralded break through in welfare costs. We believe that far from that the decline in both welfare caseload and cost can be directly related to the drop in unemployment which corresponded almost directly with the drop in caseload and cost.
 - A. In April 1971 unemployment in California was 7.4 % adjusted seasonally and the welfare caseload was 2,266,808. In September 1972 when the Reagan crowing about reform was the loudest, the caseload was 2,062,411 and the unemployment rate was only 5.9
 - B. Moreover, those categories which most directly relate to employment were the areas where the drops were registered. The AFDC unemployed father caseload in the same time frame as above dropped from 330,257 to 184,996. The general

home relief category was down in the same time frame by 87,586 to 52,331. Thus, of the caseload reduction of 204,397 for the time frame examined, 180,516 reductions are directly related to the improving economy.

- C. The political use of this can again be to show the difference between what Reagan says he did and what the fact actually was.
4. Energy--I believe that this is a sleeper for the New Hampshire primary since the state is so dependent on energy to keep it moving through the severe winter months.
- A. My plan here is to explore the Reagan PUC appointments and their decisions. I believe that we can build a case for industry favoritism while the consumer got screwed.
- B. Politically, this could be used by saying that while Reagan mouthed the line on energy just like everyone else, he was busy screwing the California consumer.
- C. I am anxious to get at the Unruh files on this one. This is a prevalent view of the Unruh campaign as I recall it now.
- D. In addition, I hope that we will have time to explore the action or inaction of the State Lands Commission where the Governor's Director of Finance was a member.
- E. The entire question of off-shore oil drilling on state lands is a question which relates to the California energy scene and might yield some surprising results which can be generalized into Reagan's willingness to search for new petroleum sources.
- F. A review of the State Division of Oil and Gas might turn up additional information of interest if it doesn't fall out the bottom of our project on the basis of how rapidly we can cover higher priority items.
5. New York City--Once a fuller analysis of the Reagan Federal Budget Reduction Proposal is available we may find it useful to relate that analysis to New York by showing how the proposal will only serve to worsen the problem of State and Local entities by forcing more costs on them without a corresponding increase in revenues. I should think that this line of logic would really sell in New Hampshire.



6. Land Use and the environment--This is a tough one but may have some importance in New Hampshire. Reagan signed legislation by Leo McCarthy in 1971 which made selling of unimproved property and subdividing very expensive and difficult because it caused the private owner to have to have prepared environmental reports and improvements not unlike public entities.



- A. There are questions of private property rights here which might sell in the New Hampshire neck of the woods especially the northern parts of the state from what little I understand about the demographics of the state.

7. OSHA--Reagan signed into law Cal-OSHA which has really gotten the conservatives uptight over the last few years. Since one of the big things we hear people on both sides of the party fence saying these days is in essence "government is regulating everything that I do and I don't like that," maybe we could use this as an anti-regulation stand for Ford. (ie. the Federal law was bad enough but why did Reagan have to make it even tougher for California businessmen)

II. Strategy Thoughts

1. After discreet talks with a number of people ranging from Reagans former opponents to some of his friends it appears to me that the anti-Reagan attack with whatever information we eventually produce should be carried on as a second level campaign by those within the campaign structure other than the President himself.
2. The President should continue (with refinements) his current ploy of "As President I am doing these great things...." and "The Congress is failing to do...." His should be the positive efforts with only allusions to past Reagan sins.
3. A thought that strikes me with the size of New Hampshire is that maybe we ought to think small. By that I mean handle the entire thing (other than personal swings by the President) as though it were a Congressional campaign. At least from the standpoint of maybe mail. I can foresee special interest mailings critical of Reagan or positive on Ford based on what is turned.

III. Questions

1. Should we try to put together some of the famous Reagan quotations that drive some folks right up the tree? (i.e. "A tree's a tree. How many more do you need to look at?"
2. Do we want to review all Reagan's budgets and the bills he signed in order to prepare a list of horrors that he

forced on the good citizens of the state of California?
This could be useful in three above. My own feeling is
that this is probably substantially down the road.

- IV. Sorry for the rough typing. I'm being so secretive about
all this that I'm scaring myself coming around corners.
Seriously, as you can tell, those areas that I feel are of
highest priority I have already pulled together enough things
to draw a more elaborate picture of the possibilities. I'll
look for you guys to push or shove in different directions.

Assuming funding I think our original time line is still OK.





The material which is assembled herein is a detailed followup of the first three issue areas outlined in my Nov. 3, 1975, memo. In addition, we have presented other information which we felt we were able to put into a usable format.

For each issue area there are three specific categories of information provided.

First, there is a quick sketch of what we perceive is the popular concept of Ronald Reagan. Secondly, we present Ronald Reagan quotations on the issue matter at hand. These are usually older quotes since we felt newer ones are more readily available to the committee from other sources and because time would not allow a total search. Thirdly, we present research data which show that reality was often at wide variance with what Reagan expected to accomplish as governor.

As is always the case, the task of making large volumes of material into smaller and more usable volumes is hazardous at best. However, we believe the material presented is in its most flexibly usable format accepting the time constraints involved. Naturally, we stand willing to update and help implement if and when you desire.

We have a file of all Unruh press releases from the 1970 gubernatorial campaign which we have judged to be pertinent to issues which the Ford Committee may wish to raise. My

... have they had used the material.

ECONOMY



I. PERCEPTIONS

Reagan is perceived by many to have reduced spending. Others believe, because Reagan said it to be true, that the number of California state employees was reduced. A quotation from his first inaugural address that he would "cut, squeeze and trim" is a philosophy which many people believe was implemented. Reagan talked a great deal about putting government on a sound business footing and establishing a climate in which business and the free enterprise system could prosper. We believe that it is possible with factual information to severely damage the credibility of these popularly-held perceptions.

II. RONALD REAGAN ON THE ISSUE

"There is only one cause of inflation -- the government."

Speech, Detroit Economic Club
Detroit News, March 29, 1966

"We are going to squeeze and cut and trim until we reduce the cost of government."

Inaugural Message
Jan. 5, 1967

"Outside of its legitimate function, government does nothing as well or economically as the private sector of the economy."

Sacramento Bee, May 16, 1967



"We must reduce the government's supply of money and deny it the right to borrow."

Encroaching Control in "Vital Speeches"
Page 680.

"We have a government that is unfriendly to business."

San Diego Union, May 29, 1966

"As long as California continues to grow in population, and as long as federal policies keep us in an inflationary spiral with wages and prices going up, we will have a record breaking budget every year, meaning the budget will or should increase by an amount equal to the increase in population plus the percentage of increase in the cost of living -- and that is roughly eight percent."

TV Report to the People,
July 9, 1967

"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."

Speech, Governor's Conference
on Planning for Housing and Home
Ownership luncheon,
February 1, 1968

"Q. How is it for a man who is so economy minded that you are about to spend more that any other governor in California history?

"A. Well, I don't think there is any way that any

governor -- I have said repeatedly, publicly and to all of you that every year so long as California increases its population and as long as inflation increases the price we must pay for things we buy and the salaries we must pay to our employees, there is going to be a record budget for California."

Press Conference, Sacramento
Feb. 6, 1968

(Re: Reagan's comment that he balanced California's budget without new taxes)

"We raised the old ones about \$1 billion."

GOP fund raising trip, Milwaukee
Los Angeles Times,
Oct. 2, 1967

"We do not intend to balance future budgets by increasing taxes. Instead we intend to balance them by making governments more economical, by streamlining it. Like this year, next year -- and the years following -- will be years where we do not intend to spend one dollar more than necessary of the people's money to conduct the people's business."

Speech, California Republican Assembly
Long Beach, April 1, 1967

"Funds needed to finance the deficit, state operations and the continuing programs of assistance to local governments ... are still greater than I had anticipated. I wish the sum could be smaller, but the responsibilities which we share for sound financial management of this state's government



demand that we confront and solve the fiscal problems now."

Tax message to Legislature
March 8, 1967

"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."

Speech, National Automobile Dealers
Association Convention, Las Vegas
Jan. 29, 1968

"California has some needs and some problems that are greater than almost any other state and yet in every instance where there is federal aid connected with these problems, California is not only financing its own, even though it comes by way of the federal government, but we are helping to finance lesser problems in other states."

News conference, Sacramento
Oct. 8, 1967

"Q. Do you support the idea of unemployment coverage for governmental workers?

"A. ... I don't think that we like a private employer are in a position of laying people off and telling them to wait at home until we tell them to come back to work again, which is usually considered with regard to unemployment insurance."

News conference, Sacramento
March 21, 1967

"Once upon a time, it was easy for a teenager to get a part-time job because it was easy for a merchant or a manufacturer to hire him. But that's no longer true. Rigid minimum wage laws, high union scales and the mass of paperwork involved in the withholding taxes, social security, insurance and the rest make it difficult to hire anyone on a part-time basis. This is largely a federally-made problem and it's one we'll be lucky if we live long enough to see the federal government solve."



Speech, Merchants and Manufacturers
Association, Los Angeles
May 16, 1967

"A big brother government can solve many problems for the people, but it's doubtful that we'll like the price it charges ... The first order of business in Sacramento should involve an all-out effort to utilize tax monies as efficiently as possible."

1966 Campaign Speakers' Manual

"Our goal will be to cut the budget consistent with good business practices. My purpose is to make government, once again, a servant of the people at a cost the people can afford to pay."

1966 Campaign Speakers' Manual

"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."

State of the State Message
Jan. 8, 1968



"The entire (graduated income tax) structure was created by Karl Marx. It has no justification in getting in the government needed revenue."

"A Time for Choosing," speech before
Second General Session of the 71st
Annual Session of the US Savings and
Loan League, San Francisco,
Jan. 7, 1963

(Ronald Reagan sponsored a 1967 bill doubling, and in some cases tripling, the state progressive income tax and making it even more progressive by narrowing the tax brackets.)

"As Governor I will ... work to increase the state's contribution to local school districts, to relieve the growing burden on local property taxpayers..."

Mailer, published by Reagan for
Governor Committee, 1966

(Reagan has presided over a reduction in the state percentage of school financial support from 38.4 percent in 1966 to 34.8 percent in 1970, thus increasing the pressure on property taxpayers.)

Reagan promised he would consistently oppose any effort to provide for a withholding system for state income taxes.

"I think paying taxes should hurt."

Los Angeles Chamber of Commerce and
Junior Barristers Club, Los Angeles
Times, Oct. 25, 1966

(In 1970, Reagan endorsed withholding and included it as an integral part of his tax program.)

"Taxes in California have reached the breaking point. They are the highest in the nation and \$100 per person above the national average."

"A Plan for Action," televised announcement of candidacy,
Jan. 4, 1966

(In 1967, Reagan sponsored and signed into law the largest state tax increase in the nation's history, totaling \$1 billion.)

Reagan said that government is interfering in people's lives to the point that it has set limits on what businessmen can deduct for gifts and other items when they pay their income tax. "Business should have said so long as we are legitimately spending the money in the belief that it is producing profit, it isn't any business of the government how much we spend."

Speech, Chicago business leaders
San Francisco Chronicle,
Oct. 28, 1967

Ronald Reagan said Californians will not have to pay a bigger tax bill on the state level next year if he is elected governor. "I am convinced that I can say to you there will be no new tax increase next year ... There will be some efforts made at economies in the present running of this state. The total tax burden will not be increased."

Rally, Bakersfield, Los Angeles Times, Sept. 18, 1966



"We pledged local property tax relief and I intend to keep that pledge."

Report to the People, Sacramento
March 31, 1968

"I'm the stingiest fiscal conservative you ever saw."

News conference, Sacramento
March 7, 1967



III. RESEARCH DATA

A. State Employment

The California State Employees Association records show that the following totals for the number of state employees are accurate for Reagan's tenure as governor:

1967 --	113,779
1968 --	114,036
1969 --	116,562
1970 --	118,072
1971 --	117,372
1972 --	116,774
1973 --	120,299
1974 --	123,205
1975 --	127,929

B. "The Economic Report of the Governor for 1974," transmitted to the California Legislature in March, 1974, contains a number of Governor Reagan's own tables and charts which, when digested, show some interesting statistical information about changes in the California economy under



Governor Reagan's leadership.

1. General fund tax collections under Reagan jumped astronomically in his eight years in office compared to the two previous administrations in California. The summary of state tax collections per \$100 of personal income total on page 84 of that report reveals that for the period from 1953 to 1959 (former Gov. Goodwin Knight) tax collections per \$100 of personal income rose from \$2.99 to \$3.14 -- a 15-cent jump for six years.

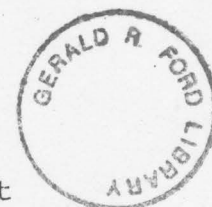
For the period 1959 through 1967 (former Gov. Edmund Brown Sr.) the taxes rose from \$3.14 to \$3.73 -- a 59-cent jump.

For the period 1967 through 1975 (former Gov. Ronald Reagan) the taxes rose from \$3.73 to \$6.17 -- a \$2.44 jump in Reagan's eight years.

2. The same report shows that real spendable earnings for a manufacturing worker with a family of three went from \$114.39 per week in 1966 to \$115.10 in 1973, or a 71-cent increase per week in seven years. During the previous seven years, from 1960 through 1966, that same figure rose from \$103.34 to \$114.39, or an increase of \$11.05 in spendable income per week.

3. Total state tax collections in California increased from \$3.4 billion in 1967 to \$8.9 billion in 1975. In the previous administration the increases had been from \$1.7 billion to \$3.4 billion, a mere doubling of the

total collections. In the six years of the Knight administration, total tax collections for the state increased from \$1.1 to \$1.7 billion. Interestingly enough, Reagan tries to cop out by saying that during his years as governor the population was higher than it had ever been. While that is true, the facts as outlined in charts of his own 1974 economic report show that during the 1953 to 1967 time frame California's growth per year on a percentage basis was, in most years, three percent more. During the Reagan years, that growth had slowed to the one percent level. (Figures attached.)



4. Perhaps the most damning tax statistic is the comparison of property tax levies on average dollars per assessed value basis when considering the Reagan years as opposed to the Brown Sr. and Knight years. During the Reagan administration, the average tax rate per \$100 of assessed valuation rose from \$8.84 in 1966-67 to \$11.15 in 1973-74. The four highest percentage increases in these levies all occurred in the Reagan administration. By contrast, the average tax rate in dollars per \$100 of assessed value in the six years of the Knight administration increased from \$5.94 in 1953-54 to \$6.96 per \$100 in 1958-59. And, in the Brown Sr. administration, from \$6.96 to \$8.84 in fiscal year 1966-67.

