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PLEASE GUARD AGAINST PREMATURE
RELEASE

"CALIFORNIA---A LODESTAR OF PROGRESS"

"We are a showcase of the future. And
it is within our power to mold that
future---this year and for decades to
come...No crisis is beyond the capacity
of our people to solve; no challenge
too great."

STATE OF THE STATE ADDRESS
BEFORE A JOINT SESSION OF THE CALIFORNIA LEGISLATURE

BY GOVERNOR RONALD REAGAN

January 9, 1974

For many of us, this occasion has more than the usual significance.

Next year, some of you will pursue other avenues of public service.
And some of us will be going on to the highest calling of all---that of
private citizen.

Yet, whatever path we follow as individuals, the effective
functioning of government will go forward uninterrupted. More than any
words of praise, that is the most eloquent tribute to the enduring
strength of our system.

Usually, at this time, it is my task to set forth a series of goals
for the year ahead.

But the energy crisis has created some unique challenges for our
state and our country this year. So I shall also ask you to join me in
making decisions to assure progress and prosperity for California not
just for the year ahead, but for decades.

When I first appeared before you seven years ago, I expressed my
belief that nothing is impossible for a people who place their ultimate
faith in divine guidance and a government which has faith in the people
it serves.

As someone new to government, bringing the perspective of a concerned
citizen, I said: "California, with its climate, its resources, and its
wealth of young, aggressive, talented people, must never take second
place. We can provide jobs for all our people who will work and we can
have honest government at a price we can afford. Indeed, unless we
accomplish this, our problems will go unsolved, our dreams unfulfilled
and we will know the taste of ashes."

Those beliefs have only been strengthened by my experience these past seven years.

You and I and other officials who preceded you have traveled a long road together. We have achieved much and we have experienced crisis, including the fiscal insolvency that confronted our state in 1967.

We have worked together and we have, on a few occasions, strongly disagreed. And on some issues we have all tasted a few ashes.

Today, I would like to review some of the problems we faced and measure our progress. And, I would also like to share a few impressions which I hope you will receive in the sincere spirit they are offered.

Anyone who occupies the corner office downstairs has a unique view of the vast and sometimes slow moving process of government, the pressure and the pitfalls. Nor can you avoid forming strong opinions of how we might do things better, be more effective in meeting our responsibilities

Years after he drafted the Declaration of Independence, Thomas Jefferson recalled his role in casting those noble phrases that still guide our country. He said while the words were his, the theme of liberty and justice reflected the sentiments of "all America."

The sentiments I express to you, some reforms I shall suggest, are not mine alone. I believe they reflect the views of most of the people of California.

There is a feeling among our people of distrust and cynicism toward public affairs and public officials. It matters little that some of the events which contribute to this cynicism are not of our making.

Our people know we face many crucial decisions. And they expect their elected officials to make those decisions, based only on what is best for the future of this state and nation, on what is best for all the people.

This is an election year. But it is not a time for politics as usual. Our people are weary of partisanship and discord.

Harry Truman once said a statesman is what they call a politician after he is safely dead. At this moment in our history, what we need is more live statesmen---at every level of public life. Government's only reason for existing is to serve the people. If we are to serve their needs, we must cast politics aside. We must demonstrate that government deserves the public's trust.

We can be proud of what we have already achieved.

We have reordered priorities to control costs and assure funds for essential services. We have cut, squeezed and trimmed and at every opportunity, returned the benefit of those savings to the people.

The tax relief these past seven years totals more than \$4 billion. There have been three income tax rebates. This year it is a 20-35 percent rebate for most taxpayers and we are totally eliminating the 1973 state income tax for families earning \$8,000 or less.

Homeowners are getting lower property tax bills this year because of the property tax exemptions. We have expanded senior citizens' property tax relief, adopted tax credits for renters, cut the inventory tax in half and provided tax incentives to preserve agricultural and greenbelt areas.

State support for public schools has almost doubled while enrollment was going up less than 6 percent. Funds for scholarships are up seven times what they were and support for community colleges and our university and state college system has increased almost twice as fast as enrollment.

Only a few years ago, the teachers' retirement system was an ^{/under} funded actuarial nightmare, a potential \$4 billion tax burden. It is now soundly financed and the pensions our teachers earn are protected by this stronger fiscal base.

Faced by higher costs and possible delays, we found ways to complete the great California Water Project on time, without massive new tax burdens.

None of this would have been possible without the reforms and reorganizations which have streamlined state government and controlled its growth in size and cost.

Our community mental health program and the welfare reform we adopted have become models for the nation. Welfare is no longer growing by 40,000 a month; at last count there were 384,000 fewer people on the rolls than when we started our reforms. We have increased benefits for the truly needy and mainly because of welfare reform, basic property tax rates are down this year in 45 of our 58 counties.

