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MESSAGES TO THE LEGISLATURE

Regular Session—Convened January 8—Adjourned May 2

ANNUAL MESSAGE

STATE OF NEW YORK—EXECUTIVE CHAMBER

ALBANY, January 8, 1969

To the Members of the Legislature of the State of New York:

As the 192nd Session of the Legislature convenes, it is a great pleasure once again to greet old friends, to welcome new ones and to present my Annual Message to your Honorable Bodies.

At the outset, we might as well face the fact that this undoubtedly will be as challenging and difficult a session as we have experienced together.

In my Message last year, I cautioned that:

"We may well be reaching a point where the level of expectations of the American people is rising at a rate which is out-running our capacity to raise the revenue on a sound basis—on a basis that will not seriously affect economic growth and increased job opportunities."

For us, last year's warning has become this year's reality. The dimensions of the problem that New York State and its communities face this year are twice as large as the problem we faced a year ago.

We are confronted and must deal with a grave fiscal crisis—a crisis affecting all the great urban states and cities and testing the very future of the American federal system.

I propose to discuss this problem today in the perspective of the states' relationship to the Nation.

For the state of any state cannot be accurately described or understood unless we look at it not only as a single political body with its subdivisions, but also as a member of the federal system.

This is the framework within which all the states must function. To the degree that the federal system is or is not working effectively, the states feel the impact.

Although this has always been true, it is even more important today in view of the increasingly complex and rapidly-

changing social and economic conditions which confront every state, and every local government.

As many have pointed out, the federal system has not fully adjusted to these rapidly changing conditions and, as a result, an imbalance has developed within that system.

The imbalance relates to the demands for delivery of services placed on the various levels of government, and their relative capacities to finance the cost of these services from their own tax sources.

This growing imbalance, resulting from the disproportionate increase in demands on local and state governments as related to their tax resources, is causing a crisis for the urbanized states and their local governments.

II. New York State's Position in the Federal System

A. New York State's Record

No state has done more than New York to meet its own problems—to fulfill its obligations as a responsible partner within the federal system.

No state has done more to face up to new problems and to develop sound and imaginative new approaches to meet them.

These new approaches have been built with an understanding of the dynamics of state and local government in today's highly complex society. As a result, they have both expanded the role of the State in providing direct service, and strengthened the capability of local governments to meet their own essential responsibilities.

1. Expanded State Role

In the last ten years, we have:

—Expanded the State University from an enrollment of 38,000 full-time students to more than 172,000;

—So improved the care of the mentally ill that the number of state hospital patients has dropped from 91,000 to 74,000;

—Led the nation in a program to clean up our waters;

—Built nearly 4½ miles of new or improved highway every day;

—Added almost 60,000 units of middle-income housing; and
—Pioneered in state leadership to modernize urban mass transportation, to control air pollution, and to combat crime and narcotics addiction.

Now we are on the threshold of a massive program to rebuild the core areas of our cities through combined private and public efforts.

In order to accomplish these and other programs, many of them on a self-liquidating basis, we have developed entirely new entities of state government.

These new state mechanism include:

- The State Housing Finance Agency;
- The State University Construction Fund;
- The Health and Mental Hygiene Facilities Improvement Corporation;
- The Metropolitan Transportation Authority;
- The Pure Waters Authority;
- The Niagara Frontier Transportation Authority; and,
- The Urban Development Corporation.

2. Strengthened Local Government

Expansion of the State role in providing direct service has not been accomplished at the expense of local government. On the contrary, we have at the same time strengthened and supplemented the role of local government by greatly increased State aid.

We are now number one among all the states in the per capita support of local governments and local public schools. From the 1959-60 fiscal year to my recommendations for 1969-70, we will have:

—More than tripled State aid to education, from \$621,000,000 to \$2,063,257,000;

—Increased by almost four times the total State aid to localities, from \$1,056,000,000 to \$3,995,000,000;

—And increased by more than four times the State's aid to New York City, from \$393,000,000 to \$1,700,000,000.

We have, in fact, increased State aid to local governments and local school districts to the point where today, the State gives back to the localities 64 cents of every tax dollar the State collects.

Thus, in the most meaningful way—namely, by utilizing the broad-based taxes collected by the State—we have helped to hold down local real property taxes and to support and improve local services.

We have recognized the special acute needs of the cities and have inaugurated a special State aid program for urban areas.

We have also recognized that localities must have flexibility in using fiscal resources to meet their most urgent needs—and therefore have more than doubled the unrestricted per capita aid from the State to the localities.

This record has been possible only because the people of New York State have provided the funds needed to finance essential programs.

B. Effect of New York's Record on the State's Position in the Federal System

The needs have been met and the funds have been raised

on a sound basis. And so we have been able to place and maintain the State in a good competitive position for economic growth. This is evidenced by a 78 percent increase in personal incomes for New Yorkers in the past ten years.

We are now faced with a situation, however, which could jeopardize this competitive position.

In a federal system, New York or any other state must constantly assess its position in relation to the other states if it is to continue to prosper.

It must test its actions not only for their direct effect within the state, but also for the effect they will have on the state's competitive position with other states in terms of attracting and holding job and income-producing business and industry.

To be way behind other states in meeting the needs of the people is an obvious disadvantage.

But, although less obvious, to be too far ahead in services and the taxes required to pay for them also puts a state at a serious disadvantage.

No state can afford to act in isolation—to ignore the steps being taken by other states. To do so would jeopardize its capacity for sound economic growth. This is especially true in connection with the rates of taxation.

Therefore, a state must be sure that in seeking to raise the tax revenues to provide services, it does not, at the same time, limit its capacity to provide these services by discouraging the expansion of industry, undermining business confidence, and curtailing the creation of new jobs.

In my opinion, New York State has now reached this point in relation to other states, and any major increase in taxes would put us in a seriously disadvantageous competitive position with the other states.

III. Crisis in the Federal System

A. *Growing Crisis in the Urban States*

While New York and some other states have now reached this position, other heavily urbanized states are rapidly nearing the same crisis point.