5. California's personal income tax as a percentage of the United States total income tax decreased during the Reagan administration from 11.09 percent to 10.83 percent.

During the Knight and Brown Sr. administrations, the percentages had increased. While Knight was governor they went from 9.37 percent in 1953 to 10.68 percent in 1959. While Brown was governor they went from 10.68 percent in 1959 to 11.09 percent in 1967.



C. Unemployment

As shown by the Reagan unemployment insurance quotations in section II of this report, Reagan has a very low opinion of the priority for solving unemployment problems.

1. According to statistics provided by the Department of Employment, the seasonally adjusted rate of California unemployment in January of 1967 when Reagan became governor was 5.6 percent. In January of 1975, the seasonally adjusted rate was 8.8 percent.

2. While unemployment was rising, California under the Reagan administration was reducing its spending for manpower development programs from \$15.1 million in 1967 to \$9.8 million in 1973. (This is the last year for which spending figures are currently available.)

D. State Spending

Overlaid against Reagan's 1966 campaign promise to "cut the budget consistent with good business practices," is the fact that Department of Finance records show actual state expenditures rose every year of the Reagan administration. The proposed state budgets for the

Reagan years are as follows:

1967-68	--	\$3.8 million
1968-69	--	5.6
1969-70	--	6.2
1970-71	--	6.4
1971-72	--	6.7
1972-73	--	7.6
1973-74	--	9.2
1974-75	--	9.8
1975-76	--	10.1



E. Business Climate

Based on Reagan's quotations to put government on a more business-like basis and to encourage the free enterprise system, the following information about how the climate for business development and expansion changed in the State of California during his administration is pertinent.

1. According to the U.S. Department of Commerce, between 1969 and 1973 California ranked 44th of the 50 states in the percentage increase of non-farm income.

Here is the toll of the statistics:

California Nonfarm Income Growth Is Below Average

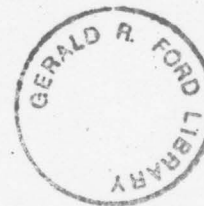
One of the major indices of the economy is growth in income, particularly in nonfarm income.

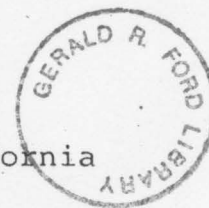
California, in this respect, ranks 44th of the 50 states, according to statistics from the United States Department of Commerce. During the four years from 1969 to 1973, California's non-farm income increased 34.6%. The high growth was 68.3 percent in Arizona and the low was 29.1 percent in New York.

1969-1973 NONFARM INCOME % INCREASE

State	Rank	% Increase
Fast growing states:		
Arizona	1	68.3
Florida	2	66.5
Colorado	3	61.5
Alaska	4	55.7
Nevada	5	52.7
Idaho	6	51.6
Mississippi	7	51.2
Utah	8	50.5
Arkansas	9	49.5
Virginia	10	49.0
Hawaii	11	48.9
South Carolina	12	48.2
North Carolina	13	47.9
Tennessee	14	47.4
New Mexico	15	47.0
West Virginia	16	47.0
Average growing states:		
Wyomind	17	45.8
Alabama	18	45.8
Kentucky	19	45.6
Oregon	21	45.3
New Hampshire	22	44.4
North Dakota	23	43.0
Maryland	24	42.8
Texas	25	42.4
Delaware	26	41.0
Montana	27	40.3
Nebraska	28	39.7
Wisconsin	29	39.3
Oklahoma	30	39.1
Michigan	31	38.9
South Dakota	32	38.5
Iowa	33	38.4
Louisiana	34	38.0
New Jersey	35	38.0
Minnesota	36	37.5
Dist. of Columbia	—	37.1
Maine	37	36.7
Vermont	38	36.5
Indiana	39	36.2
Pennsylvania	40	36.1
Missouri	41	35.9
Kansas	42	35.7
Rhode Island	43	35.2
Slow growing states:		
California	44	34.6
Illinois	45	33.7
Ohio	46	33.5
Massachusetts	47	33.4
Washington	48	30.5
Connecticut	49	30.0
New York	50	29.1

Source: U.S. Department of Commerce





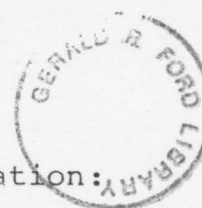
2. According to figures from Tax Foundation, Inc., as presented in the April, 1975, newsletter of the California Taxpayers Association, only two states in the country have average statewide property taxes per person which are higher than California's. Property tax levies per person range from \$46 to \$358. California's average is \$348. The U.S. average is \$216.

3. "The Economic Report of the Governor 1974" indicates that between 1966 and 1971 (last year for which statistics are listed), net profits for California corporations dropped from \$5.6 billion to \$4.8 billion. By contrast, during the six years of Governor Knight's administration, corporate profits rose from \$2.5 billion to \$3.6 billion (1953-59). In Governor Brown's administration, corporate profits rose from \$3.6 billion to \$5.6 billion (1959-66).

4. In May, 1975, the California Taxpayers Association reported that taxes per capita rose from \$183.63 in the first year that Reagan came to office to \$401.52 in 1975.

5. The large California business inventory tax (50 percent) is still a major deterrent to many businesses locating within California. In fact, many businesses maintain warehouse locations in other states, such as Nevada, in order to avoid bringing that business and those jobs into California.

6. Maurice Fenton, president of Fantus Company, a



subsidiary of Dun and Bradstreet, recently wrote an article for Pacific Business Magazine entitled, "Relocation: Why are Companies Rejecting California?" His study shows that California ranks dead last behind Utah, Idaho, Arizona, Oregon, Washington and Nevada in terms of its total approach to attracting business. Among the 48 mainland states, California ranks 47th.

F. Inefficient Use of Government Dollars

A number of Reagan quotations cited in this report indicate that as governor he could have been counted on to establish an efficient use of tax dollars and to work generally for an elimination of government waste. The following are but some examples of why we believe that did not take place.

1. The Office of the Auditor General in California functions to research in a non-partisan manner questions of fiscal integrity put to it by the Joint Legislative Audit Committee. In an August, 1974, study entitled "Department of General Services Report on Review of State Office Space Leasing vs. Construction Costs," the Auditor General found that "by using \$3.6 million of funds already contained in the state's budget for leasing 535,000 square feet of selected high cost office space, the state could finance construction of office buildings containing comparable space." The Auditor General then recommended that the

Department of General Services (headed by Reagan appointees with the governor as policy setter) request that monies currently appropriated on an annual basis in the state's budget for leasing high cost office space be used instead to finance construction of office buildings. The report went on to say that "based on current lease rates in the size of buildings discussed in this report, proper implementation of this recommendation will result in estimated cash savings to the state of approximately \$66 million over the remaining useful life of the buildings after fulfillment of the construction and interest costs. Further, the state will have full ownership of these buildings."



Therefore, by using money which currently is expended to lease property from private business, Governor Reagan could have saved the taxpayers \$66 million.

2. The Auditor General also prepared a report in March of 1973 entitled "Veterans Farm and Home Building Fund Report on Review of Operations." The purpose of this fund is to make loans available to California veterans for the purpose of purchasing homes or farms. In the 2½ years by the end of 1970 and 1972, there was a curtailment in the number of loans available to veterans. This curtailment of loan funding produced the following results:

a. "An excess amount of cash has been accumulated from bond sales loan repayments. From the year 1972, the balances increased from a monthly average of \$148 million compared

to a \$33 million average for the seven years prior to 1971. In November, 1972, a high of \$168 million had accumulated. The June, 1973, balance was \$129 million.



b. "Most of the excess cash was invested by the state treasurer in the surplus money investment fund which recently has yielded an average of 5.01 percent. A July of 1971 bond issue of \$50 million was sold at an interest rate of 5.31 percent. Since July of 1971, investment of this \$50 million of excess cash has cost in excess of more than \$350,000.

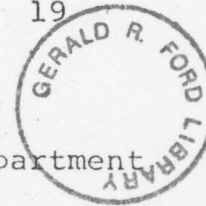
c. "Proceeds from the sale of veterans bonds have not been used to finance Cal-Vet loans.

d. "Veterans have been required to delay purchases of new homes or obtain interim financing from commercial sources.

e. "Funds now available for loaning exceed the capacity of the administration to process loans."

Criticism here is that while governor and during the time when a number of men were returning from Vietnam and desiring to use their Cal-Vet home purchase benefits that Governor Reagan's department of Veterans Affairs failed to use money from the sale of bonds to finance Cal-Vet loans. In failing to do this, veterans were required to not purchase new homes or obtain interim financing from commercial sources at higher rates. Is this any way to treat the California veteran?

In October of 1974, the Auditor General's office issued



a report entitled "Review of Operations of the Department of Corporations." The report found as follows:

"The Department of Corporations performs various functions which are similar to functions performed by the Secretary of State and the Department of Consumer Affairs. This results in duplication, confusion to the public and unnecessary expense.

"The fees charged by the department in administering the Industrial Loan Law, Escrow Law, the Retirement Systems Disclosure Law, the Tax Sellers and Cashiers Law, Franchise Investment Law and the Trading Stamps Law have resulted in a deficit averaging \$210,440 over the last five years.

"Authorized staff of the Department of Corporations has exceeded its staffing requirements by 22 positions."

The issue here is Governor Reagan's failure to act to reduce government expense, duplication and an overly large staff.

d. In April of 1974, the Office of the Auditor General prepared a report entitled "Department of Health Pre-Paid Health Plans" which analyzed implementation of Ronald Reagan's pre-paid health plan delivery system for the delivery of health care to Medi-Cal recipients. The review of the program was startling. Between Jan. 1, 1971, and Dec. 1, 1973, the Department of Health made payments to 15 Pre-Paid Health Plan (PHP) contractors in the State of California totaling \$56.5 million.



Of this amount only an estimated \$27.1 million or 48 percent was expended for health care services for Medi-Cal recipients. The balance of \$29.4 million, or 52 percent, was expended by the PHP contractors and sub-contractors for administrative costs and resulted in net profits for these companies.

As one example of such administrative costs, a salary of \$120,000 plus expenses was paid by one PHP contractor to a physician to serve as a plan administrator.

"The Auditor General has concluded that the Department of Health, in pouring out \$56.5 million to 15 PHP contractors and receiving only 48 percent of that amount in actual health care services, has administered the PHP program in an ineffective manner.

"The Department of Health has not properly discharged its statutory authorities in instituting and requiring uniform accounting procedures, complete financial reporting and routine auditing of PHP contractors.

"Officers and directors of eight of the non-profit PHP contractors have formed firms or affiliated with profit-making sub-contractors who derive certain services -- including administration of health care -- for the PHP contractors."

(It is my understanding that Gov. Edmund Brown Jr.'s administration plans to drop the PHP program as a means of delivering Medi-Cal benefits.)

e. In June of 1973, the Auditor General developed a



report on the California State Exposition and Fair.

Prior to Reagan's administration, it had been determined that the existing California State Fair facilities were unsuited for expansion and that the State Fair did not reflect the changes of interest of the people or the economy of the state. In addition, it was thought that the expenses at the old site were excessive. Therefore, in the early 1960s, it was decided to build a new operation which would promote the heritage, culture, industry and resources of the State of California. In addition, it was determined the facility should be financially self-supporting. The operation of the facility was to be the responsibility of a non-profit corporation. After the initial fair had been held in the new facility, the California Exposition and Fair Executive Committee terminated the contract with the non-profit corporation in 1968. Subsequently, there were four years of direct operation by the executive committee. Currently the director of the Department of Parks and Recreation has been delegated the operational responsibility for Cal-Expo.

With that background, the Auditor General's report noted:

a. "The revenue derived from operations of Cal-Expo is less than realized at the old State Fair site.

b. "Provisions of the long term amusement, food and beverage contracts are the primary cause for the revenue decrease.

c. "The long term contracts restrict the opportunities to improve operations.

d. "Both the state fair's operations and the ability of the state to resolve the Cal-Expo development question are adversely affected by a lack of stated obtainable objectives.

e. "The state is losing from its general fund and its State Fair Fund over \$2 million a year on the extravagance of Cal-Expo."

What happened to all the talk about government on a sound business footing?

Some additional information:

1. While Reagan was governor:

- A. State sales tax went from four cents on the dollar to 6 cents on the dollar
- B. The corporate income tax rate went from 5.9 percent to 9 percent
- C. Top personal income tax levies went from 7 percent to 11 percent
- D. The state budget more than doubled -- from \$4.6 billion to \$10.2 billion

2. The Commerce Clearing House reports that California in 1974 had the fourth highest tax-burdened population of all fifty states.

<u>State</u>	<u>State and local taxes per capita</u>
New York	\$952
Massachusetts	767
Hawaii	765
California	739
National average	618

TABLE A-1
POPULATION ^a OF THE UNITED STATES AND CALIFORNIA, 1950-73

Year (July 1)	United States	California	California as percent of United States	Percent change	
				United States	California
1950.....	151,868,000	10,643,000	7.0	1.7	3.0
1951.....	153,982,000	11,130,000	7.2	1.4	4.6
1952.....	156,393,000	11,638,000	7.4	1.6	4.6
1953.....	158,956,000	12,101,000	7.6	1.6	4.0
1954.....	161,881,000	12,517,000	7.7	1.8	3.4
1955.....	165,069,000	13,004,000	7.9	2.0	3.9
1956.....	168,088,000	13,581,000	8.1	1.8	4.4
1957.....	171,187,000	14,177,000	8.3	1.8	4.4
1958.....	174,149,000	14,741,000	8.5	1.7	4.0
1959.....	177,135,000	15,288,000	8.6	1.7	3.7
1960.....	179,979,000	15,863,000	8.8	1.6	3.8
1961.....	182,992,000	16,366,000	8.9	1.7	3.2
1962.....	185,771,000	16,905,000	9.1	1.5	3.3
1963.....	188,483,000	17,515,000	9.3	1.5	3.6
1964.....	191,141,000	18,021,000	9.4	1.4	2.9
1965.....	193,526,000	18,491,000	9.6	1.2	2.6
1966.....	195,576,000	18,851,000	9.6	1.1	1.9
1967.....	197,437,000	19,234,000	9.7	1.0	2.0
1968.....	199,399,000	19,513,000	9.8	1.0	1.5
1969.....	201,385,000	19,819,000	9.8	1.0	1.6
1970.....	203,810,000	20,026,000	9.8	1.2	1.0
1971.....	206,212,000	20,256,000	9.8	1.2	1.3
1972.....	208,230,000	20,518,000	9.9	1.0	1.1
1973.....	209,851,000	20,741,000	9.9	0.8	1.1

^a Includes members of the Armed Forces stationed in the area.