We created a Consumer Affairs Department which has won national acclaim. We have expanded the mutual aid program to help police cope with riots and other emergencies, toughened the penalties for violent crimes. And those steps have been effective. The total increase in seven major crimes showed almost zero growth in 1972.

The death rate on our highways has gone down a full 20 percent since 1967.

One thing is clear: we served the people best when we paid more attention to the problems and less to the politics.

The issue demanding our attention this year is the energy crisis. To minimize its potential impact would be a disservice to the people. We know it will affect almost every part of the economy and every citizen and we must all join in meeting this challenge.

Balanced Budget - No Tax Increase

It will reduce our anticipated revenues. Although economic activity is expected to be reasonably strong in 1974, there will be a downturn from previous forecasts. But to answer one question you may have: the budget I present to you this week will be balanced. The scheduled income tax rebates and property tax reductions will go forward. I see no need for any general tax increases this next fiscal year.

Energy Crisis

Many factors beyond the control of any individual or state have led to our present energy problems. The cutoff of Arabian produced oil is an important cause. But it is only one factor.

We have just been consuming energy faster than we have been developing new sources of fuel and electric power. The drain on existing resources has been increased by higher fuel demands of smog controlled automobile engines. At the same time, industry and utilities have been inhibited or prevented from using available fuel because of requirements necessary to meet stricter environmental standards.

California was first to recognize the smog problem and first to do something about it. We have adopted strong measures to clean up the air and water.

I do not believe we need abandon this environmental progress. But where energy needs conflict with environmental goals, we must strike a reasonable balance. It will do little good for someone to have all the gasoline he can use, if he has no job to drive to because the industry for which he worked is shut down by an energy or fuel shortage.

The Energy Planning Council, headed by Lieutenant Governor Ed Reinecke, has been closely coordinating our programs to minimize the energy crisis in California.

Short Term Steps

A poet once said:

"The best of ways to lengthen our days
Is to steal a few hours from the night."

Well, we have already done that nationally with Daylight Savings Time.

--You acted in special session to reduce speed limits on California highways to 55 miles per hour, to save on gasoline use.

--By executive order, we seek a 10 percent reduction in automobile mileage by state vehicles; we have encouraged car pools and taken steps to reduce unnecessary state travel.

If we can achieve comparable reductions by the general public, there is a potential savings in oil of 120,000 barrels a day in the next year.

By turning off the central plant that heats downtown Sacramento state buildings four hours each night and on weekends, by resetting thermostats, we achieved a substantial cutback in the use of heat and fuel and power.

Because conservation, eliminating unnecessary use of fuel and power, is one of the most effective short term solutions, I am today asking California motorists to reduce their own personal gasoline consumption by a minimum of 10 percent. I also ask every family and every business to reduce energy use 10 percent by taking similar steps in their homes, offices, and other places of business.

Open Elk Hills Reserve

We have made a formal request to the federal government to open the Elk Hills Naval Oil Reserve to pump enough oil to meet current military requirements. This would free the oil and gasoline the military now consumes to meet civilian needs while we work toward more permanent solutions.

The State Lands Commission has lifted restrictions against off-shore oil drilling; the Air Resources Board has deferred the oxides of nitrogen (NOX) control program for 1966-70 automobiles, a step that will save an estimated 100 million gallons of gasoline a year.

California stands ready to cooperate fully in any national program to conserve and fairly apportion available fuel and electric power.

Because agriculture is the backbone of our economy, it must have a high priority, along with industry. Any severe cutbacks of energy for industry and agriculture mean fewer jobs. We must frankly recognize that our economic vitality depends on sufficient energy and fuel for these essential uses.

We are acting to meet the energy crisis. If necessary, we will tighten our belts and button our sweaters and do all that must be done to minimize the hardships and dislocations. But you and I also must act this year to meet our energy needs on a permanent basis.

Long Term Steps

For three years, we have asked for legislation to streamline the ways by which environmentally protected nuclear power plant sites are authorized and approved. We are prepared to work with you to reconcile our obvious differences. But we must act soon.

By 1990, America's energy requirements are expected to double and by the end of the century, 45 percent of our electric power must be generated by nuclear power.

We cannot afford needless delays caused by those who cannot see that people, too, are ecology. We saw an example of this only a few weeks ago when the state coastal commission rejected a plan to add new nuclear generating units at San Onofre.

Adding these units would reduce our oil needs by 24 million barrels a year and help protect against future blackouts and brownouts. This project was approved by the Atomic Energy Commission, the state and regional water quality boards; air pollution and fish and game requirements were met. It was cleared by every unit of government except one commission and even a majority of that commission favored it.

Construction of these and other nuclear units must go forward.
Time is running out.