Increasingly, the urbanized states, in meeting their responsibilities and facing up to their needs, will be placing themselves in a deteriorating competitive position.

All over America, urban states and local governments face sharply increased demands and soaring costs for education and welfare, police and fire protection, sanitation and all the other essential basic services that people require.

In the past 15 years:

—State expenditures nationwide rose 247 percent; and,

—Local expenditures across the nation increased 245 percent.

—In contrast, federal expenditures for domestic purposes went up only 142 percent.

Looking ahead, state and local expenditures are expected to more than double, to a total of \$162 billion, by 1975.

This gives some indication of the magnitude of the crisis we face.

B. *Causes of the Crisis*

There are two major causes of this crisis at the state and local level.

The first major cause is the rapid rate of rising expectations in the fields of education and welfare.

The increases in State expenditures in these two fields here in New York alone during the past ten years clearly illustrate the problem:

	Fiscal 1959-60 (Actual)	Fiscal 1969-70 (Proposed)
Education	\$760,000,000	\$2,850,000,000
Welfare	\$178,000,000	\$1,170,000,000

The second major cause for this developing crisis is that the distribution of tax monies within the federal system is not geared to today's needs.

1. *Federal Government Gets Major Part of Tax Revenues*

The Federal government collects 64 percent of all the taxes collected in the country.

Only 19 percent of all tax revenues are collected by the states, and only 17 percent by the localities.

Yet these are the two levels of government whose expenditures for necessary services are rising so much more rapidly than the expenditures of the Federal government for domestic purposes.

The imbalance is even greater within New York State, where the Federal government collects 65 percent of all the taxes, the localities 20 percent, and New York State only 15 percent—of which it gives back 64 percent to local governments.

The people of New York State will send \$22 billion this year to Washington in federal taxes and get back only \$1.4 billion in federal aid.

That's only about a nickel back on every dollar we send to Washington.

As it is, the entire \$1.4 billion total of federal aid to New York State is less than the State's aid to New York City alone.

2. *Federal Government Collects Growth Taxes*

To make matters more difficult, the taxes which the Federal government collects are primarily the growth taxes. It collects 93 percent of all personal income levies—and that is the form of taxation most responsive to economic growth.

3. *Present Federal Grants System a Problem*

In addition, the situation of urban states is aggravated by the facts that:

- a. federal aid formulas discriminate against heavily urbanized areas;
- b. these formulas fail to recognize adequately the tremendously increased financial burden on those urban areas which have had a heavy influx of migrants from agricultural regions, many of them untrained, unskilled, and unemployed;
- c. the excessive categorization of Federal aid programs keeps states from planning effectively and meeting their most urgent needs; and,
- d. bureaucratic red tape causes waste and inefficiency.

4. *Federal Programs Raise False Hopes*

The Federal government—not deliberately, but nevertheless, decisively—has accentuated the financial burden on state and local governments through its fiscal policies.

Washington increasingly launches well-publicized, highly dramatic—and generally under-financed—new programs.

The glowing promise of federal programs leads the people, particularly the least fortunate, to expect more and more government services.

And then, federal failure to deliver fully on these promises causes these people to turn to State and local governments for fulfillment.

5. *Federal Programs Add New Fiscal Burdens*

At the same time, these new federal initiatives load new fiscal burdens on our states and localities.

The Federal government, under grant-in-aid programs, generally insists that regardless of the level of state programs, federal funds must supplement and not supplant State funds.

While thus placing new expenses on us, the Federal grants contribute nothing to meeting the heavy costs of providing basic State and local public services, such as teaching, police and fire protection and sanitation.

C. *Nation's Stake in Meeting the Crisis*

We in New York State have amply demonstrated our faith that government close to the people is the best government—by giving 64 percent of all the revenues we collect back to

local governments. If the federal system is to survive, the Federal government must now evidence the same faith in the states and local governments.

For State and local governments cannot continue to meet the rapidly rising cost of basic services and expanding new programs from their one-third of the total taxes collected.

There must be a fundamental re-examination and restructuring of federal government concepts concerning the distribution and use of its two-thirds of the total taxes collected.

The principle that delivery of services should be at the most effective level, and financing at the most appropriate level, is a sound one.

But the mechanisms to finance and implement this principle need to be changed to recognize the changing conditions of American society.

At stake is nothing less than the survival of effective state and local government in America.

IV. *Program for a Revitalized Federal System*

The new administration in Washington has a unique opportunity to reappraise and readjust the administrative and financial relationships between the Federal government and the state and local governments.

Fortunately, this subject has recently been under intensive review by the President's bipartisan Advisory Commission on Intergovernmental Relations.

The Advisory Commission* concluded that, in the best interests of all, the system of allocating and distributing federal tax revenues needs to be drastically overhauled.

A. *Revising Federal Financial Assistance*

As a member of the Commission, I heartily support its recommendations, which were as follows:

1. *Per Capita Aid*

—That a portion of federal tax revenues be distributed to the states, to cities and to other principal units of local government as unrestricted aid based on population and other factors.

This is essential if state and local governments are to meet the rising costs of basic services—education, police and fire protection, garbage collection and the like.

This principle of aid distribution has been successfully used by New York State in providing financial assistance to the local units of government.

* Composed of Cabinet Officers, Congressmen, Governors, Legislators, Mayors, and other public and private representatives.

2. *Bloc Grants*

—That the 400 categorical aid programs of the Federal government be consolidated into bloc grants in the major areas such as health, education, welfare, transportation, housing and others—while preserving the present provisions for protection against discrimination.

For example, more than 200 programs now administered by the Department of Health, Education and Welfare could probably be consolidated into no more than 15 bloc grants. Greatly reducing the number, the overlapping and the complexity of the present categorical grant programs would encourage state and local initiative and state and local planning.

It would also enable state and local governments to develop more comprehensive programs and concentrate on their most urgent needs within certain general areas.