Source: U.S. Bureau of the Census, *Current Population Reports*, Series P-25, No. 504 (August 1973), and Department of Finance estimates.

TABLE A-2
COMPONENTS OF CHANGE IN CALIFORNIA'S CIVILIAN POPULATION, 1950-73

Year (July 1)	Civilian population	Net change	Net migration	Natural increase	Gains from military
1950.....	10,472,000	311,000	155,000	146,000	+10,000
1951.....	10,754,000	282,000	268,000	149,000	-135,000
1952.....	11,194,000	440,000	284,000	163,000	-7,000
1953.....	11,681,000	487,000	307,000	181,000	-1,000
1954.....	12,177,000	496,000	289,000	195,000	+12,000
1955.....	12,668,000	491,000	273,000	193,000	+25,000
1956.....	13,247,000	579,000	364,000	208,000	+7,000
1957.....	13,818,000	601,000	388,000	221,000	-8,000
1958.....	14,410,000	562,000	325,000	226,000	+11,000
1959.....	14,964,000	554,000	329,000	224,000	+1,000
1960.....	15,567,000	603,000	368,000	231,000	+4,000
1961.....	16,076,000	509,000	259,000	244,000	+6,000
1962.....	16,598,000	522,000	302,000	240,000	-20,000
1963.....	17,198,000	600,000	357,000	244,000	+9,000
1964.....	17,714,000	516,000	315,000	230,000	-29,000
1965.....	18,182,000	468,000	263,000	217,000	-12,000
1966.....	18,499,000	317,000	180,000	185,000	-48,000
1967.....	18,871,000	372,000	233,000	184,000	-45,000
1968.....	19,147,000	276,000	128,000	176,000	-28,000
1969.....	19,458,000	311,000	121,000	185,000	+5,000
1970.....	19,689,000	231,000	16,000	187,000	+30,000
1971.....	19,972,000	283,000	57,000	184,000	+42,000
1972.....	20,218,000	246,000	46,000	144,000	+56,000
1973.....	20,441,000	223,000	79,000	132,000	+12,000

Source: California Department of Finance.





TABLE A-11
AVERAGE GROSS AND NET SPENDABLE WEEKLY EARNINGS OF PRODUCTION
AND RELATED WORKERS IN MANUFACTURING, CALIFORNIA AND LOS
ANGELES-LONG BEACH, SAN FRANCISCO-OAKLAND, AND
SAN DIEGO METROPOLITAN AREAS, 1960-73

Area and year	Gross earnings weekly earnings	Net spendable earnings* (current dollars)		"Real" net spendable earnings ^b (1967 dollars)	
		Worker with 3 dependents	Worker with no dependents	Worker with 3 dependents	Worker with no dependents
California					
1960.....	\$104.28	\$91.15	\$82.43	\$103.34	\$93.46
1961.....	108.53	94.60	85.60	105.94	95.86
1962.....	112.44	97.56	88.31	107.80	97.58
1963.....	115.78	99.71	90.24	108.50	98.19
1964.....	119.29	104.52	95.15	111.79	101.76
1965.....	123.83	109.16	99.79	114.42	104.60
1966.....	128.93	111.30	101.64	114.39	104.46
1967.....	132.92	114.44	103.45	114.44	103.45
1968.....	135.63	117.98	106.02	113.33	101.84
1969.....	145.89	122.54	110.03	112.11	100.67
1970.....	159.48	127.40	114.73	110.88	99.85
1971.....	158.79	135.52	122.65	113.79	102.98
1972.....	170.02	145.37	131.72	118.09	107.00
1973.....	179.34	151.08	136.11	116.04	104.54
1972: March.....	166.40	142.71	129.31	117.26	106.25
June.....	170.05	145.39	131.75	118.69	107.55
September.....	173.26	147.87	134.01	118.77	107.64
December.....	177.02	150.93	136.82	120.55	109.25
1973: March.....	175.67	148.32	133.63	116.42	104.89
June.....	179.34	151.08	136.11	116.75	105.19
September.....	182.66	153.57	138.36	115.73	104.27
December.....	184.32	154.81	139.49	115.10	103.71
Los Angeles-Long Beach					
1960.....	103.34	90.39	81.73	102.14	92.35
1961.....	107.74	93.96	85.01	104.87	94.88
1962.....	111.93	97.15	87.93	107.23	97.05
1963.....	113.93	98.21	88.86	106.75	96.59
1964.....	116.76	102.43	93.21	109.32	99.45
1965.....	121.99	107.44	98.18	112.27	102.59
1966.....	127.00	109.70	100.15	112.51	102.72
1967.....	131.78	113.50	102.59	113.50	102.59
1968.....	136.82	116.60	104.76	112.22	100.83
1969.....	142.51	120.02	107.79	110.31	99.07
1970.....	145.30	123.46	111.22	108.01	97.31
1971.....	153.64	131.37	118.87	110.86	100.31
1972.....	164.02	140.82	127.60	115.14	104.33
1973.....	172.14	145.07	131.23	112.75	101.57
1972: January.....	158.00	136.44	123.69	113.70	103.08
February.....	158.80	137.05	124.23	113.92	103.27
March.....	160.79	138.55	125.56	114.41	103.68
April.....	162.81	139.93	126.79	115.45	104.61
May.....	162.41	139.63	126.52	115.11	104.30
June.....	164.03	140.83	127.60	115.81	104.93
July.....	162.80	139.92	126.78	114.03	103.33
August.....	164.01	140.82	127.59	114.67	103.90
September.....	167.26	143.24	129.78	115.70	104.83
October.....	167.27	143.25	129.79	115.62	104.75
November.....	169.32	144.83	131.23	116.52	105.58
December.....	171.37	146.41	132.67	117.69	106.65
1973: January.....	168.04	142.55	128.41	114.22	102.89
February.....	168.47	142.83	128.70	113.85	102.55
March.....	169.29	143.50	129.27	113.53	102.27
April.....	170.53	144.44	130.12	113.82	102.54
May.....	170.52	144.44	130.11	113.38	102.13
June.....	172.14	145.67	131.23	113.36	102.12
July.....	171.70	145.33	130.92	112.57	101.41
August.....	172.13	145.66	131.22	111.28	100.24
September.....	175.03	147.84	133.19	112.68	101.52
October.....	174.58	147.51	132.89	111.56	100.45
November.....	177.12	149.41	134.61	111.83	100.76
December.....	176.64	149.05	134.28	111.15	100.13



TABLE A-14
PERSONAL INCOME IN CALIFORNIA, TOTAL AND PER CAPITA, 1950-73

Year	Total			Per capita*		
	Amount (In millions)	Percent change	Percent of U.S.	Amount	Percent change	Percent of U.S. average
1950.....	\$19,774	10.6	8.69	\$1,858	7.1	124.20
1951.....	22,756	15.1	8.90	2,045	10.1	123.79
1952.....	25,214	10.8	9.25	2,167	6.0	125.04
1953.....	27,002	7.1	9.37	2,231	3.0	123.67
1954.....	27,682	2.5	9.54	2,212	-0.9	123.92
1955.....	30,378	9.7	9.77	2,336	5.6	124.52
1956.....	33,177	9.2	9.96	2,413	4.6	123.70
1957.....	35,497	7.0	10.11	2,504	2.5	122.44
1958.....	37,321	5.1	10.33	2,532	1.1	122.44
1959.....	40,955	9.7	10.68	2,679	5.8	123.97
1960.....	42,913	4.8	10.70	2,705	1.0	122.07
1961.....	45,601	6.3	10.94	2,786	3.0	123.00
1962.....	48,948	7.3	11.06	2,895	3.9	122.15
1963.....	52,522	7.3	11.28	2,998	3.6	121.97
1964.....	56,471	7.5	11.35	3,134	4.5	121.00
1965.....	60,104	6.4	11.15	3,250	3.7	117.33
1966.....	65,002	8.1	11.07	3,448	6.1	115.43
1967.....	69,807	7.4	11.09	3,629	5.2	114.48
1968.....	76,720	9.9	11.14	3,932	8.3	114.44
1969.....	83,067	8.3	11.06	4,191	6.6	113.03
1970.....	89,312	7.5	11.12	4,460	6.4	113.11
1971.....	94,412	5.7	11.00	4,652	4.3	111.72
1972.....	102,099	8.1	10.92	4,976	6.9	110.77
1973 ^p	112,000	9.7	10.83	5,400	8.5	110.09

* Per capita figures derived using population estimates of the California Department of Finance.

^p Preliminary.

Source: U.S. Department of Commerce, Office of Business Economics, and California Department of Finance.

TABLE A-15
PERSONAL INCOME BY MAJOR SOURCES, CALIFORNIA, 1950-73
(In millions)

Year	Total	Wages and salaries	Other labor income ^a	Proprietorship		Property income ^c	Transfer payments ^d	Less: Social insurance contri- butions
				Farm	Other ^b			
1950.....	\$19,774	\$12,372	\$276	\$751	\$2,488	\$2,724	\$1,439	\$277
1951.....	22,756	14,823	355	1,007	2,708	2,963	1,232	333
1952.....	25,214	16,718	414	1,089	2,846	3,228	1,298	379
1953.....	27,002	18,113	471	973	2,931	3,529	1,402	417
1954.....	27,682	18,295	518	916	2,918	3,965	1,559	490
1955.....	30,378	19,968	614	1,007	3,291	4,325	1,701	561
1956.....	33,177	22,207	732	1,072	3,452	4,513	1,840	638
1957.....	35,497	23,664	846	968	3,622	5,001	2,141	745
1958.....	37,321	24,673	882	955	3,722	5,304	2,600	816
1959.....	40,955	27,381	1,026	1,048	4,070	5,648	2,727	944
1960.....	42,913	28,975	1,103	951	3,949	5,962	3,073	1,100
1961.....	45,601	30,535	1,220	894	4,185	6,405	3,536	1,173
1962.....	48,948	32,978	1,335	954	4,416	6,583	3,723	1,291
1963.....	52,522	35,355	1,482	913	4,631	7,566	4,089	1,513
1964.....	56,471	37,908	1,654	1,063	4,930	8,153	4,402	1,619
1965.....	60,104	40,353	1,814	940	5,120	8,719	4,809	1,742
1966.....	65,002	41,370	2,006	1,018	5,208	9,289	5,367	2,257
1967.....	69,807	47,491	2,225	964	5,450	9,865	6,352	2,540
1968.....	76,720	52,196	2,505	1,159	5,770	10,569	7,274	2,758
1969.....	83,067	56,996	2,791	1,089	5,879	11,411	8,127	3,226
1970.....	89,312	60,142	3,161	999	5,725	12,908	9,822	3,445
1971.....	94,412	62,664	3,502	1,055	5,782	13,522	11,493	3,607
1972.....	102,099	68,410	3,877	1,341	5,968	14,148	12,421	4,067
1973 ^p	112,000	75,670	4,330	1,460	6,350	15,525	13,655	4,990

^a Employer contributions to private pensions, pay of military reservists, directors' fees, etc.

^b Income of unincorporated businesses and professions.

^c Interest, dividends, rents and royalties.

^d Retirement programs, unemployment insurance, disability payments, public relief, etc.

^p Preliminary.

Source: U.S. Department of Commerce, Office of Business Economics, and California Department of Finance.

TABLE A-30
CORPORATE PROFITS FROM CALIFORNIA OPERATIONS, 1950-1971

Year ^b	Number of corporations ^a				Net profits (in millions)		
	Total	With net income	With net loss	No income or loss	Total	Net income	Net loss
50.....	42,377	21,987	11,560	8,830	\$2,264	\$2,432	-\$168
51.....	44,583	24,538	11,008	9,037	2,598	2,766	-167
52.....	47,864	25,646	12,385	9,830	2,284	2,522	-238
53.....	52,041	27,561	13,718	10,762	2,519	2,758	-239
54.....	56,652	29,489	15,910	11,253	2,551	2,892	-341
55.....	65,345	35,020	18,365	13,960	3,162	3,430	-267
56.....	74,260	40,713	17,418	16,129	3,331	3,657	-326
57.....	81,150	44,527	20,313	16,310	3,286	3,664	-377
58.....	87,577	46,414	24,236	16,927	3,168	3,630	-461
59.....	94,161	53,456	24,069	16,637	3,634	4,155	-522
60.....	101,081	56,987	28,843	15,351	3,517	4,182	-665
61.....	105,645	59,746	31,502	14,097	3,718	4,509	-792
62.....	110,294	63,400	31,954	14,940	3,970	4,784	-784
63.....	114,667	66,496	33,667	14,504	4,283	5,092	-809
64.....	118,860	69,555	34,254	15,051	4,626	5,526	-900
65.....	122,399	71,484	35,625	15,290	5,126	6,007	-881
66.....	124,690	73,076	35,694	15,950	5,643	6,638	-995
67.....	125,677	73,433	38,145	14,056	5,252	6,456	-1,203
68.....	128,505	77,238	36,754	14,513	6,003	7,255	-1,251
69.....	136,695	80,348	38,627	17,720	5,643	7,477	-1,834
70.....	145,352	81,340	44,318	19,694	4,386	6,711	-2,326
71.....	151,216	83,664	47,621	19,931	4,804	7,249	-2,445

^a Includes a slight amount of duplication as a result of mergers, consolidations, changes in corporate names and changes of income year which necessitated filing more than one state franchise tax return during the year. In 1961 this duplication amounted to approximately 205, or 0.5 percent of the total.

^b Includes corporations with fiscal years ending in the calendar year shown.

Source: California Franchise Tax Board.