Super Port in California

In a few years, oil from Alaska's North Slope will be ready for delivery. But the United States does not have any ports capable of handling super-tankers. So we must plan now for the California facilities that may be required to meet our oil needs.

New Hydroelectric Units

Existing hydroelectric plants in California now generate power that would otherwise require 65 million barrels of oil a year to produce. The Department of Water Resources is exploring ways to expand this source of smog free electricity, possibly by adding new generating units at Oroville and other existing dam sites.

Along with this, we must develop geothermal energy, move forward on solar energy research, and every other promising means of meeting our energy needs.

The energy problem is a crisis now. But it can be an historic opportunity to free America forever of dependence on unstable foreign oil that can be turned on and off at will, by those who would use world commerce for economic blackmail and coercion.

If we can put a man on the moon, we can find ways to heat and light our homes and industries.

But this crisis must not become a means of expanding bureaucracy or giving vast powers to non-elected officials not directly accountable to the people.

The responsibility for solving the energy problem, for educational and economic policy, for crime control, for meeting all our needs, must always rest with elected officials who answer to the people.

Accountability is the key to assuring that government is responsive to the desires of the people.

Academy for Educational Management

In education today, one great need is more effective management of our schools. To help achieve this, we are planning an Academy for Educational Management which will help administrators gain the knowledge and experience necessary to assure maximum value for every dollar spent on education. If successful on a test basis, it will become a non-profit corporation serving the entire state.

This is an excellent example of state and local government cooperation on a major problem. And I would like to thank Dr. Richard Clowes, Superintendent of the Los Angeles County Schools and his task force which conceived and helped develop this concept.

I do not believe California's parents accept, or will tolerate, the closing of schools because of strikes. Essential public services must never be interrupted or compromised by labor disputes that can be resolved by reasonable people, acting with reason. Any laws we adopt in this area must not compromise the public's right to decide educational policy, through their elected local boards and elected officials.

But our schools and colleges should acknowledge the importance of superior teaching.

We will ask the Trustees of the California State Universities and Colleges to establish a Doctor of Arts degree program, to give teaching the professional recognition it deserves. We will seek the help of the state Board of Education in devising ways to encourage excellence in teaching in the public schools.

Reducing Tax Burden

I am sure you will not be stunned with surprise if I reveal that economy in government is a special concern of mine. It is essential to reduce and limit the tax burden on our people if our free economic system is to survive. Even while differing over specifics, many of you have said (only recently) that legislative action can control the size and cost of government. I ask you to take that action this year.

Constitutional Amendment

The state Constitution now requires the governor to submit a balanced budget and to propose higher taxes, if necessary, to make sure it is balanced. Since two safeguards are better than one, I shall ask you to pass a Constitutional Amendment imposing the same restraint on the legislative branch.

It will specify that the legislature must return to the governor a balanced budget or propose additional taxes necessary to bring it into balance.

To further encourage realistic budgeting, we will ask you to adopt laws requiring that:

--Any bill costing \$1 million or more must include provisions for increased revenues to finance it or specify a way to reduce the budget by an amount necessary to absorb the cost of the new program.

--Every bill having a fiscal impact must include a synopsis declaring the bill's initial year cost and the cost for the following 3 years.

--Every bill imposing major new costs must have a separate fiscal analysis noting whether it can be financed with existing revenues or whether a tax increase is necessary. If higher taxes are required, this fact and the amount of new taxes required should be spelled out clearly and simply, in capital letters. By doing this, taxpayers will be able to more accurately identify the cost of new programs and decide for themselves whether those proposing new costs are serving the people's best interest.

Phase Out Bridge Tolls

To merit the confidence of the people, government must keep faith with the people. The tolls on state bridges originally were imposed to pay off the revenue bonds that financed those structures. We are nearing a time when these debts can be retired. And we should adopt a policy now of phasing out bridge tolls as these bonds are paid.

A Year of Action

Many other things command our attention. The unified Departments of Transportation and Health are now operational, working on programs to meet the long range transportation and health needs of our people.

In 1974 and beyond, the state will become increasingly involved in helping prevent and treat developmental disabilities that stem from epilepsy, mental retardation and cerebral palsy.

The Department of Benefit Payments which you approved, will become operational in July and will consolidate the state's \$5 billion a year fiscal operations in welfare, health, unemployment and disability program

Another reorganization, the Department of Employment Development, comes into being at a time when the energy crisis may put new strains on our economy.

The major emphasis is to develop new jobs and then direct qualified workers to those jobs. We also plan to explore with leaders in labor and business all possibilities of minimizing the unemployment impact of the energy crisis.

The Community Work Experience program and that part of welfare reform which identified able bodied recipients as employable is being put into operation in all 35 designated counties. Last year, in those counties with the community work program, 46 percent of employable welfare recipients who registered found regular jobs.