3. *Categorical Grants*

—That the future use of categorical aid programs should be limited to those experimental programs the Federal government wishes to initiate; and,

4. *Aid Consolidation Authority*

—That the President should be given the same authority to reorganize the structure of grant-in-aid programs that he has had to reorganize the structure of the Executive Branch—namely, to submit a plan which becomes effective in 90 days unless Congress vetoes it.

B. *Other Adjustments in Federal Programs*

In addition to these proposals of the Advisory Commission on Intergovernmental Relations, I make the following proposals which were also foreseen as possibilities by the Commission. These, too, would help to meet national problems, relieve the financial pressures on state and local government, relieve more many of the inequities in the present structure. These proposals are:

1. *Federal Welfare Standards and Takeover*

—That the Federal government set national standards of welfare payments and take over the full cost of financing welfare programs.

This proposal is based on a recognition that the welfare problem is basically national in origin.

The industrial revolution in agriculture has eliminated millions of farm jobs. This, combined with an unconscionably low level of welfare benefits in many rural states, has caused mass migrations of former farm workers to crowded urban areas across the nation. Many of these migrants have been poorly educated, untrained and unprepared to perform jobs in an urban society.

This has resulted in a tremendous increase in costs for education, training and welfare in the cities, to which these people have come to find opportunity.

It is clearly a national problem and therefore should be dealt with on a national basis.

This proposal for national standards and federal financing is designed not only to finance welfare on a more equitable basis but also to eliminate the varying levels of state welfare benefits as an inducement for migration from low-benefit to high-benefit states.

2. *Universal Health Insurance*

—That the Federal government establish a national contributory plan for universal health insurance to take the place of Medicaid as the first line of defense for the needy against the rising cost of medical care.

This would also protect those not eligible for Medicaid. It would put the financing of health care on a sound contributory fiscal basis. It would make this financing a matter of earned right, and reduce the cost of Medicaid by making that program the second line of defense against catastrophic illness costs not otherwise covered.

This program would be carried out nationally through the proven, private health insurance system.

3. *Education Study*

—That the Federal government establish a National Commission on the Quality, Cost and Financing of American Primary and Secondary Education.

This Commission should include representatives of government at all levels and of every major sector of American life directly affected by our educational system.

The problems of education today are so many and so complex that nothing less than an exhaustive re-evaluation of our entire educational system and its financing can set us on the right course.

I am joining with the State Board of Regents in sponsoring such a study of our State's educational system.

C. *Federal Action*

In cooperation with my fellow Governors, I will work closely with the incoming national administration and the Congress to bring about an understanding of the challenge facing the federal system.

We must all do everything possible to persuade the Federal government to enact the recommendations of the Advisory Commission on Intergovernmental Relations and the two specific proposals for financing welfare and adopting universal health insurance.

These would cure the imbalance in the federal system and

preserve the ability of state and local governments to meet their responsibilities to the people.

In the interim, however, the immediate issue is not what Washington ought to do soon but what we must do now.

V. New York State's Fiscal Situation

A. Magnitude of the Problem

This year, the State confronts a fiscal crisis.

The dollars needed to meet the increased expenditures required by present law and to keep State services at an acceptable level simply cannot be met from present tax revenues.

The added financial burden placed on the State by mandated increases in expenditures is far in excess of the growth in State revenues under our present tax structure and rates. State aid to local governments alone for next year, with no new programs or upward revisions in aid formulas, will increase by more than \$700,000,000.

Our State's economy is sound and growing and our tax resources are growing accordingly, but the spending required by law for aid to local government is growing beyond our present capacity to meet it.

As I pointed out earlier, this increase is almost entirely due to the tremendous increase in costs in two areas—education and welfare.

Education costs in the State Budget next year will be up more than \$450,000,000. Social welfare costs will be up about \$200,000,000.

In ten years, these costs in the State Budget will have increased in education from \$760,000,000 to \$2,850,000,000, and in social welfare from \$178,000,000 to \$1,170,000,000.

Other essential services of State government and local government obviously cannot be sacrificed or crippled to meet costs in these two fields. In mental hygiene, health, conservation, crime control and other areas, we must meet our responsibilities.

And with the use of available bonds and self-liquidating financing, we must continue to invest in physical improvements—in highways, transportation, housing, urban redevelopment, and water pollution control, because these investments add to our economic growth—to jobs and income.

This year clearly is one for reappraisal and for decision.

Mandated increases in State assistance to localities plus increases requested by State agencies and by local governments total \$2,120,000,000.

From this, we eliminated as impossible of fulfillment requests totalling \$930,000,000.

This left a total of mandatory obligatory and vital increases in the next budget amounting to \$1,190,000,000.

To meet these increases, we estimate that increased revenues and expanded bond capacity will be \$570,000,000.

This leaves a net gap to be closed of \$620,000,000.

This situation can and must be handled. It is clear, first of all, that our budget for the coming fiscal year cannot include any new programs involving expenditure of the taxpayers' money.

B. Alternative Solutions

To close the \$620 million gap, there are three meaningful alternatives:

—Cut education, welfare, local aid, and all other parts of the State budget by more than 10 percent;

—Raise \$620 million in new taxes; or,

—Do some of each.

The third course is clearly the one to follow.

In my judgment, to close the \$620 million gap by an increase in taxes would jeopardize the State's competitive economic position.

On the other hand, to close the gap through a \$620 million cut in the support of our schools and local communities, and in State services, would have too harsh consequences.

C. Balancing the Budget for 1969-70

Therefore, I shall recommend the following to balance the 1969-70 budget:

—A 5 percent cut across the board in budget expenditures under the recommended appropriations \$280 million

—A 1 cent increase in the State sales tax effective April 1, 1969 \$340 million

Total \$620 million

D. Preventing Fiscal Crisis in Future Years

As I have already indicated, New York has reached the point at which State aid payments, as required under existing statutory aid formulas, are increasing much faster than our revenue growth under our existing tax structure.

As matters now stand, we have a built-in, automatic increase in State aid to local governments under these existing formulas that will require an increase in State taxes virtually every year unless the formulas are revised.