TABLE A-48
SAVINGS CAPITAL OF INSURED CALIFORNIA ASSOCIATIONS
BY TYPE OF ASSOCIATION, 1972 AND 1973
(Amounts in millions)

Month	All insured associations		Percent change	State chartered associations		Federally chartered associations	
	Amount			Amount*		Amount*	
	1972	1973		1972	1973	1972	1973
January.....	30,652.8	36,161.3	18.0	20,156.1	24,382.1	10,496.7	11,779.2
February.....	31,116.2	36,389.0	16.9	20,408.6	24,528.8	10,652.6	11,860.2
March.....	31,910.9	36,969.6	15.9	20,957.3	24,921.8	10,923.6	12,017.8
April.....	32,002.9	36,935.7	15.1	21,110.5	24,886.2	10,952.4	12,049.5
May.....	32,512.1	37,231.7	14.5	21,384.0	25,067.1	11,128.1	12,164.6
June.....	33,177.0	37,698.8	13.6	22,360.9	25,362.0	10,816.1	12,336.8
July.....	33,505.0	37,505.9	11.6	22,643.9	25,228.5	10,951.1	12,277.4
August.....	33,916.6	37,110.5	9.4	22,861.1	24,963.6	11,053.5	12,146.9
September.....	34,592.8	37,330.3	7.9	23,321.7	25,123.1	11,271.1	12,207.2
October.....	34,980.7	37,378.4	6.9	23,576.5	25,122.1	11,404.2	12,256.0
November.....	35,257.5	37,493.5	6.3	23,767.6	25,194.0	11,489.9	12,299.0
December.....	35,659.6	37,536.0	6.1	24,049.3	25,425.2	11,610.3	12,410.2

* Commencing with the month of June 1972 dollar values shown reflect the conversion of a Federally Chartered Association (with savings capital of \$523.5 million as of May 31, 1972) to a State Chartered Association. Accordingly, comparative data shown commencing with the month of June 1972 are not indicative of growth rates for type of associations shown.

† Preliminary.

Source: Federal Home Loan Bank of San Francisco.

TABLE A-49
SUMMARY OF STATE TAX COLLECTIONS, 1950-75
(Excluding departmental, interest and miscellaneous revenue)

Fiscal year	State tax collections			Taxes per capita			Taxes per \$100 of personal income		
	General fund (thousands)	Special funds (thousands)	Total (thousands)	General fund	Special funds	Total	General fund	Special funds	Total
Cash Basis									
1950.....	\$524,423	\$268,177	\$792,605	\$49.99	\$25.57	\$75.56	\$2.94	\$1.50	\$4.44
1951.....	647,992	295,542	943,534	59.52	27.15	86.67	3.28	1.49	4.77
1952.....	709,245	322,699	1,031,944	62.30	28.35	90.65	3.12	1.42	4.53
1953.....	751,048	346,480	1,097,528	63.53	29.19	92.72	2.99	1.37	4.36
1954.....	772,250	442,538	1,214,788	62.74	35.95	98.69	2.86	1.64	4.50
1955.....	831,599	467,814	1,299,413	65.20	36.66	101.86	3.01	1.69	4.70
1956.....	972,828	524,765	1,497,593	73.18	39.48	112.67	3.20	1.73	4.93
1957.....	1,042,773	554,713	1,597,486	75.13	39.97	115.10	3.14	1.67	4.82
1958.....	1,069,809	572,490	1,642,299	73.09	39.59	112.68	3.01	1.61	4.63
1959.....	1,170,890	594,557	1,765,447	77.99	39.60	117.60	3.14	1.59	4.73
1960.....	1,443,296	633,492	2,076,788	92.66	40.67	133.33	3.52	1.55	5.07
1961.....	1,537,347	656,815	2,194,162	95.40	40.76	136.16	3.53	1.53	5.11
1962.....	1,645,300	669,267	2,314,567	98.00	40.23	138.23	3.61	1.47	5.08
1963.....	1,751,038	711,185	2,462,223	104.06	41.32	145.38	3.66	1.45	5.11
1964.....	2,057,962	813,937	2,871,900	115.81	45.80	161.62	3.92	1.55	5.47
1965.....	2,161,157	931,958	3,093,115	118.38	51.05	169.43	3.83	1.65	5.48
1966.....	2,398,953	971,625	3,370,578	128.49	52.04	180.52	3.99	1.62	5.61
1967.....	2,422,275	993,277	3,415,551	127.21	52.16	179.37	3.73	1.53	5.25
Accrual Basis									
1967.....	2,746,588	1,091,387	3,838,275	144.25	57.31	201.57	4.23	1.65	5.90
1968.....	3,557,610	1,118,311	4,675,921	183.63	57.72	241.35	5.10	1.60	6.70
1969.....	3,962,520	1,210,229	5,172,748	201.49	61.54	263.03	5.16	1.55	6.74
1970.....	4,125,607	1,283,258	5,408,865	207.09	64.41	271.50	4.97	1.54	6.51
1971.....	4,290,263	1,308,150	5,598,413	212.80	64.89	277.69	4.80	1.47	6.27
1972.....	5,212,693	1,355,863	6,568,555	255.44	67.91	323.35	5.52	1.47	6.99
1973.....	5,758,296	1,470,905	7,229,201	280.64	71.69	352.33	5.64	1.44	7.08
1974*.....	6,157,127	1,490,198	7,647,325	296.86	71.85	368.71	5.50	1.33	6.83
1975*.....	7,408,395	1,503,715	8,912,110	353.52	71.76	425.28	6.17	1.25	7.43

* Estimated.

Source: Department of Finance.



TABLE A-51
**ASSESSED VALUE OF TANGIBLE PROPERTY, TANGIBLE PROPERTY TAX LEVIES
 AND AVERAGE TAX RATE IN CALIFORNIA, 1951-1974**

Year	Assessed value		Tax levies*		Average tax rate	
	Amount (in thousands)	Percent change from preceding year	Amount (in thousands)	Percent change from preceding year	Dollars per \$100 assessed value	Percent change from preceding year
1950-51	\$13,618,915	---	\$791,353	---	\$5.81	---
1951-52	14,735,439	8.2	845,750	6.9	5.74	-1.2
1952-53	16,107,000	9.3	933,253	10.3	5.79	0.9
1953-54	17,170,270	6.6	1,019,966	9.3	5.94	2.6
1954-55	18,228,961	6.2	1,121,911	10.0	6.15	3.5
1955-56	19,993,440	9.7	1,253,243	11.7	6.27	2.0
1956-57	21,819,602	9.1	1,416,225	13.0	6.49	3.5
1957-58	24,308,207	11.4	1,634,413	15.4	6.72	3.5
1958-59	25,956,588	6.8	1,807,932	10.6	6.96	3.6
1959-60	27,431,577	5.7	1,930,493	10.1	7.26	4.3
1960-61	29,690,832	7.9	2,155,588	10.3	7.42	2.2
1961-62	31,549,630	6.6	2,414,617	10.0	7.65	3.1
1962-63	33,326,914	5.6	2,695,131	7.9	7.82	2.2
1963-64	35,066,088	5.2	2,865,152	7.6	8.00	2.3
1964-65	36,743,364	4.8	3,035,379	9.0	8.32	4.0
1965-66	39,464,013	7.4	3,367,735	10.1	8.53	2.5
1966-67	42,522,355	7.7	3,790,505	11.7	8.84	3.6
1967-68	46,186,881	8.6	4,110,742	9.3	8.90	0.7
1968-69	48,653,400	5.3	4,592,955	11.2	9.39	5.5
1969-70	^b 52,115,409	7.1	4,935,475	8.0	9.92	5.6
1970-71	^b 55,550,735	6.6	5,716,550	15.8	10.85	9.4
1971-72	^b 58,785,243	5.8	6,372,331	11.5	11.43	5.3
1972-73	^b 62,790,656	6.8	6,819,509	7.0	11.44	0.1
1973-74	^b 67,277,649	7.1	^a 6,645,000	-2.6	11.15	-2.5

* Excludes special assessments levied on limited categories of property to finance activities from which such properties derive special benefits. In 1973-74 these assessments totaled approximately \$165 million.

^b Because the State reimburses counties for the loss of revenue from the homeowners' and business inventory exemptions and tax rates are set on assessed values which include the values of these exemptions, they have been included in assessed valuations. This treatment maintains the comparability of data in this series. Since the inception of these exemptions their aggregate values have been:

	Assessed value	
	Homeowners'	Business inventory
1969	\$1,909,786,000 (at \$750)	\$475,375,000 (at 15%)
1970	1,910,243,000 (at \$750)	995,503,000 (at 30%)
1971	1,955,217,000 (at \$750)	1,056,891,000 (at 30%)
1972	2,051,275,000 (at \$750)	1,125,508,000 (at 30%)
1973	5,737,738,000 (at \$1750)	1,923,315,000 (at 45%)

* Estimated.
 Source: California Board of Equalization.

TABLE A-57
MANPOWER DEVELOPMENT AND TRAINING ACTIVITIES^a IN CALIFORNIA
1967 THROUGH DECEMBER 1973

Activity	1967	1968	1969	1970	1971	1972	1973
Initially enrolled.....	32,436	32,093	20,128	19,737	21,373	21,727	12,471
Youth 16 to 22 years.....	12,422	11,956	7,824	7,489	6,719	6,588	3,924
Public assistance recipients.....	3,888	4,757	3,294	4,019	4,154	3,805	2,296
U. I. claimants.....	4,631	4,517	3,424	2,968	3,079	2,390	1,191
Completed occupational training.....	18,970	16,188	12,304	10,226	12,875 ^c	15,140	10,312
Youth 16 to 22 years.....	6,652	5,344	4,481	3,632	3,822	4,480	3,615
Contacted following training ^b	14,160	10,882	6,381	5,417	5,299	5,88 ^c	4,715
Employed—training related jobs.....	10,814	7,901	3,966	2,989	2,934	3,34 ^c	2,735
Employed—nontraining related jobs.....	1,013	908	731	647	550	650	578
Determined entitled to training allowances ^{a, d}	17,713	21,938	20,071	23,437	23,049	17,423	12,175
Weeks of training compensated ^e	269,156	339,430	251,891	256,815	291,944	278,538	185,963
Amount of training payments ^e	\$15,170,401	\$17,580,000	\$12,792,426	\$13,051,981	\$14,676,656	\$14,014,963	\$9,841,461

^a First institutional training course approved August 27, 1962. First on-the-job training course approved August 21, 1963. Jobs Optional and Displaced Worker Programs became operational and were reported in 1971. These figures do not include Technology Mobilization and Reemployment Program activities, comparable data not available.

^b Number of trainees in completed classes for which at least one follow-up has been made.

^c These categories are not applicable to the Displaced Worker or Jobs Optional on-the-job training programs which began reporting January, 1971.

^d Cannot be directly compared to number of enrollments during month because of lag in computation and payment of allowances.

^e Revised.

Source: California Employment Development Department.

WELFARE REFORM

I. PERCEPTIONS

Chances are when a citizen is asked to respond to why he thinks Ronald Reagan is a potentially viable candidate for the presidency one of the two or three things he would cite is that "Reagan did something about the welfare mess." Or he might be so bold as to suggest that where Reagan actually reduced the welfare rolls. Still others might boldly suggest that Reagan put into effect programs which caused welfare recipients to actually go to work. Reagan has fostered this with continual talk about the fact that he reduced the welfare rolls in California.

II. RONALD REAGAN SPEAKING TO THE ISSUES OF HEALTH AND WELFARE

"My position has always been this, very simply, that no one in this country should be denied medical care because of a lack of funds..."

News conference, Sacramento
May 2, 1967

Reagan said if he becomes governor "there will be no welfare for the able-bodied unless they accept job training that would fit them to take their places as productive members of society."

Speech, Orange County
Los Angeles Times, Sept. 30, 1966



"A variety of (poverty) programs have deluded private property rights so that the public interest is anything the planners decide it should be."

Speech, New Haven, Sept. 28, 1965

"Let's stop being our brother's keeper and start being our brother's brother. Let him start keeping himself."

Speech, GOP fund raiser, Des Moines
San Francisco Chronicle, Oct. 26, 1967

"We must take care of those who are unable to care for themselves but the able-bodied should be given a choice of earning a paycheck rather than a dole by working in public facilities or enrolling in a job-training program to make them employable. They should not sit on their porch and get a check for doing nothing."

San Francisco Examiner
Oct. 9, 1966

III. WHAT DID REAGAN'S WELFARE REFORM PROGRAM AS FINALLY ADOPTED CONSIST OF?

Principal Provisions of the 1971 Welfare Reform Act

1. *AFDC grant schedule.* Eliminated confusing "maximum participating base" and set up a flat grant schedule adjusted to family size, with provision for annual cost-of-living increases beginning 1973-74. The new schedule raised grants to recipients with no other income and reduced grants to those with other income. (In effect.)

2. *Gross income limit.* Subject to federal approval, made any AFDC applicant with gross income equal to 150 percent of the need standard ineligible for assistance. (Approval has not been received.)

3. *Work expenses.* Set a ceiling of \$50, plus necessary child care costs, on allowable income exemptions for work-related expenses of employed AFDC recipients. (Awaiting final court action.)

4. *Special needs.* Eliminated state payments for special needs that are not common to the majority of welfare recipients. (In effect.)

5. *Verification of eligibility.* Verification of eligibility of applicants for immediate assistance must be made within five working days; if not, the county must bear the full cost of the payment to the applicant. (In effect)

6. *Exemption.* Set maximum values for personal property exempted in determining an applicant's eligibility. Reduced exemptions that can be claimed for "lump-sum" income and "casual and inconsequential" income. (In effect.)

7. *Responsible relatives.* Substantially increased required contributions of relatives of OAS beneficiaries, subject to administrative reduction by Social Welfare Director. (Awaiting final court action.)

8. *Absent fathers and stepfathers.* Authorized attachment of wages and property liens against absent parents of AFDC children and provided for payment to counties of part of state's share of delinquent con-

tributions collected from absent parents. Required that a wife's community property interest in her husband's income be used to support her children by a previous marriage, but deducted his prior support liability and \$300 per month before determining her interest. (Partially in effect.)

9. *Eligibility check-up.* Permitted Director of Social Welfare to examine employment tax reports to verify entitlements of employed grant recipients and to release lists of applicants and recipients to other public agencies to verify eligibility. (In effect.)

10. *Grant sharing.* Provided that the state and counties share aid to the disabled payments equally and that, effective July 1, 1972, the state take over full cost of all other "adult" assistance categories (OAS, AB, APSB).

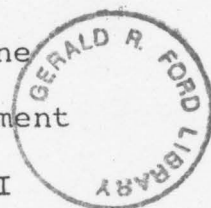
11. *Administrative cost sharing.* Required state to pay 50 percent of administrative costs for eligibility and grant level determinations, and transferred all responsibility for these functions to the state, allowing the state to contract with the counties to carry them out.

12. *Employment programs.* Appropriated \$2 million to increase WIN public service jobs and \$7 million to enable the State Personnel Board to increase job opportunities in state and local government. Provided for the termination of AFDC grants to employable recipients who refuse to accept work, work training, or participation in a community work force.

13. *Day care.* Appropriated \$3 million to expand child care services and required every county to establish a day care center.