Permanent Ecology Corps

Thanks to bi-partisan support last year, California now has the nation's strongest forest practices regulations, augmenting our nationally recognized efforts to fight air and water pollution. I will ask for support this year of a \$250 million bond issue to help provide additional parks, to carry on wildlife conservation programs. The California Ecology Corps, created by Executive Order, is a proven success in protecting forest areas and providing wholesome work opportunities for young people. So I shall ask for a law to make it permanent.

Prison for Gun Crimes

The California Council on Criminal Justice is being reorganized and renamed the Office of Criminal Justice Planning. The Select Committee on Law Enforcement Problems outlined other steps which we must take to streamline our criminal justice system and otherwise strengthen our ability to protect the law abiding. I will ask you to consider its recommendations, particularly those which require stricter controls on probation policies and the proposal to impose mandatory prison sentences for those who commit a crime while armed.

This policy must be forcefully emphasized to the criminals. Those who commit a crime with a gun must go to prison. Where there is any doubt in granting probation or parole, the doubt must be resolved in favor of protecting society.

Local Government Reform

Our task force on local government reform will soon offer a sweeping review of our entire governmental structure and suggest ways to make it more accountable and better equipped to serve the people.

Our goal is less government, but more effective government. To achieve this, all of us may find that the facts challenge many of our own long-held beliefs and assumptions.

Already, we have found that the authority of local government to make its own decisions has been seriously eroded by state and federal mandates. So we will propose ways to restore local control in local government, to make it easier to create smaller units of government and to consolidate where that best serves the people.

Election Reforms

Finally, a subject that touches the very heart of our system of elective responsibility: campaign and election reforms.

The integrity of the process by which we elect our public officials must never be in doubt. The public is entitled to that assurance.

In recent years, an increasing use of the initiative (some involving complex subjects) has made the ballots long and far too complicated.

Along with campaign and disclosure requirements already in force, we should eliminate conflicts of interest in all phases of the election process.

Last year, you passed and I signed a law giving the legislative counsel the responsibility of analyzing proposed ballot measures. It had been divided between the legislative analyst and counsel.

Since the legislature itself proposes constitutional amendments, isn't there a built-in conflict of interest to have any employee of the legislature analyzing ballot measures for cost and content?

There also has been a greatly expanded role for the Secretary of State's office in the conduct of elections, in reporting campaign contributions and with the growing use of computers, even in the operational details of elections.

Those are responsibilities that cannot, in my opinion, be free of the possibility of conflict of interest and bias unless the office itself is freed of partisanship.

--Therefore, I shall ask you to propose to the people a Constitutional Amendment making the office of Secretary of State non-partisan, selected on the same basis as the non-partisan state Superintendent of Public Instruction.

We should also delegate to an independent Citizens Commission on Elections the responsibility of analyzing initiatives and otherwise monitoring election reforms, to protect the integrity of the entire election process.

Such a commission could establish campaign and election policies in the same way the state Board of Education guides educational policy.

What I have listed so far can make this a busy year, a year of decision. There may be difficult choices. It is our duty to make them. It is our duty to reconcile our differences, without regard for partisanship or personal ambitions.

We dare not condemn our society to economic, environmental and social stagnation because some fear change.

In the long sweep of history, all human progress has been based on a willingness to face the next great challenge, to seek and achieve what has before seemed unattainable.

Our people have done that in California and America, on a scale unmatched anywhere on this globe. Their vision and skills have lifted man's horizons to the far reaches of space and beyond.

We have looked back on a proud past, but only to preserve the best of our heritage. In all other ways, we have looked forward, with courage and confidence.

Those nations and states which have secured man's highest aspirations for freedom, opportunity and justice, have always been those willing to trust their people, confident that their skills and their talents are equal to any challenge.

Those societies which falter or merely survive are those which lack this faith, which have been unwilling to do whatever it takes to excel.

I believe our people want a state and a nation that points the way, that is willing to work and struggle and overcome every barrier to the fulfillment of their own personal dreams and aspirations. If the people are prosperous, the state and the nation will be prosperous, and strong enough to protect freedom.

In the decades since World War II, California has been a place where men still dare to think big and act boldly to reach their goals.

It has been our destiny to be a lodestar of progress, in agriculture in industry, in sophisticated technology and in meeting the needs of our people within a framework of freedom.

We are a showcase of the future. And it is within our power to mold that future---this year and for decades to come. It can be as grand and as great as we make it.

No crisis is beyond the capacity of our people to solve; no challenge too great.

It will require a willingness to work, determination and faith---faith in ourselves, in our fellow citizens and in our system of freedom.

But if we hold fast to the great principles that gave birth to this nation and this state, if we are willing to work and reason together, we can shape our own destiny. The problems of today can become the opportunities of tomorrow.

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