Thus, the mandated increase of more than \$700,000,000 in State aid for the new fiscal year will go into effect without any new programs or improvements of the existing formulas as compared with a growth in revenues of about \$495,000,000 under the existing tax structure.

In order to bring a halt to this situation, it is evident that there must be a revision of State aid formulas, beginning with fiscal 1970-71.

I shall recommend such revisions to you so that the liability of the State for local assistance and State purposes expenditures will be within the competitive capacity of the State to pay for them.

VI. The Big-City Problem

There are disturbing indications that the present institutions and administration of city government are growing obsolete and incapable of dealing with the problems they face—the growing divisions among our people, the turmoil in education, and the upheavals caused by frequent labor disputes are major signs.

While our cities face acute financial problems, money alone will not solve our problems.

State aid to New York City, for example, has grown from \$393,000,000 in 1960 to \$1,525,000,000 in the current fiscal year. This staggering rise in aid—nearly 400 percent in 9 years—has not solved the City's problems.

New York City officials have asked for an extra \$490,000,000 in the next fiscal year. This is on top of a mandated \$225,000,000 increase in aid to New York City, which would bring next year's total to \$1,750,000,000.

The President's Advisory Commission on Intergovernmental Relations has made valuable studies of local problems, providing much background material of general applicability.

I plan to appoint a commission including some of the leading public administrators in America to apply the learning in these and other general studies to the problems of the large urban areas in New York State, and to recommend specific steps to assure the continued vitality of local government in this State.

VII. Public Service Disruptions

A. *Public Employee Strikes*

This is an era of turmoil in public employment labor relations. The era had its counterpart in private industry 30 to 35 years ago, in the early years of the Wagner Act.

It is proper for government employees to have the right to organize, to bargain collectively, and to have grievance procedures. But they should not have the right to paralyze public services as a club for obtaining their objectives.

The State's Taylor Law:

—Guarantees for the first time the right of all public em-

ployees to organize and to be represented in collective negotiations by organizations of their own choosing;

—Requires all public employers to negotiate with their employees on terms and conditions of employment;

—Provides for mediation and fact-finding to help settle impasse situations before they can become strikes; and

—Prohibits public employee strikes.

The Taylor Law is a comprehensive labor relations statute which effectively creates true collective negotiations in the public sector for the first time throughout New York State.

Under its dispute settlement procedures, approximately 370 disputes have been brought to the State Public Employment Relations Board—mostly by employee organizations—and peacefully resolved under these settlement procedures.

But it is not a perfect instrument. Judged solely on its ability to prevent work stoppages, it is indeed imperfect.

There have been illegal strikes in New York City during the past year by the sanitationmen and the school teachers, and by the non-professional employees of State mental hospitals in several parts of the State. There have been threatened strikes or slowdowns by the police and firemen of New York City and in some upstate areas.

We must strengthen the penalties of the Taylor Law to make it more effective as a means of preventing strikes against the people.

The right to strike has not been accorded to public employees anywhere in the United States—nor should it be.

As Governor Dewey put it:

"The duty of public employees is to the whole of society. A strike of firemen could overnight permit the destruction of a whole city. A strike of police could endanger the safety of millions of people and all their possessions. A strike of sanitation workers could almost overnight produce an epidemic threatening the lives of other millions of people."

And as President Franklin D. Roosevelt said:

"Since their own services have to do with the functioning of the Government, a strike of public employees manifests nothing less than an intent on their part to prevent or obstruct the operations of Government until their demands are satisfied. Such action, looking toward the paralysis of Government by those who have sworn to support it, is unthinkable and intolerable."

I shall make specific legislative proposals in a Special Message, when I receive the recommendations of the Taylor Committee, which I reconvened last year to review problems in this area.

B. *Essential Service Strikes*

In the private sector, too, there have been potentially catastrophic strikes by utility company employees and fuel oil truckers. In each instance the health, safety and welfare of millions of New Yorkers were seriously threatened. Yet, under present Federal law the State cannot deal effectively with these strikes and the Federal government does not.

Federal law provides "cooling-off" periods for strikes which imperil the "national health or safety," but fails to protect against state, local or regional disruption of essential services. Yet such a disruption can threaten the health and welfare of millions more people than a "national emergency" as recognized in present Federal law. This deficiency in the Federal law must be corrected.

I urge your Honorable Bodies to memorialize the Congress to extend the "cooling-off" provisions of the Taft-Hartley Act to cover these state, local or regional emergencies in the private sector which imperil health and safety. Alternatively, the Congress should authorize states to establish parallel procedures for dealing with such emergencies.

VIII. *More Effective State Government*

We live in a constantly changing civilization with changing needs. State government agencies tailored to solve yesterday's problems must continually be kept relevant to today's challenges.

State agencies today find themselves confronted by three basic dilemmas:

First, the public demands greater service and convenience. Second, solving a single problem often requires the combined effort of more than one agency.

And third, our programs grow more complex each year, requiring greater professionalism and skill. In this context, State Comptroller Arthur Levitt has made significant contributions to improved government operation through his management audits and through the mechanization and modernization of the State's accounting system.

If a government is to be truly responsive, it must be flexible enough to accommodate to these changing conditions.

Therefore, I will recommend a Constitutional amendment to facilitate future executive reorganization by authorizing the Governor to initiate such reorganization subject only to legislative veto.

In the meantime we will continue to evaluate proposals for re-aligning State agencies so that they will be responsive and relevant to our current problems.

A. *Rehabilitative Services*

For example, the Governor's Special Committee on Criminal Offenders has recommended unifying in a single department all State rehabilitation services for persons requiring supervision. This recommendation is designed to improve the quality of service for affected individuals and their families. I shall submit a Special Message with legislative recommendations drawing upon the Committee's report.

B. *Law Enforcement Planning and Coordination*

Last month I created, by Executive Order, a State Crime Control Planning Board and an Office of Crime Control Planning to qualify the State for Federal crimefighting funds under the Safe Streets Act of 1968. The Board will form the nucleus for State and local planning to improve crime control efforts at all levels of government.