14. *Family planning.* Appropriated \$1 million to assure provision of family planning services to all former, present, and potential AFDC recipients of child-bearing age.

While it is possible to show that welfare rolls declined for a period of time, it is important to examine that decline by welfare category and then overlay the increase in employment during the period Reagan contends welfare rolls declined. I submit that once this examination is made it is clearly evident that the reduction in unemployment had a larger effect on checking the rise of welfare caseloads than did any other single factor.



Consider the following:

- A. In April 1971 unemployment in California was 7.4% seasonally adjusted and the welfare caseload was 2,266,808. In September 1972 when the Reagan crowing about reform was loudest, the caseload was 2,062,411 and the unemployment rate was only 5.9%

- B. Those categories which most directly relate to employment were the areas where the drops were registered. The AFDC-U (Aid for Dependent Children-Unemployed father) caseload in the same time frame as above dropped from 330,257 to 184,996. The general home relief category was also down in the same time frame from 87,586 to 52,331. Thus, of the caseload reduction of 204, 397 for the time frame examined, 180,516 reductions are directly related to the improving economy.

The following table from the December 1972 California Journal outlines the statistical data presented above:

PUBLIC ASSISTANCE CASELOAD BY MAJOR CATEGORIES						
	OAS	ATD	AFDC-FG	AFDC-U	General Home Relief	Total Caseload
1970						
Oct	319,557	181,962	1,210,027	242,357	96,525	2,088,214
Nov	319,838	182,409	1,219,247	261,178	97,545	2,127,778
Dec	321,713	184,889	1,238,422	295,628	100,985	2,189,480
1971						
Jan	322,693	186,413	1,263,620	323,433	103,085	2,247,516
Feb	323,045	187,928	1,256,909	324,870	104,418	2,245,293
Mar	323,642	189,754	1,285,466	342,763	103,149	2,293,280
Apr	323,399	190,307	1,286,419	330,257	87,586	2,266,808
May	322,346	190,148	1,287,528	313,124	86,954	2,161,631
Jun	319,518	189,564	1,263,135	293,685	85,856	2,200,441
Jul	318,692	189,757	1,267,123	272,988	81,916	2,187,396
Aug	318,201	190,289	1,287,560	257,436	84,915	2,130,460
Sep	317,672	190,922	1,293,021	248,838	58,077	2,155,565
Oct	317,350	191,538	1,283,632	237,642	56,367	2,133,694
Nov	315,462	191,441	1,273,253	231,916	57,886	2,117,067
Dec	315,368	191,188	1,271,309	236,244	57,267	2,118,639
1972						
Jan	314,064	192,817	1,272,908	233,149	58,176	2,118,333
Feb	312,489	193,465	1,281,326	244,116	58,529	2,136,802
Mar	312,383	195,503	1,296,750	250,459	53,099	2,161,050
Apr	310,972	196,635	1,295,524	242,867	54,773	2,147,976
May	310,257	199,710	1,289,884	230,241	55,240	2,132,949
Jun	308,256	198,841	1,274,373	212,463	53,990	2,095,543
Jul	307,669	199,905	1,271,976	200,436	53,264	2,088,537
Aug	306,743	201,577	1,276,991	193,066	54,037	2,078,650
Sep	305,208	201,574	1,272,747	184,996	52,331	2,062,411

We have estimated statistics from the Department of Welfare which if and when they become confirmed may indicate that the total caseload did continue to drop even when the rate of unemployment began to increase substantially. We point this out only to indicate that it is probably too early to make a definitive judgement as to the total effect of the Reagan Welfare Reforms.

IV. OTHER EXAMPLES OF REAGAN ADMINISTRATION WELFARE
INEFFECTIVENESS, INEFFICIENCY AND GENERALLY POOR
ADMINISTRATION

A. One of the big points of Governor Reagan's welfare Medi-Cal reform program was to develop the so-called pre-paid health plans as an alternative to delivery plans for Medi-Cal health services. The plan was operationalized in California. The office of the Auditor General in a report to the Joint Legislative Audit Committee entitled "Department of Health --Prepaid Health Plans" outlined a number of failures and inefficiencies of the worst order not to mention taxpayer abuse. The report said, in part:

"Total payments by the Department of Health from January 1, 1971 through December 31, 1973 to the 15 PHP (Pre-Paid Health Plan) contractors, 14 of whom provide services in Los Angeles County, amounted to \$56.5 million. Of this amount, only an estimated \$27.1 million or 48 percent was expended for health care services for Medi-Cal recipients. The balance of \$29.4 million or 52 percent was expended by the PHP contractors and their affiliated subcontractors for administrative costs or resulted in net profits to these companies.

"As one example of such administrative costs, a salary of \$120,000 plus expenses was paid by a PHP contractor to a physician to serve as a plan administrator.



"The Auditor General has concluded that the Department of Health, in paying out \$56.5 million to 15 PHP contractors and, in return, receiving only 48 percent of that amount, or \$27.1 million in actual health care services, has administered the PHP program in an ineffective manner.

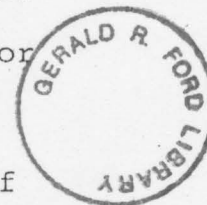
"The Department of Health has not properly discharged its statutory authority and responsibility of instituting and requiring uniform accounting procedures, complete financial reporting and routine auditing of PHP contractors and their affiliated subcontractors. Therefore, the Auditor General has recommended that legislation be enacted to transfer such authority and responsibility from the Department of Health to the Department of Finance.

"Officers and directors of eight of the nonprofit PHP contractors have formed firms of affiliated profit-making subcontractors who provide various services, including administration and health care, for the PHP contractors. The complex relationship of the contractors with the subcontractors makes it more difficult to determine how much of the Department of Health payments is actually expended for health care services."

Further, the report concludes the department (the Reagan administration) could have taken steps to correct these problems. On page eight of the Auditor General's report, the following statement is made:

"While there is nothing in the law regulating PHP

contracts with the Department of Health which establishes a specific statutory limit on administrative expenses, or a specific statutory minimum percentage to be spent on health care services, it is clear that the Department of Health, under its broad authority to determine the terms of the PHP contracts, could have imposed a limit on such expenses or a minimum percentage which must be expended for health care services."



B. In July of 1974, the Auditor General prepared a report for the Joint Legislative Audit Committee entitled "Department of Health Pre-Paid Health Plans" which concluded the administration had had inadequate controls to preclude duplicate payments for Medi-Cal services rendered to Medi-Cal recipients enrolled in pre-paid health plans. These inadequate controls had resulted in approximately \$4.2 million in duplicate payments by the state -- wasted taxpayer dollars. In addition, the report indicated the administration's Department of Health paid approximately \$960,000 on a fee for service basis for dental services for Medi-Cal recipients enrolled by Foundation Community Health Plan (FCHP), a PHP contractor, when the services should have been provided by FCHP at no additional cost.

Further, the report indicated that the Department policy of repayment to PHP members had been inconsistent and was not in conformance with statutory requirements.

This is another example of waste, inefficiency and poor management of the administration of Ronald Reagan.

C. One of Reagan's big cries which was incorporated in the California Welfare Reform Act of 1971 was the need to establish the so-called Community Work Experience Program (CWEP) for aid to families with dependent children (AFDC) welfare recipients. The Legislature intended that this California state program operate as a demonstration program to provide for development of employability of AFDC recipients through actual work experience.

In May of 1974, the Auditor General reported to the Joint Legislative Audit Committee in a report entitled "California Work Experience Program (CWEP)." The report states, in part:

"The stated goals of CWEP include a reduction of AFDC recipients on welfare and, therefore, a reduction in welfare costs. As of March 1974, CWEP was involved in 34 California counties with a total of 603 participants.

"The Auditor General found that only 1,134 participants, or less than four percent of the program's expected first-year level of participation of 30,000 participants, were placed in CWEP in fiscal year 1972-73. Further, EDD (Employment Development Department) lowered the expected level of participation for the second year by 82 percent and achieved less than 25 percent placement of this sharply reduced expected level of participation.

"In EDD's April 73 CWEP Evaluation Status Report, the report stated '...the volume of CWEP activity is not sufficient to cause significant impact on AFDC caseloads. The volume of data should increase as individual county problems are resolved and the program is more fully implemented.' At that time, the ratio of monthly CWEP placements to total AFDC caseloads was one-half of one percent. In fact, this ratio in February 1974 was one-tenth of one percent and never exceeded six tenths of one percent between April 1973 and March 1974.

"Although CWEP was authorized as a demonstration project to test the hypothesis that a program providing job training and work experience for welfare recipients would reduce welfare costs, the program has not been implemented in a manner which would allow its effect on welfare costs to be determined. This results from inadequate experimental controls, inadequate reporting, inaccurate and inadequate cost accounting.

"The Auditor General also reported that EDD has overstated, in its 1973 annual report, by at least 56 percent the number of individuals placed in the CWEP program. Further, EDD understated the costs in this report of state and local agencies for implementing CWEP. While EDD's annual report stated that CWEP had 1,540 participants, based on field investigation by the Auditor General's staff, the maximum number of participants was 1,005. On the basis of

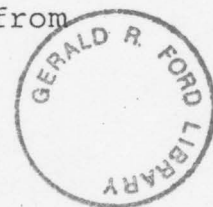
the Auditor General's projected sample, the number of participants could have been as low as 550. As one example of the understated costs, county welfare staff time devoted to CWP fair-hearing activities was entirely excluded from EDD's 1973 annual report."

The program is considered a total failure.

D. On Oct. 9, 1971, Carl Ingram, a reporter for United Press International, broke a story which said, "state reports apparent fraud rate of 41 percent in dependent child aid program." The article further said, "Reagan administration officials report their controversial new double check of welfare recipient earnings show the 41 percent rate of apparent fraud in the needy children's program."

The Auditor General issued a report entitled "Department of Social Welfare -- Review of the Alleged 41 Percent Rate of Welfare Fraud in the Aid to Families with Dependent Children Program." The report covers the Oct. 1, 1971, to Nov. 31, 1971, time period. It states, in part:

"...that the computation of 'apparent fraud' was based solely on the discrepancy between the amount of reported earnings obtained from HRD (Human Resources Development) and the amount of earnings as shown in the recipients' case files. The cases classified as 'apparent fraud' by SDSW (State Department of Social Welfare) did not



take into consideration the element of recipient intent which is an important part of the definition of fraud as stated in the department's Manual of Policies and Procedures.

"...without investigating each case where a discrepancy is indicated, a finding that fraud has been committed is a premature conclusion."

When the Auditor General examined the figures for the County of Sacramento which placed each of their cases case-by-case in the 64 cases examined, only eight were subsequently found sufficiently worth referral for consideration of criminal complaints.

Therefore, it would seem that this was another in a series of Reagan grabs for headlines.

D. In March of 1973, the Auditor General prepared a report for the Joint Legislative Audit Committee entitled "Department of Health Care Services -- Review of Medi-Cal Management System." This report found, among other things, that:

1. "Payments for claims are being duplicated, paid to wrong providers, and are being made in excess of allowable amounts.
2. "Procedures have been developed which encourage improper disbursement of funds.
3. "Clerical personnel have excessive latitude in overriding computer controls.
4. "Adequate accounting controls are not being

maintained for claims processing.

5. "The state has prematurely accepted and made final payments for the development of the Medi-Cal management system in the amount of \$545,101."

Again, clear evidence is shown here of Reagan's poor management in the welfare area and his poor stewardship in administration of efficiency and cost control in state business.



F. WIN Program Cuts by Reagan

In 1966 Reagan promised in his campaign, "there will be no welfare for the able-bodied unless they accept a job."

In July of 1970 Reagan cut the WIN (Work Incentive Program) which is designed to put welfare recipients back to work by nearly 50 percent of its state dollars (reduced the state share from 2.1 to 1.1 million dollars).

In 18 months of California WIN 9,000 welfare recipients were put to work at a saving of \$20 million to the state in welfare dollars not paid. With that one fell swoop of the pen Reagan cut 7,560 of 16,800 WIN slots in California.

Is that what Republican welfare reformers should do?

G. Inefficient Reorganization of the Department of Health

In March, 1975, the Auditor General in a report to the Joint Legislative Audit Committee indicated that the

20-month old reorganization of the \$3 billion Department of Health has not lived up to expectations. Here's what the report said"

"More time, money and effort are required to do the same work.

"Federal funding for the Social Services Program could be in jeopardy.

"Excessive staff shuffling (46 percent of the 93 top administrators have switched jobs five or more times since July 1970) has persisted."

Is this any way for a governor committed to efficiency to run this massive department?

CRIME



I. PERCEPTIONS

Ever since he became governor, Reagan has done an outstanding job on this issue by using a great deal of rhetoric to create the image of the original super cop. The image is one of working hard to lock up all criminals so as to keep the streets safe for all the good citizens.

II. RONALD REAGAN ON THE CRIME ISSUE

"As governor I will support and work for a plan to take the appointment of judges out of politics."

Reagan for Governor Committee
campaign literature, 1966

(Reagan as governor has appointed Republicans to 76 percent of the judicial vacancies he has filled. Reagan appointed his own former executive secretary and a 1966 campaign aide, Bill Clark, to a Ventura County Superior Court vacancy, without clearing the appointment through the county bar association. Reagan's judicial "reform" plan would have taken the appointment of judges out of the limelight of gubernatorial appointments and turned the matter over to the backroom politics of local bar associations.)

"As Governor ... it will be my purpose to see that California's streets and neighborhoods become safe again."

"Ronald Reagan Speaks to the Issues,"
Reagan for Governor Committee, 1966

(California streets and neighborhoods are not safe again.-- crime in California during the first Reagan administration increased 39 percent. He has failed to make this promise good.)

"As Governor I will seek legislation setting up a modern state police academy and crime laboratory to assure out people the best law enforcement possible."

"The Candidates and the Issues,"
San Francisco Examiner, Nov. 4, 1966

(Reagan never proposed legislation to establish a modern state police academy. California has had for years a modern crime laboratory in the Department of Justice.)

"California needs the kind of academy that will bring better training to all our law officers." He said he envisions a crime laboratory that goes "far beyond" the small lab now operated by the State Criminal Investigation and Identification Bureau. He said that as governor he would create a state-operated police training academy.

Copley News Service, Los Angeles,
Aug. 20, 1966

"The only thing that's going up more than spending is crime. Our city streets are jungle paths after dark with more crimes of violence than New York, Pennsylvania and Massachusetts combined."