We have already made application for over \$1 million in funds under the Federal act for crime control planning.

C. *Employee Relations*

It is essential that the State's administrative structure be reorganized and strengthened so the interests and responsibilities of both the State's public servants and the public can be met effectively within the framework of the Taylor Law.

Last month I appointed a Director of a new Office of Employee Relations to represent the State government in all its collective negotiations with State employee organizations. The new Office will assume the responsibility for the many new functions involving State employee and employee organization relations.

D. *Administrative Procedures Act*

I propose the adoption of an Administrative Procedures Act that would establish uniform administrative procedures in various State agencies. This uniformity would provide citizens with procedures that are both fair and easier to follow in their dealings with our State agencies. The State's Law Revision Commission has prepared comprehensive and invaluable studies in this area.

IX. *Crime Control*

New York State—like the rest of the Nation—is confronted with a steady increase in crime. With your cooperation we have met this serious threat with some of the most advanced crime-fighting programs in the Country.

A. Narcotics

Of all the social problems we face today, few are more pernicious than narcotic addiction. Not only are many crimes in our State directly attributable to narcotic addiction and the illicit traffic in narcotics, but drug abuse is now a serious public health problem.

To meet the challenge posed by narcotic addiction, this administration proposed and the Legislature implemented the world's most comprehensive program of mandatory treatment for narcotic addiction. More than half the addicts who have been released to the community from this program have not reverted to the use of drugs.

Since the average addict spends more than \$30 a day to support his habit, and often must steal four or five times that amount in value of goods to get the money to buy drugs, the value of the program in reducing crime is apparent.

The State has not limited itself to any single philosophy of treatment but rather is exploring and utilizing many methods, including the methadone maintenance approach. This method has demonstrated an encouraging degree of success with a selected group of the addict population. This year we look to expansion of these treatment programs.

The State's prevention program includes a number of community narcotic education centers throughout the State. Motion pictures and literature describing drug abuse, and college campus conferences on this subject, are also part of our educational effort.

The new State Police narcotics unit, established last year to combat large-scale traffic in narcotics, has already more than doubled their arrests for the illegal sale or possession of narcotics and dangerous drugs.

B. Gun Safety Legislation

Gun safety legislation is an essential element of a strong crime prevention program. The law abiding citizen is entitled to possess firearms for lawful purposes. At the same time, he is entitled to protection from the law breaker, the psychotic, or the incompetent who would misuse firearms.

Accordingly, I shall again submit to your Honorable Bodies a comprehensive firearms control bill which will include:

- Strengthening and improving the State's hand-gun licensing law;
- Licensing the owners of rifles and shotguns; and,
- The creation of a seven-member Firearms Control Board to administer the program.

The interest of the State in controlling access to the gun and the interest of any responsible sportsman in possessing guns are compatible. These two interests are well provided

for in the bill I shall shortly be submitting to your Honorable Bodies.

C. Electronic Eavesdropping

During the last Session of the Legislature, your Honorable Bodies adopted, upon my recommendation, a bill providing for the controlled use of electronic eavesdropping in accordance with recent United States Supreme Court decisions. Within a few days, the Federal government adopted an eavesdropping law that conflicts in several respects with State law.

Accordingly, I shall recommend to your Honorable Bodies legislation to conform the State law with the Federal law. This should enlarge our capacity to attack organized crime through court-authorized eavesdropping under proper safeguards.

D. Criminal Procedure Law

The first complete modernization of the Penal Law since the turn of the century became effective in September 1967 under recommendations of the Temporary Commission on Revision of the Penal Law and Criminal Code, which we jointly established eight years ago.

The Commission has now completed a proposed, basic revision of the Code of Criminal Procedure, again the first in this century. I urge your careful study and consideration of this landmark revision.

E. Full-Time District Attorneys

I will again submit a proposal to require full-time service by district attorneys in our larger counties. Full-time service of these district attorneys and freedom from possible conflicts of interest are essential to an effective, modern law enforcement system.

F. Work Release Program

In the past few years, there has been a significant increase of interest in allowing prisoners to hold jobs outside the prison walls to help prepare them for successful re-adjustment to life in the community. The results have been encouraging wherever work release programs have been tried.

Presently, work-release is authorized only in New York City and county penitentiaries. I shall submit a proposal to authorize work-release in our State correctional institutions as well.

X. Economic Activity

Economic growth in New York State continued to set new

records in 1968 as total business activity, factory output, employment and personal income reached all-time highs and unemployment was at the lowest level in recent years.

Every major business sector participated in this real growth;

—Personal income in the State rose 8.6 percent over the same period a year ago. This brings the 10 year growth in personal income up 78 percent;

—Unemployment dropped this year to the lowest levels recorded under the current reporting system, initiated in 1957. Today there are 191,000 fewer unemployed than 10 years ago and employment during this same period has increased by 618,000;

—Private business has completed or planned 6,300 major new or expanded manufacturing facilities during this last decade; and

—The International Commerce program brought \$78 million in new foreign business to New York State firms in 1967 alone.

A. Council of Economic Advisers

Encouraging as these economic indicators are, the continued healthy growth of the State's economy depends in large measure on careful planning.

Last month I appointed a seven-man Council of Economic Advisers to provide special counsel and guidance on fiscal and economic policy matters affecting the State.

The Council, under the Chairmanship of Eugene Black, former President of the World Bank, will further strengthen New York State's pioneering efforts in long-range social and economic planning.

B. Post Vietnam Planning

The early and honorable peace that we all pray for in Vietnam will also have economic consequences for the State. To prepare for an orderly transition to a peacetime economy, I appointed a Post Vietnam Planning Committee under the Chairmanship of Keith S. McHugh, former State Commissioner of Commerce, to study and recommend action to be taken to offset the human and economic effects of cutbacks in defense spending.

Based on the Committee's recent report, I will establish a State Post Vietnam Coordinating Committee. Its objective will be to give maximum assistance to veterans and workers affected by defense cutbacks. Several area committees will be established as part of our preparations for the transition to peace.

I will also recommend legislation to afford additional opportunities for housing for the returning veteran and his family.

C. Community Development Article

The task of rebuilding our cities is too vast for solution by the public or private sectors acting alone. Only through a partnership of these forces can life in our urban communities be substantially improved.

The State Urban Development Corporation, created last year, enables the State to act for the first time as a sponsor in stimulating comprehensive community development projects. State action in this area could be made even more effective by eliminating restrictions in our State Constitution which hinder full partnership between the public and private sector in developmental activities.

I will, therefore, propose a Community Development Article for the State Constitution to permit greater public-private cooperation in rebuilding our urban areas.

D. Job Development Authority

I urge your Honorable Bodies to give second passage to a constitutional amendment which will increase from \$50 million to \$150 million the ceiling on State-guaranteed indebtedness of Job Development Authority bonds.

This would enable the Job Development Authority to expand its loans to non-profit industrial development corporations for the construction or rehabilitation of job-producing industrial plants.

XI. Labor and Individual Opportunity

A. Manpower Development Council

Today there can be no more profitable investment of public funds than in effective manpower training to shift people from dependency to self-sufficiency. In order to make manpower development programs in New York more beneficial, I created last month a Manpower Resources Council. Its function is to pull together the numerous training programs, to improve their efficiency and to assure full value to the individuals involved for every dollar spent.

The Council will assure that training opportunities relate to the individual's potential and specific labor market needs which he could fill. It will facilitate the success of work incentive programs which provide training opportunities and economic incentives to help welfare recipients break the welfare cycle.

B. Unemployment Insurance

The State's present Unemployment Insurance Law in some instances discourages part-time work because workers lose benefits by accepting part-time employment.

I will submit legislation to change the present law to provide greater incentives for the unemployed to take part-time work.

C. Farm Workers

Farm workers are vitally important to the agricultural sector of New York's economy. Our agricultural industry historically and traditionally, has had particular characteristics which differentiate it from normal industrial patterns.

I plan to submit legislation requiring a minimum wage, better health protection and other safeguards for the farm laborer within a framework which takes into account the unique problems of the agricultural industry.

XII. Human Rights

The reorganization of the State Commission for Human Rights has been carried forward successfully and has already equal opportunity for all citizens.

Much, of course, remains to be done. In the area of employment, I will submit legislation extending the Human Rights Law to:

—cover all employers within the State, regardless of size; and,

—apply to all types of employment.

To strengthen the State's "fair housing" laws, I will submit legislation extending the Human Rights Law to:

- cover all houses and apartments in the State;
- cover rooms in all commercial boarding houses; and
- prohibit blockbusting.

The Debevoise Committee's study last year amply demonstrates that eliminating discriminatory employment practices is not enough—that there also is a need for positive action to increase employment opportunities for minority groups in many industries. We are continuing our efforts to encourage affirmative action in both the public and private sectors to increase these opportunities.

XIII. Consumer Protection

During the last decade, New York State has won national recognition for its vigorous efforts to protect consumers from deception and fraud.

New laws have been enacted, existing laws have been strengthened, administrative improvements have been made,

and consumer information and education programs have been launched in behalf of the consumer. Last year your Honorable Bodies enacted the landmark fire insurance pool bill, a bill to restrict the cancellation of automobile insurance policies and an expanded meat inspection bill.

The Bureau of Consumer Frauds, under Attorney General Lefkowitz' strong leadership, has saved New York's consumers millions of dollars. This year the Attorney General is preparing a legislative program which, among other things, will provide for garnishee protection and protection against abuses in door-to-door selling.

This year the Administration will seek new consumer protection laws dealing with the following:

1. Companies selling insurance to New Yorkers by mail from outside the State are now unregulated by New York State. New York consumers should be protected from those that are financially unsound or irresponsible through State regulation of these companies.

2. We must further restrict arbitrary cancellation of insurance by extending the provisions of law now applicable solely to automobile insurance. This will provide added security for home owners and businessmen alike throughout the State.

3. We must extend insolvency funds which now exist in life and motor vehicles insurance, to other types of insurance. This action will further protect consumers from loss if their insurance carrier becomes insolvent.

4. Recently, conglomerates have begun to invade the insurance area. While some of these companies are engaged in legitimate diversification, others seek insurance companies for financial speculation. I will submit legislation to protect the public against abuses of insurance holding companies.

5. Price competition. Legislation is required to promote greater price competition in insurance rates at the consumer level.

6. Assigned risk auto insurance. Legislation is required to extend the types and amount of insurance coverage available through the automobile assigned risk plan, to afford greater protection for all motorists.

7. Recent Congressional hearings confirm the conclusion of earlier studies that auto repairs constitute a major area of consumer fraud. To provide greater assurance to car owners against fraud and dishonesty, and to help protect the good reputations of the greater number of honest and careful auto repair shops, I will again propose legislation to regulate the auto repair business, including a registration program for all auto repair shops.

8. Numerous incidents have been reported of individuals having their credit standing damaged by the circulation of inaccurate or false credit information. Often, these persons have

no opportunity to correct this misinformation or even to know it is being used. Legislation is needed that will limit the persons to whom credit agencies can divulge information. This legislation should also give an individual who has been denied credit the right to inspect his credit file and to require the removal and prevent the circulation of false or inaccurate information.

XIV. Education

4. Primary and Secondary Education

1. Quality, Cost and Financing

The Board of Regents and I are cooperating in the appointment of a special commission to explore the quality, cost and financing of education in both our public and private primary and secondary schools. I hope that this Commission will pay special attention to the possibilities of maintaining educational quality, while reducing educational costs, through, among other things, the application of modern technological advances in the classroom.

2. School Decentralization

The subject of decentralization of the New York City school system will be a matter of the highest priority for your consideration this year. It is my hope that the New York City Board of Education, the teachers and the community groups involved, together with the Mayor and the State Board of Regents will be able to unite behind a workable program that will assure the best possible educational opportunity for the children.