Televised talk, Los Angeles,
Reported by the Associated Press,
Jan. 5, 1966

...Reagan said the state's prisons, hospitals and correctional institutions can be run more efficiently. He added: "These institutions are the biggest hotel chain in California."

News conference, San Francisco,
The Sacramento Bee, April 6, 1967

Reagan said the "biggest hindrance to law enforcement is the way that this state has preempted the right of local government to enact their own criminal law."

Republican rally, Manhattan Beach,
Los Angeles Times, Oct. 21, 1966

"It is important to recognize that unless both local and state law enforcement agencies meet their responsibilities, we may find them usurped by the federal government or ceded to it by default. When this happens we will have, in effect, a national police force. And we will have taken steps to abolish crime only at the risk of our freedom."

Speech, National Sheriffs Association,
Las Vegas, June 19, 1967

"Public information and community relation programs are no longer luxuries for law enforcement agencies. They must become essential parts of day-to-day operations."

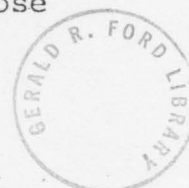
Speech, National Sheriffs Association,
Las Vegas, June 19, 1967

"In the world's richest nation we are told we could reduce the highest crime rate by eliminating poverty. Let us say instead the criminal -- not society -- is responsible for

his misdeeds and punishment of the guilty should be swift and certain."

Speech, Young Republicans Convention
Omaha, June 22, 1967

"I'm opposed (to police review boards). I think this is an unnecessary interference. I think that where those communities that have tried it have found that it has interfered with law enforcement and has unnecessarily restricted the police and I believe that we have a fine police department here."



Press conference, Jan. 4, 1966

Q. "Could you state for me the official position on capital punishment of your administration."

A. "Yes. As expressed by myself on a number of occasions, I believe that capital punishment is necessary and should be maintained. This is a personal view. I have been on both sides of the fence with regard to this, but I feel and believe that it is essential in the preservation of law and order. I believe it is a preventative."

News conference, Sacramento
Sept. 5, 1967

(Reagan) believes some control of mail-order gun sales would be in order.

News conference, Los Angeles,
Los Angeles Times, Aug. 3, 1966

Reagan said he was in agreement with Lynch's proposal for legislation further restricting the sale and use of heavy firearms.

"I don't want to look out of the window and see that my neighbor has given the kids some bazookas..."

News conference, Sacramento,
The Sacramento Bee, Dec. 1, 1966

"...I think those (racial) disturbances are a terrible thing and I think there is only one way to handle them. I think they have to be met and controlled and whatever force is necessary to preserve law and order must be exerted."

News conference, Sacramento,
May 16, 1967

Q. "Do you endorse the concept that every man ought to have a gun in his own home in order to defend himself...?"

A. "...I am not in favor of much of the proposed gun legislation. The idea either of registration or further restrictions. I think there are things that can be tightened up with regard to interstate shipment of arms, so that you should have more control of who couldn't buy. I don't think -- you know, people kill people; guns don't kill them. And a very small percentage ... of our crimes of violence are committed with a gun.

"I like the idea that the law-abiding can have protection in their homes. I would be opposed to anything that would make it more difficult for the law-abiding to have that protection."

News conference, Sacramento,
May 9, 1967

"There is talk these days that punishment is not a deterrent, and I believe that talk is partly responsible for our increase in crime. As punishment becomes more difficult to mete out, those who should be deterred by its threat feel freer to resort to crime and acts of violence."

Speech, National Sheriffs Association,
Las Vegas, June 19, 1967

"If I could ever have it proven to my satisfaction that the death penalty is not a deterrent, that in other words it is only punishment, then I would be opposed..."

News conference, Statler Hilton,
Los Angeles, Jan. 4, 1966

"If Negroes don't cool it, Martin Luther King will have died in vain."

San Francisco Examiner
April 4, 1968

"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's laws in this regard, while keeping within those guidelines and avoiding any taint of censorship."

State of the State Message
Jan. 8, 1968

Q. "If a bill were to pass abolishing capital punishment

would that go across your desk?"

A. "Well...I wouldn't want to make a commitment until I knew whether it reflected the will of the people. The people of California have at several times made it unmistakably plain that they supported the death penalty. I would assume that if and when such a bill ever did arrive, that it would be because the people had changed their minds about it."

News conference, Sacramento
March 14, 1967

"I think in legislation, when hearings have been held and it finally reaches a vote, you have a pretty good indication as to whether the Legislature is expressing the will of the people. Believing that, if they had done that (passed a bill to abolish capital punishment) I certainly wouldn't stand in their way."

News conference, Sacramento
April 11, 1967

III. RONALD REAGAN'S RECORD ON CRIME IN CALIFORNIA

Here I think the most important thing strategically is that we cannot go charging into Reagan on the same old basis that crime is up by X percentage in California and therefore he was a failure on the crime issue. Not included in these statistics is the reference to violent crime on the increase. My theory here is two-fold:

1. It can always be shown that crime is on the rise.

As such, that would not give Ford an edge over Reagan.

2. More importantly, I think there are several issues that will make a point better with reference to Reagan's position on crime. I refer to original comments on the initial memo:

We are exploring the possibility that we can charge Reagan with being soft on crime specifically liberal on the parole of felons.

A. During the central period of the Reagan Administration (1968 through 1972) the number of male felons in California prisons declined more than 7,000, from 23,405 to 16,061.

B. While it is true that part of that drop can be attributed to the "probation-subsidy" program enacted by the 1965 Legislature to keep so-called lesser criminals (burglars, check forgers, etc.) out of state prisons, Reagan's administration developed a very liberal parole policy. The number of male felons on parole increased from 10,524 in 1968 to 14,533 in 1971.

C. During that period of time the Reagan administration praised itself for its many corrections reforms.

D. In 1973 Reagan's liberal parole policies came to an end largely due to pressure for change from law enforcement officials. Thus in 1973 and 1974 the prison population in terms of male felons began to rise again to the point of 21,547 when Reagan left office.

E. Going hand in hand with the above problem are the

following statistics on felony arrest dispositions in California during the 1973 time frame:

Of the 233,000 persons arrested in 1973 for a felony, only 186,000 had a complaint filed against them and of those, only 85,000 persons were prosecuted. Of those, only 42,000 were convicted of a felony. Worse yet, of the 42,000 convicted felons, only 5,000 were sent to state prison with another 1,000 being sent to the Youth Authority. 14,000 were granted straight probation and another 16,000 were granted probation and served less than one year in a county jail. Thus, in California in 1973, only 2.6 percent of those arrested by the police for a felony went to state prison.

Corresponding with this drop in the number of male felons in prison is a skyrocketing increase in active adult perversion caseload. The total below shows that over the last 11 years, five of the highest percentage increases in the perversion caseload occurred during the Reagan administration and there is definitely a positive correlation with reference to this increased perversion caseload and the decrease in the number of male felons in prison.



TABLE A

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ACTIVE ADULT PROBATION CASELOAD ON DECEMBER 31, 1963 - 1973

Year by Type of Court

Year	Total	Percent change	Superior court	Municipal and justice courts	Percent superior court to total caseload
1963	71,839	9.5	30,833	41,006	42.9
1964	75,545	5.2	31,974	43,571	42.3
1965	78,847	4.4	33,677	45,170	42.7
1966	80,645	2.3	36,053	44,592	44.7
1967	83,517	3.6	39,474	44,043	47.3
1968	93,280	11.7	46,263	47,019	49.6
1969	102,042	9.4	55,124	46,918	54.0
1970	117,095	14.8	62,141	54,954	53.1
1971	132,078	12.7	68,379	63,699	51.8
1972	143,183	8.4	72,757	70,426	50.8
1973	150,292	5.0	72,539	77,756	48.3
Percent change:					
1973 over 1963	109.2	-	135.3	89.6	-
1973 over 1968	61.1	-	56.8	65.4	-

Source: California Department
of Justice -- Division
of Law Enforcement --
Bureau of Criminal
Statistics

"Adult Probation in
California -- 1973

The budget act of 1972 appropriated \$600,000 to the Department of Corrections "for additional training for prison personnel including correctional officers, correctional program supervisors, correctional counselors, parole agents, middle managers, administrators, and parole board members and representatives..." This \$600,000 was appropriated as a separate item in the budget act, and was in addition to approximately \$657,000 in the department's operational budget to finance its in-service training programs.

The Auditor General in a report to the Joint Legislative Audit Committee entitled "Review of the Department of Corrections Use of a Special \$600,000 Appropriation Relating to Training of Correctional Officers" in 1974 said, in part:

"The special appropriation is being used to finance a training course to maintain peace officer's status for correctional officers. In the judgement of the Auditor General, this is not the intent for which these monies were appropriated."

Further, the report says, "twenty-five percent of the training course covers laws of arrest which are seldom experienced in correctional institutions. In fact, the job description for correctional officers does not even include arrest functions."

Still further, the report says, "the Auditor General recommends that the Department of Corrections discontinue

the financing of peace officer training requirements from the special training. Implementation of this recommendation will free the balance of funds ... for training to upgrade the performance of correctional personnel in their duties."

And, lastly, the report indicates "the department has not maintained a formal set or account of records for the appropriation and, therefore, was unable to provide a detailed breakdown of the expenditures charged to it. The Auditor General recommends that the department immediately establish a proper set of records.



REGULATION OF PUBLIC UTILITIES

I. REAGAN ON PUBLIC UTILITIES

"I don't know if the government has proven it is better able to provide power."

Speech, Telephone Company
April, 1966

"...there is indication that they (the Public Utilities Commission) have been unduly restrictive on the telephone company."

News conference, Sacramento
May 16, 1967

"...the phone company here in California has been in great difficulty because of some of the actions of the Public Utilities Commission, and I think that hearings might develop that there is this problem (rate increases) and where they have the expansion to keep up with the state's growth ... the PUC is going to have to be more realistic in its approach to the phone company."

News conference, Sacramento
May 16, 1967

II. HOW WELL DID REAGAN ACT IN THE CONSUMER INTEREST
TO REGULATE UTILITIES IN CALIFORNIA?

In his announcement of candidacy for the presidency, he talked about how terrible business was. Perhaps big utilities need to mentioned in this light and Reagan's helpful treatment

of them in California.

In 1972, the Auditor General prepared for the Joint Legislative Audit Committee a report on the state Public Utilities Commission. The audit was to determine whether or not the commission complied with the intent of the Legislature and had served the needs of the public in an economic and efficient manner in the regulation of utility rates.

The report may be summarized by quoting from it.

"The commission authorized rate increases of \$784 million during the five-year period through June 30, 1972, compared with a rate decrease of \$34 million during the preceding five-year period. This unprecedented increase of \$784 million raises a serious question as to whether or not the commission has met the needs of the public in assuring that the public utilities shall furnish adequate services at reasonable rates."

The report further points out the following as some of the reasons for the increases.

"The authorized rate increases are attributable to an overall increase in the cost of living and a combination of the following factors which are directly controllable by the commission.

A. "The raising of authorized rates of return for the regulated utilities during the last three years.

B. "Change in an established rate setting policy for the state's largest utility company allowing the firm's rates

to include incurred income tax expenses.

C. "Allowing the excess profits of an affiliated company to be passed on in the form of higher rates to its consumers.

D. "Failure to consider some relevant factors which would limit the amount of rate increases such as operations of affiliated companies, major costs claimed in support to offset rate increases and the operations of regulated companies located out of state.

E. "Failure to provide incentives that will promote efficient utility operation."

And, further, the report can be summarized by saying, "present policies and procedures practiced by the commission tend to prevent the efficient and effective regulation of utilities. These include the following:

A. "Assignment of commission hearings to individual commissioners.

B. "Commission preventing its legal staff from taking positions independently different from other commission staff.

C. "Review lacks verification of earnings, plant and equipment costs and other services.

D. "Formal organization of utilities division is over specialized and results in conflicts of authority among supervisory staff.

E. "Two divisions duplicate each other's efforts in determining the reasonableness of a utility's request for rate increases."

The issue here seems to me to be that the governor appoints the PUC commissioners and if he appoints commissioners to act in favor of utility companies, rates have a larger chance to increase. If on the other hand, he appoints commissioners who attempt to act in the consumer's interest, rates have less of a chance to increase. Further, my thinking is that New Hampshire, where utilities, questions of energy, etc., are of great importance, we find the way to either expand on this information or use it elsewhere.



The report presents the following totals to illustrate the rate increases and decreases over the 10-year period it examined.

Table 1

Public Utilities Commission Utility Rate Changes Authorized
Comparison of Five Fiscal Year Periods
1967-68 Through 1971-72 With
1962-63 Through 1966-67



<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>
1967-68	\$ 3,976,677	1962-63	\$ 969,105
1968-69	82,899,917	1963-64	(50,374,021)
1969-70	152,145,710	1964-65	2,492,928
1970-71	100,867,299	1965-66	1,921,448
1971-72	<u>443,613,982</u>	1966-67	<u>11,459,340</u>
	<u>\$783,503,585</u>		<u>\$(33,531,200)</u>

Source: Annual reports of Public Utilities Commission.

Comparing the total rate changes for the two five-year periods shows that the changes during the most current five-year period, exceeded those of the prior five-year period by \$817,034,785.



PROPOSITION ONE

I.

As part of his cost-cutting image, Ronald Reagan placed before the voters in the State of California a ballot measure which was ostensibly a tax limitation initiative. Perhaps one of the most interesting and politically usable factors about this is that it was defeated. That in combination with Reagan's massive mandate when he defeated Pat Brown and substantially lessened support when he defeated Jess Unruh and his defeat on Proposition One could argue for some political rhetoric which says that Reagan's popularity went downhill substantially over eight years culminating with the defeat in 1973. At least, that is something to play with.

II.

Rather than have us do a summary of Proposition One, I have included an analysis prepared by the California Journal.

Analysis of key provisions in Proposition 1

Here are the principal provisions of the tax limitation initiative on the November 6th statewide special election ballot:

Expenditure ceiling. At the heart of the measure is the proposal that expenditures from state tax revenues be limited to their current percentage of state personal income and that this percentage decline by one-tenth of one percent a year. Economists estimate the current ratio at 8.3 percent. Thus, the limit on state spending during the 1974-75 fiscal year would be 8.2 percent. Beginning in 1989-90 the year in which the limit reaches 7 percent, the Legislature would be allowed by two-thirds vote to eliminate further reductions in the limitation. As a safeguard against a sudden decline in personal income, an alternate formula provides that at no time shall the limit be less than the amount collected per capita in the current fiscal year as adjusted for inflation.

Increases authorized. The overall expenditure limitation could be increased or decreased by a majority vote of the people at a statewide election. Such a proposal could be placed on the ballot by a two-thirds vote of the Legislature or through the initiative process. The limitations could also be increased to provide local property tax relief if there is a commensurate reduction in property tax rates.

Tax refunds. In the event the state collects more money than it can spend under the limitation formula, the Legislature would be required to make periodic tax refunds or reductions from a special tax surplus fund.

Emergency fund. The Legislature is required to establish an emergency fund of not more than two-tenths of one percent of personal income. Upon the proclamation of an emergency by the Governor, the Legislature would be authorized to spend funds to meet the emergency, which is defined as "an extraordinary occurrence requiring unanticipated and immediate expenditures to preserve the health and safety of the people." If the fund is exhausted, the Legislature could dip into the tax-refund reserve or could authorize additional taxes by two-thirds vote. However, the special tax could remain in effect for no longer than two years without majority vote of the electorate.

Two-thirds vote requirement. The initiative also includes a long-time pet Reagan plan to require a two-thirds vote of the Legislature for the institution of a new tax or a change in the rate of any current levy. At present, a simple majority vote is required with the exception of certain taxes on banks, corporations and insurance companies (these require a two thirds vote). A two-thirds vote of the Legislature also would be needed to give local government the right to levy a personal income tax. Other local gov-

ernment taxes would remain subject to change by majority vote.

Property tax limits. Tax rate limits would be established for cities, counties and special districts similar to those imposed in the Reagan-Moretti tax reform measure of 1972 (SB 90). These limits, based on the rates in effect in 1971-72 and 1972-73, could be raised or lowered by vote of the people in the jurisdiction. Local governing boards could meet emergencies by raising taxes by four-fifth vote, but the levy would lapse after two years unless it were approved by vote of the people. In addition, the Legislature could authorize property tax increases to offset unusual cost-of-living or population trends as well as circumstances creating hardships for local government agencies.

State mandated programs. Duplicating a provision in the Moretti-Reagan tax program (one that can be ignored almost at will by the Legislature), the initiative would place in the constitution the requirement that the state provide the funds for any new or augmented program mandated on local government. There are certain exceptions, such as the creation of a new crime, which presumably would require additional work by local law enforcement agencies.

Income tax credit. Californians would get a 20 percent one-time credit on personal income taxes for 1973 out of the State's current large surplus. However, this provision was superseded by a personal income tax refund voted by the Legislature this year. On a permanent basis, the measure provides a 7½ percent income tax cut starting with 1974. Individuals with incomes below \$4,000 and married couples or heads of households with incomes below \$8,000 would be exempted altogether from state income taxes (this provision also has already been enacted by the Legislature).

Severability clause. The initiative contains a severability clause stating that if any portion of the proposition is declared unconstitutional, the rest of it would remain in effect.

Tax limitation suspension. The tax limitation provisions would be suspended if necessary so that bond issue and pension obligations could be met.

Revenue tax limit commission. Each year's revenue tax limit would be established by April 1st by an Economic Estimates Commission consisting of the state controller, the state director of finance or another appointee of the Governor, and a legislative designee who is not a member of the Legislature.

Goals of the measure. The goals of the measure are stated as: limitation and reduction of state taxes, refund of surplus state revenue, limitation of local property taxes, establishment of an emergency funding procedure, and requirement that voters approve future increases in the general level of taxation.

III.

When running for election in 1966, Reagan was quoted as praising A. Alan Post, the California Legislative Analyst. At that time Reagan said:

"I've turned to the most competent authority I could find on this budget, a man employed by the state to analyze the budget. He's been doing it for 15 years. His duty to be fair and objective is spelled out by law. I refer to Mr. A. Alan Post, a legislative analyst. I've taken a long hard look at this budget but I couldn't possibly match his comprehensive findings."

However, with reference to Proposition One, Post took on Reagan by saying in a California Journal article in September, 1973:

"This measure does not appeal to me as good public economics. It may well constitute an overreach of the state into the private economy, and it may well end up as a threat on the part of the state from the development of sound fiscal relationships and responsibilities with respect to local government. It may well add to the total administrative cost of government in California where functions being carried out by the wrong level of government, using the wrong kinds of taxes, and in a bureaucratic and costly manner."



MALIBU RANCH DEAL

The attached is a copy of a report prepared for the Unruh for Governor Committee in 1970 when Jess Unruh was the Democrat nominee against Reagan in the California General Election for Governor. We have not attempted to review it for accuracy but feel it should be presented as early as possible in order to give the committee the chance to determine whether or not it warrants further checking.

It is potentially damaging, but appears to me to need a great deal of additional work.

As you can see, there are two memos. The second was evidently prepared to answer questions raised by the first.

TO: Jess Unruh For Governor Committee
 FROM: Marvin S. Shapiro
 DATE: October 16, 1970



This memo is intended as a summary of the various documents and items of information I have examined with regard to property in Malibu formerly owned by Ronald Reagan. There are two parcels of property involved in this discussion: (1) a parcel consisting of 236.39 acres south of Mulholland Highway (the "236-Acre Parcel"), and (2) a 54.44 acre parcel north of Mulholland Highway (the "54-Acre Parcel"). These two parcels, as well as the rough boundaries of a contiguous 2,500 acre ranch owned by Fox Realty Corporation of California ("Fox"), are outlined in the attached map (Exhibit A). The border marked with x's reflects the 2,300 acres Fox acquired in March 1946. The dates of the other acquisitions by Fox are also indicated. Also attached is a contour map of the area (Exhibit B).

On March 27, 1951, Ronald Reagan, an unmarried man, acquired the 236-Acre Parcel and about 50 acres on the north side of Mulholland (including 14.44 acres of the 54-Acre Parcel). The stamps on the deed* indicate a purchase price of \$65,000. Apparently, Reagan acquired the other 40 acres of the 54-Acre Parcel at another time and disposed of about 35 acres north of Mulholland at another time.

This may not be accurate since Reagan may have assumed a pre-existing mortgage

In December, 1966, Reagan conveyed to Fox by grant deed* the 236-Acre Parcel and granted to Fox an option* to purchase the 54-Acre Parcel. The option to purchase was exercisable between January 1, 1967 and December 31, 1973. The option price is \$8,000 per acre, all cash. The Transcript of the Assessment Appeals Board proceedings in January 1968 discussed below records that Reagan's attorney, Mr. Endicott of Gibson, Dunn & Crutcher, stated that the purchase price for the 236-Acre Parcel and the option was \$1,930,000 (Tr. p. 296). Since the recorded trust deed given by Fox* indicates that it secures a note in the amount of \$1,391,167, one may infer that a balance of \$539,000 was paid in cash. Mr. Endicott stated that the promissory note was for a one-year term and that it was in fact paid (Tr. p. 255). Prior to

*Indicates that I have a copy of the document.

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payment of the note, it was assigned by an assignment* recorded February 15, 1967, to Jules Stein, William French Smith and Robert Shuman, as trustees under the Ronald Reagan 1966 Declaration of Trust. The deed of trust was reconveyed on February 19, 1968. ~~_____~~ *to whom*

By deed dated June 18, 1968*, Reagan conveyed the 54-Acre Parcel to Santa Rosa Ranches, a Kaiser-Aetna entity. The stamps on the deed indicate that the value of the consideration received was \$3,000 per acre. Since there was no trust deed, one might infer that there was an all cash deal. However, Bryan Stevens informs me that the 54-Acre Parcel served as the down payment by Reagan for about 700 acres in Riverside County. Also, Santa Rosa Ranches may have had a right to compel Reagan to repurchase the property. Fox has never given up its option interest in the 54-Acre Parcel. By deed recorded September 11, 1969*, Santa Rosa Ranches conveyed the 54-Acre Parcel to Fifty-Seventh Madison Corporation, a real estate company, which was represented by Rosenfeld, Meyer & Susman, which also represents MCA. The deed indicates that the address of the buyer is 598 Madison Avenue, New York City, attention: Morris Berman, and that \$3,000 per acre was paid. *Is there more?*

The assessment of Phil Watson, the County Assessor, for fiscal year 1967-68, based on values as of March 1967, indicate his conclusion that the 236-Acre Parcel was worth \$916,800 and that the 54-Acre Parcel was worth \$30,000. Bryan Stevens, a teacher who is active in Democratic politics, appealed the conclusion of the Assessor. The Appeals Board, after a hearing reflected in a transcript of over 1,000 pages, ruled that the value of the 236-Acre Parcel was \$1,459,200, and that the value of the 54-Acre Parcel was \$216,400. The Transcript may be examined in Room 265 in the Los Angeles Hall of Administration. Both Reagan (still the owner of the 54-Acre Parcel at that time) and Fox filed suits in the Los Angeles Superior Court contesting the Appeals Board decision. Superior Court Nos. 940504 and 940643. Fox dismissed its suit after taking no other action for a year. There is nothing filed in Reagan's suit except his complaint. The Reagan complaint, which was verified by Endicott, states that the full cash value of the 54-Acre Parcel was \$30,000.

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The position of Fox reflected in the Transcript was that the Assessor's determination of value at \$916,800 was correct, notwithstanding the fact that it paid approximately \$1,000,000 more than that value for the 236-Acre Parcel and the option. Fox and Reagan stated that there was no allocation of consideration between the 236-Acre Parcel and the option. However, it would be difficult to assert that the \$8,000 per acre option had any significant value when thereafter Reagan somehow sold the 54-Acre Parcel for consideration worth \$3,000 per acre -- the \$3,000 per acre value being consistent with Reagan's position before the Appeals Board that the 54-Acre Parcel had even worse topography than the 236-Acre Parcel (Tr. p. 53).

Fox's counsel's position was consistent with testimony of Alan Altman, Watson's special assistant in charge of the appraisal, that "Fox was expanding their properties in that area in order to accommodate their motion picture production business which had been forced out of the 20th Century lot in West Los Angeles by their sale to Alcoa, and as a result they needed to develop this area in such a way that it would protect their future expansion for movie purposes." Mr. Altman then went on to indicate that there was concern that the use of the 236-Acre Parcel for purposes other than ranching or semi-agricultural uses would adversely affect the use of Fox's contiguous 2,500-acre parcel for motion picture production purposes (Tr. p. 978). Mention was made of the possible adverse effect of development of the 236-Acre Parcel on the background scenery for movie making on the 2,300 acre parcel. This appears unfounded because of ridges on the properties.

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Fox's counsel also stated that Fox needed the property because of flooding of their 2,500-acre parcel by the Malibu Creek and because of their need for alternative access routes (Tr. pp. 314, 428, 1020). Mr. Culver testified that the 236-Acre Parcel has no serious flood hazard and that it was therefore desired as a place to locate sets which would not be threatened (Tr. p. 510). Culver also stressed the importance of access for the western portion of the Fox ranch to Mulholland through the 236-Acre Parcel via a road through a pass in the southeasterly portion of the 236-Acre Parcel (Tr. p. 516).

Mr. Ferguson, an officer of Fox, testified that Fox was concerned that telephone poles or power lines on the southern portion of the 236-Acre Parcel would adversely affect the shooting of scenes in the western part of the Fox ranch.

Ferguson stated that Fox was informed in November 1966 that the Reagan properties were for sale. (Mr. Altman of the Assessor's office testified that there had been no listing or advertising of the Reagan property. Tr. p. 982.) Ferguson stated that Fox wanted the option on the 54-Acre Parcel because it wished to assure that it would continue to have frontage on Mulholland even if there was a realignment of the road (Tr. pp. 648-649).

Fox's counsel said that Fox had acquired the 120-acre Hunter parcel to protect Fox's entrance via Waycross (Tr. p. 177). That transaction closed on November 1, 1966, and involved a price of about \$15,000 per acre and a retention by seller of a life interest in seven of the acres sold. The total purchase price of \$1,650,000 included a note secured by a trust deed* for \$1,200,000. (The deed of trust indicates that the Fox-Hunter transaction was pursuant to an agreement of sale dated August 1, 1966. That agreement probably reflects an obligation of Fox to pay an additional sum of \$105,000 for the seven acres when the seller dies.) Thus, approximately the same percentage of the total purchase price (27%) was paid in cash to Reagan and Hunter. But the terms of the trust deed notes were strikingly different: Reagan received a one-year note, virtually the equivalent of cash; the sellers of the Hunter parcel received a note with the following terms: 25 equal annual installments of \$48,000 each, commencing November 1, 1967; interest payable annually at 5% until November 1971; 5 1/2% to November 1976, and 6% for the balance of the term. That note clearly did not have a cash value approaching the face amount of the note.

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The Assessor has determined that the fair market value of the 120-acre Hunter parcel was approximately \$1,000,000 in March 1970, \$1,250,000 in March 1969, and \$925,000 in March 1968. Mr. Culver, the expert witness of Fox and Reagan, stated that most of the Hunter parcel could be developed, and that the Hunter parcel had a greater value to Fox than to any other person (Tr. pp. 406-408).

In October 1964, Fox acquired 35 acres abutting Las Virgenes Canyon Road from Edgar Shafer. The deed indicates a price of \$450,000, or \$12,850 per acre. In August 1963, Fox acquired 14 acres abutting Las Virgenes from Lowell Hoff. The deed indicates a price of \$175,000, or \$12,500 per acre.

Mr. Sapiro, Stevens' counsel, denied the need for access by Fox because they, in fact, already had access to the property via Waycross Drive, which leads to Las Virgenes. Also, Fox can build a road to a portion of Mulholland Highway abutting their 2,500-acre property.

Among other arguments made by Fox's counsel was that better property in the area sold for less than the Assessor's valuation. That statement seems supported by the evidence, notwithstanding Stevens' position to the contrary. Stevens' position was based on sales made at about the same time in the same general area. However, Stevens' focused exclusively on the purchase price and did not consider at all the terms extended the buyer. Almost invariably, the terms involved the payment of relatively little cash, consisting primarily of prepaid interest, with long term purchase money notes for the balance. Discounts were applied by Mr. Altman, which seem reasonable, indicating that these "comparable sales" were generally made at about \$4,000 per acre or less. In any event, this was the position of the expert witness of Fox and Reagan.

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Rebuttal to any suggestion that the \$1,000,000 premium paid by Fox was related to the needs of their 2,500-acre property should include the following reasoning: (1) Fox sold their Century City properties to Alcoa long before 1966, i.e., in 1961 (April 1969 Fox SEC Registration Statement, p. 11); and (2) it is more than a coincidence that Fox perceived its needs shortly after it perceived that Reagan was to be the next Governor -- the transaction apparently started in November 1966 and closed in December 1966. Fox acquired virtually all of its 2,500 acres in the area in 1946.