3. Pre-School Programs

We will continue to maintain the Nation's best pre-kindergarten programs to give under-privileged children an early exposure to educational and cultural opportunities.

B. Higher Education

1. State University

When this Administration took office in 1959, only 38,000 students were enrolled in the State University. Next Fall enrollment will total over 172,000 full time graduate, undergraduate, and community college students on 63 main campuses.

The growth of the State University of New York has not been limited to increases in enrollment. Growth, in the fullest sense, also encompasses maturity and excellence. The State University of New York has placed equal emphasis on quality in higher education. It has striven to secure the finest faculty available and to develop outstanding curricula.

Within the limits of funds available we will continue the growth of the State University to serve the growing number of young men and women who want and need a college education.

2. Higher Education for the Disadvantaged

In recent years, the Administration has initiated several imaginative programs to identify qualified youngsters living in slum areas and to assist these students in getting college educations. This year's budget will provide funds to continue these special educational efforts.

XV. Health

The initiatives of this Administration have placed New York far out in front of the Nation in meeting the health needs of its people and in creating a more wholesome environment.

The results can be measured in terms of children spared a lifetime of mental retardation, of physically-handicapped men and women restored to fuller lives, of steadily-improving prospects for recovery from the dread killer diseases.

4. The Medical Record

The State's extraordinary medical record includes:

—the first state hospital licensing program covering the adequacy, not only of the physical plant, but of the quality of care provided as well;

—the first state hospital planning program to insure that only needed hospitals are constructed, thus cutting down on costly duplication;

—pioneering actions to ease the chronic shortage of doctors, nurses, technicians, and other health professionals;

—the first state program providing low-cost loans for the construction and modernization of municipal hospitals and non-profit nursing homes;

—the Nation's first state programs for licensing medical laboratories, x-ray technicians and private ambulance operators;

—the Nation's best medical assistance programs;

—creation of the Nation's first state unit to combat chronic respiratory diseases;

—strong support for the State's Roswell Park Memorial Institute, now world famous as a cancer research center;

—a comprehensive PKU testing program to prevent mental retardation; and

—the creation of the Nation's first state research institutes to study birth defects and kidney diseases.

B. *A More Livable Environment*

New York sets a national standard in its actions to combat the hazards to a healthful and wholesome environment.

1. *Elimination of Water Pollution*

New York's Pure Waters program is the largest, most comprehensive anti-pollution effort underway anywhere in the world, including the programs of the Federal government. Its objective is nothing less than to end every source of pollution of New York's waters.

Under Pure Waters, the State provides 30 per cent of the cost of building local sewage treatment systems and provides a 30 per cent Federal share for a total potential State contribution of 60 per cent. Already, 324 construction projects throughout the State representing a total investment of \$1,064,000,000 are underway or completed. In addition to the Pure Waters construction grants, New York's Pure Waters anti-pollution program includes:

- a State grant program covering 30 per cent of the cost of operating local sewage treatment plants;
- a Statewide monitoring network that will give instant warning when pollution occurs;
- real property tax exemptions to firms building treatment facilities; and
- the Pure Waters Authority which makes low-cost loans to localities still hard-pressed to meet their share of sewage system construction costs.

2. *Controlling Air Pollution*

The menace of air pollution is being met vigorously in New York State by pioneering actions including:

- creation of the Air Pollution Control Board which regulates the limits of acceptable air contamination;
- the Nation's first requirements for exhaust and crankcase devices to cut down pollution from motor vehicles;
- a prohibition of open burning of solid wastes; and,
- an air sampling network, now numbering 100 stations, and an interstate smog alert system.

C. *New Health Proposals*

Notable progress has been achieved by this Administration, but we have not reached our goal for the protection and preservation of the people's health on a sound fiscal basis.

1. *Universal Health Insurance and Hospital Cost Controls*

I will again this year submit and strongly urge your passage of a system of Universal Health Insurance to assure our citizens of adequate health care in the face of continually and

sharply rising health care costs. This proposal will be coupled with a hospital cost control program that would make hospital rates contingent upon management efficiency so that good practices are rewarded and poor practices are discouraged.

2. *Licensing of Nursing Home Administrators*

The proper operation and management of nursing homes is essential to the health and well-being of increasing numbers of older citizens. Federal law now requires the licensing of nursing home administrators by 1970. Legislation will be needed to comply with this requirement.

3. *Medical Care Facility Mortgage Loans*

Many hospitals today need to be substantially modernized. As a result of present constitutional restrictions, loans for such purposes are limited solely to municipal facilities. To meet the needs of voluntary and private hospitals and health care facilities, I urge your Honorable Bodies to grant second passage to the proposed amendment to the Constitution authorizing public loans to these institutions for the construction and improvement of their physical plants.

I shall also propose legislation this year, which would authorize the Housing Finance Agency to make mortgage loans for these purposes if the constitutional amendment is approved by the voters.

4. *Nursing Home Out-Patient Services*

The Legislature, at my request, has authorized the State Housing Finance Agency to make \$500 million in mortgage loans available to nursing homes for the construction of urgently needed accommodations. Funds have already been committed, reserved or allocated for 84 projects throughout the State, providing some 15,000 more nursing home beds.

Nursing homes can perform an additional valuable function by providing out-patient services to residents of their community. I shall, therefore, recommend legislation which would permit these companies to provide visiting nursing and other out-patient services to help older persons live independently in the community.

5. *Vital Organ Transplantation Commission*

Exciting as the advances have been in the transplantation of the heart and other vital organs, these operations raise serious questions of law, medical ethics, and social values. Last year, a Temporary State Commission to Study the Transplantation of Vital Organs of Human Beings was established to review these questions. I look forward to the report of this Commission and its continuation for another year if necessary to complete its important work.

6. *Abortion Reform*

Last year a distinguished panel of citizens, headed by former Court of Appeals Judge Charles W. Froessel made a careful study of all aspects of the difficult social problem of abortion. This panel's excellent report is worthy of your careful study. I will again submit a bill, based on the Commission's report, to modify New York's abortion law and I urge its passage.