The Transcript suggests three possible reasons for the \$1,000,000 premium: (1) additional access to Mulholland, (2) concern that development of the 236-Acre Parcel could adversely affect the background for outdoor scenes, and (3) to provide a location for their production facilities which would not be threatened by floods. Further examination of the area with an expert on land acquisition indicates the following:

(1) Only the 236-Acre Parcel or the western portion of the Fox ranch could benefit from the Mulholland access which was available from the 236-Acre Parcel. (The western portion was not used often -- virtually all of the production facilities are in the eastern, level portion, which already had excellent access.)

(2) If power poles existed on the southerly portion of the 236-Acre Parcel, they could be seen from the western part of the Fox ranch. But it is unlikely that that portion of the 236-Acre Parcel -- the most rugged portion -- will be developed in the foreseeable future. (Tr. p. 715) Developments on the relatively developable part of the 236-Acre Parcel could not be seen from Fox's 2,500 acres. It is possible that two or three single family dwellings could be built on the top of ridges which are visible from Fox's production facilities, but one such observable dwelling already exists on one of the three small parcels abutting Mulholland, which neither Reagan nor Fox owned. In any event, poles or additional dwellings could be edited out of any scenes if they were filmed inadvertently.

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(3) It is clear that the Malibu Creek overflows from time to time. However, we saw no evidence of any motion picture production facilities on the "safe" 236-Acre Parcel.

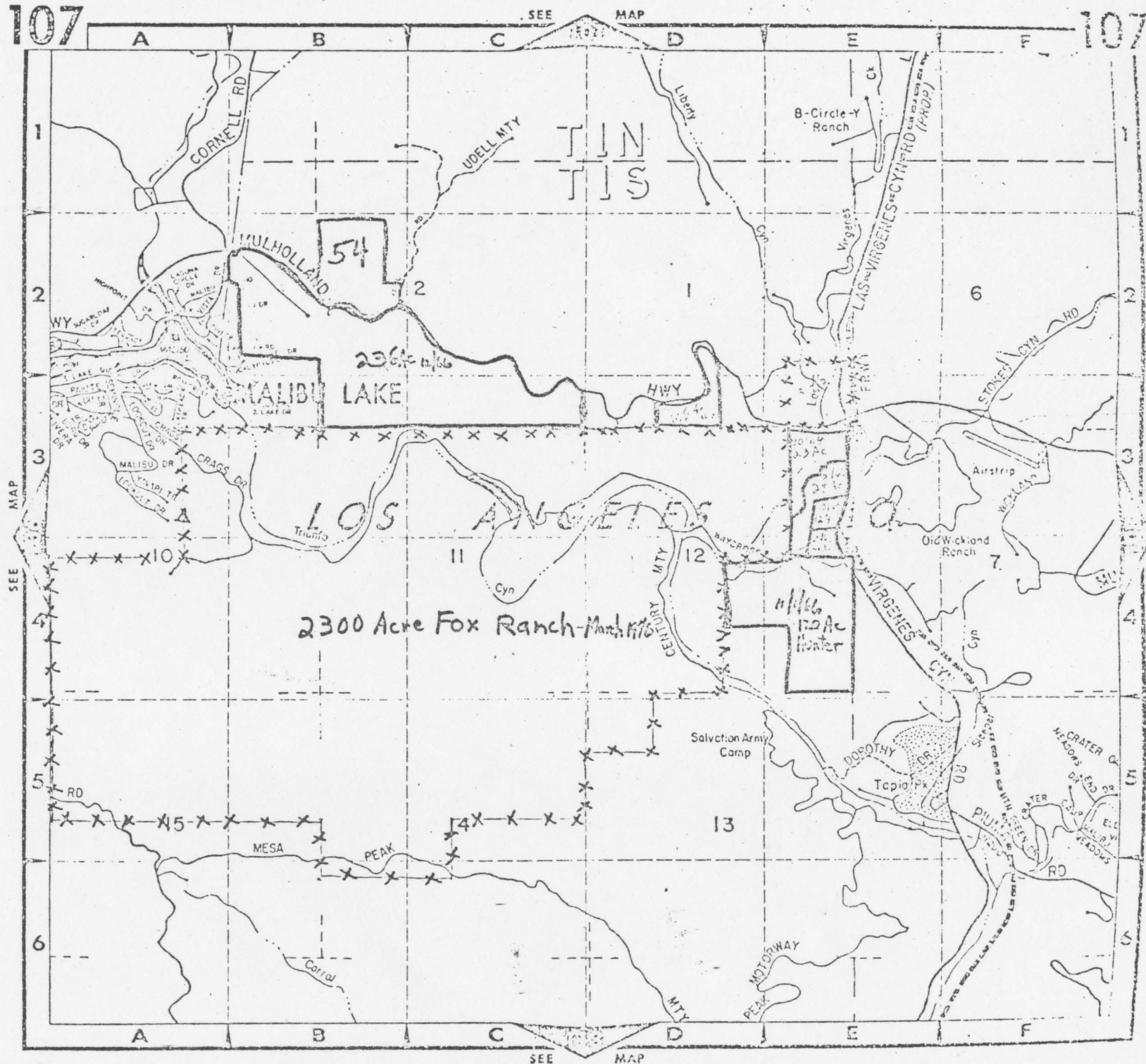
We are informed that a stockholder's suit has been filed against 20th Century Fox in New York, asserting that Fox should not have entered into the Reagan transaction. Court files in Manhattan have been checked without turning up anything.

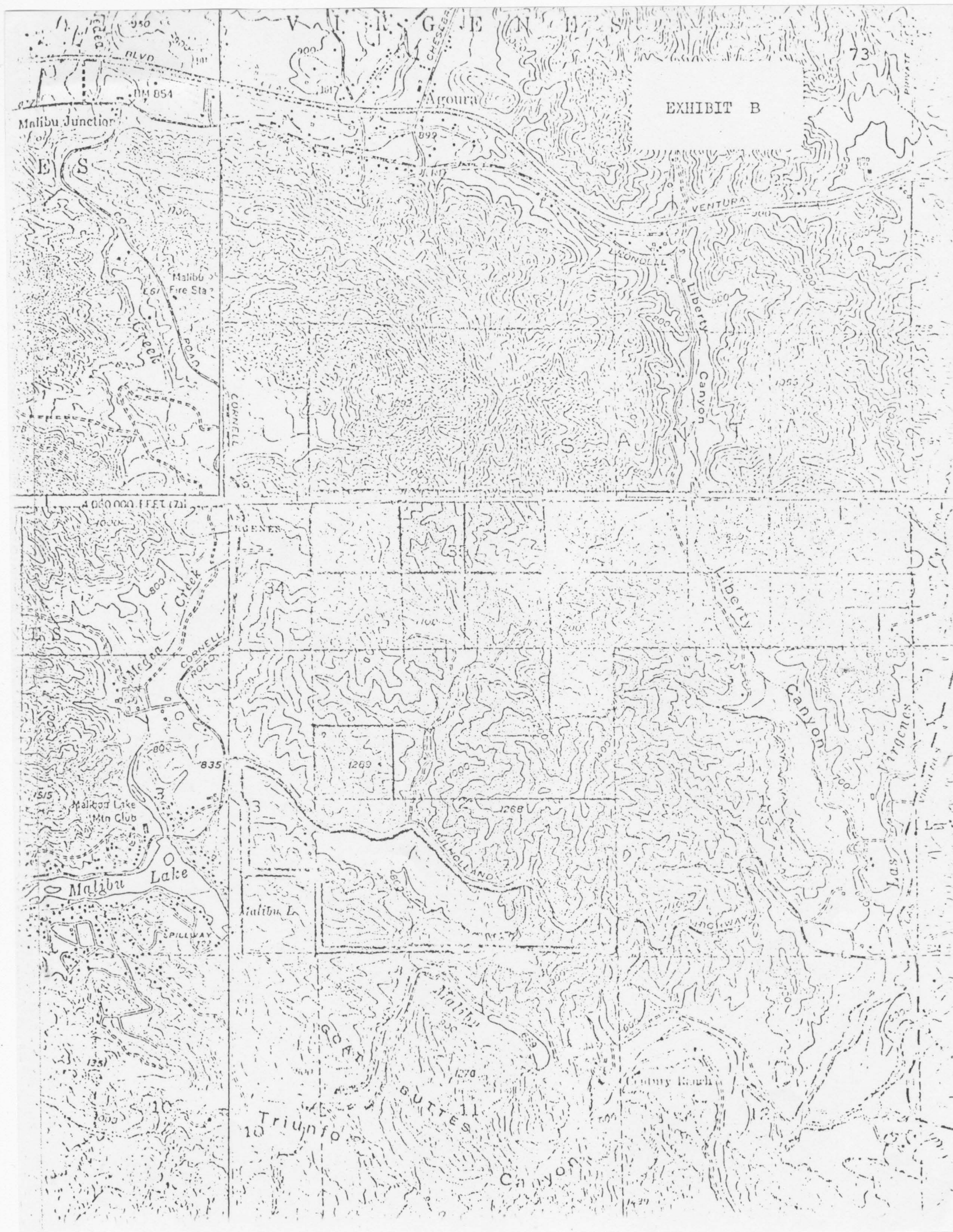
In 1968, Watson again determined that the value of the property was \$916,800. Stevens again appealed that determination and was in the process of obtaining a review by the Appeals Board when that Board concluded that Stevens' attorney could not control the course of the presentation of evidence against the Assessor's determination. Stevens obtained an order from the Superior Court in November 1969, reversing that determination. Superior Court No. 944756. Fox has appealed that decision.

Watson's determinations of fair market value have been as follows:

	<u>236</u>	<u>54</u>
March 1970	\$1,105,000	\$115,000
March 1969	1,488,000	115,000
March 1968	916,800	115,000
March 1967	916,800	30,000
March 1966	---	30,000
March 1965	---	10,000

EXHIBIT A





TO: Jess Unruh For Governor Committee
FROM: Marvin S. Shapiro
DATE: October 21, 1970

I have ascertained the following additional facts:

The seller of the 236-Acre Parcel to Ronald Reagan did not have a mortgage on the property at the time of sale. Therefore, the total amount of the purchase price paid by Reagan was \$65,000. The \$65,000 consisted of a first trust deed note for \$50,000 and \$15,000 cash. Reagan paid off the note in 1958, and at the same time borrowed against the property, giving a new mortgage for \$35,000. That new mortgage was paid off in December 1966.

In response to the statements made by Reagan to the charge that there had been a million dollar bonus, I suggest that the following questions be asked:

If your property was worth \$1,000,000 more than the \$1,930,000 price you charged Fox, why did your expert witness, David Culver, say that your property was worth only \$944,000?

Did you ever list your property with any broker or advertise it for sale? Did you ever get an offer from anyone other than Fox? If so, how much was the offer, who made it, and what were the terms of the offer?

If your property was worth as much as you suggest, why did you complain that your property was being over-assessed by the County Assessor?

What type of land development project did Fox have planned for your property when they bought it? If the response indicates that Fox had in mind anything other than usage in connection with its motion picture activities, it should be pointed out that Mr. Culver and Mr. Ferguson, an officer of Fox, testified that the reason that Fox wanted the property was exclusively in connection with its motion picture activities, and that Culver testified that the best use of the property was holding it for future residential development and that it was worth \$944,000 based on that type of usage.

What has Fox done with the land since 1966?

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Do you have a lease on the property? How much rent are you paying?

How is it that you were able to sell the 54-Acre Parcel that you owned on the north side of Mulholland Highway when Fox had an option to buy that land for \$8,000 per acre?

Why did you file a suit in the Los Angeles Superior Court claiming that the 54-Acre Parcel was worth \$30,000 when you were able to sell it for \$165,000?

Source of quotations of Reagan's attorney, Twentieth Century Fox's attorney and the appraiser hired by Twentieth Century Fox and Reagan.

1. State^{MENT} that the purchase price was \$1,930,000. Made by Mr. Endicott, Reagan's lawyer, at page 296 of the transcript of an Assessment Appeals Board hearing in January, 1968.
2. The statement by the appraiser representing Twentieth Century Fox and Reagan, Mr. Culver, that the fair market value of the land was \$944,000. (Page 413 of the transcript.)
3. Statement by the attorney for Twentieth Century Fox, George C. Hadley, that the assessor's valuation of \$916,000 was "on the nose." (Page 310 of the transcript.)



RONALD REAGAN ON SOCIAL SECURITY

Social security has "changed from an insurance concept when it started to a welfare concept now. It should be made voluntary."



Los Angeles Times, Jan. 22, 1965

"The flagship of the liberal cause is social security."

"Social security dues are a tax for the general use of the government and payment of that tax does not automatically entitle anyone to the receipt of the benefits. The benefits are a welfare program which can be cancelled or curtailed by Congress at any time."

Speech, Amarillo, Texas
March 2, 1964

"Do not exchange freedom for the soup kitchen of compulsory insurance."

Arizona Republic, May 23, 1964

"I think social security's a fact of life. It's here to stay and it's a good fact. I think it is not only a great benefit to the recipients but I think at the same time it serves all of us to the extent that it probably tends to level off economic ups and downs by keeping the purchasing power among the people. However, I've reserved the right and have on many occasions criticized flaws and faults which I think endanger the program, and faults which could only be termed as fiscal irresponsibility in

the administering and running of this program."

News conference, Jan. 4, 1966

"At the same time, can't we introduce voluntary features that would permit a citizen to do better on his own, to be excused upon presentation of evidence that he had made provisions for the non-earning years?"

A Time for Choosing, television
speech for Goldwater, November, 1964

Reagan said he had never favored social security being voluntary but had favored "excusing an individual from contributing to social security if he proved he had made adequate provision for his retirement years."

Campaign tour, Fresno,
Sacramento Bee, Oct. 16, 1966

Reagan says he supports social security, but "I am critical of some aspects. For example, you cannot name your beneficiaries as you want to. Also, I think we could explore the idea, perhaps to permit those who want to go on private plans to do so, provided they submit a record each year of such participation."

KNX Firing Line call-in show,
Los Angeles Herald-Examiner,
Oct. 25, 1966

"I still believe we could explore whether a man who could do better on his own" should be allowed to purchase a voluntary private retirement plan in lieu of the federal compulsory program.

KNX Firing Line call-in show,
Los Angeles Times, Oct. 25, 1966