XVI. *Mental Health*

One of the most rewarding experiences of this administration has been the progress in the care and treatment of the mentally ill—the restoration of so many patients to their families and to useful lives in their communities.

The concept of care for the mentally ill has been radically and beneficially altered through the initiatives of this Administration.

The State is no longer the sole provider of care for those unable to afford private treatment. A Community Health Services Act now provides \$75 million annually to our communities, enabling them to serve many thousands of their mentally disabled residents.

New York's pioneering master plan for treating mental illness has become a national model. Under these new approaches, which include widespread use of tranquilizers and other drug therapy:

—the population of State hospitals has dropped from 91,000 to 74,000, though annual admissions have more than doubled;

—half the patients admitted to State hospitals are able to leave in less than two months;

—hospitals have been reorganized for smaller units and more intensive treatment.

Major advances have also been achieved in the treatment of the mentally retarded:

—the focus has shifted from custodial care to education, rehabilitation and training;

—individual attention has been intensified by almost doubling the staff in institutions for the retarded;

—overcrowding has been substantially relieved by the opening of three new State schools.

The Administration created, with your approval, the Mental Hygiene Facilities Improvement Fund (later expanded to cover health facilities, as well) which has channeled:

—\$350 million for the construction of 6 new mental hospitals, 7 children's hospitals, 10 facilities for the retarded and rehabilitation centers in 15 State hospitals; and,

—\$120 million in upgrading the comfort and safety of existing State mental health institutions.

A. *New Mental Health Programs*1. *Community Mental Health and Retardation Facilities*

Voluntary agencies can provide a valuable resource for the care and treatment of the mentally disabled. To this end I shall submit legislation to encourage voluntary agencies to operate these community mental health and retardation facilities through the provision of low cost self-liquidating construction loans for such facilities.

2. *Modernizing the Mental Hygiene Law*

The present Mental Hygiene Law was enacted by the Legislature in 1927. Although it has been amended piecemeal by virtually every Legislature since that time, it has not received any overall review.

Therefore, the Administration commissioned a study for recodifying the Mental Hygiene Law regarding the care, treatment and civil liberties of mentally disabled persons. I urge that you give serious consideration to the important proposal which has resulted.

XVII. *Transportation*

Not since the days of the Erie Canal has New York State made as much progress in transportation as in the last decade.

A sound transportation system is vital not only for the convenience and safety of individual travelers but for our sustained economic growth, for the movement of our goods to market and for attracting new plant investments and new job opportunities.

We have developed a comprehensive approach to transportation. We are balancing and integrating our highway, mass transit, air, and water travel, to get the best in rapid, safe, convenient, and efficient transportation.

We provide this approach:

—Administratively, through

(a) our new Department of Transportation;

(b) new mechanisms, such as the Metropolitan Transportation Authority and the Niagara Frontier Transportation Authority to deal with regional transportation; and,

(c) the nation's first statewide transportation plan for public and private facilities; and

—Financially, through voter approval in 1967 of the \$2.5 billion Transportation Bond Issue.

A. Highways

Without the people's overwhelming approval of the Transportation Bond Issue, our highway road construction program would have come to a virtual halt this year. With the Bond Issue construction is moving steadily ahead, adding many vital roads and facilities to the record 14,500 miles of new and improved highways we have built during this administration.

B. Mass Transit

The enormous potential of the Transportation Bond Issue for financing mass transportation projects throughout the State is now being realized.

In upstate areas, grants have been made for all six projects approved last year by your Honorable Bodies. With the assistance of these grants, 78 new buses have already been put into service in Rochester, Niagara Falls, and Rome and in the Binghamton area. Feasibility studies for still additional projects are being advanced at this time.

In the New York metropolitan regional area Bond Issue funds will be used for construction and improvement of subways, commuter railways and transportation centers.

Pending development of specific area plans, Bond Issue funds are being reserved to meet the Niagara Frontier mass transit needs.

These improvements will include the first major expansion of the New York City subways in 40 years.

The difficult task of modernizing the Long Island Rail Road is advancing steadily. New air-conditioned, high speed cars are already in service and others are now being delivered by the manufacturer at a rate of 28 per month. By October, 1970, 620 new cars will have been added to the Long Island Rail Road. The Transportation Bond Issue will pay a substantial share of the cost of these cars. Further electrification of the line, modernization of the signal system and stations and other needed improvements are all progressing.

The deteriorated but vital commuter services of the former New Haven Railroad will also get a sharp lift from investment of Bond Issue funds. These funds will go for modernization, new cars, and for State acquisition of the portion of the line within New York State.

The outmoded Staten Island Railway will be completely rehabilitated, in great part through Bond Issue funds.

C. Aviation

The State has already approved 18 grants for projects using Bond Issue funds for constructing, improving or ac-

quiring airports serving business, charter, private and commercial aircraft. Adequate airport facilities are increasingly important for economic expansion and, near metropolitan areas, they are also important for relief of dangerous congestion at commercial airports.

D. Highway Safety

In the United States, one thousand persons die in traffic accidents every week.

We are making progress in building safer cars and safer highways. But we cannot overlook the equal importance of driver control through sound traffic laws.

I will be submitting for your approval a number of major highway safety measures.

1. Drunken Driving

A recent study by the United States Department of Transportation indicates that approximately half of all deaths on the highway involve drinking.

Such studies and our own experience point up that a major dimension of the problem is obtaining convictions of drunken drivers to get them off the highways.

I have directed the Department of Motor Vehicles and the State Crime Control Council to develop tougher standards of evidence of inability to drive safely so that we can more effectively prosecute the drunken driver.

2. New Detection Devices

The State Police will expand their use of breatholizers to detect drinking drivers and employ a greater variety of technical devices to apprehend speeders.

3. Adjudication of Traffic Cases

I will submit legislation which would remove minor traffic violations from the criminal courts and place them in an administrative unit of the Department of Motor Vehicles.

Qualified hearing officers would decide these cases, and the right to a judicial review on appeal would be preserved. The cost of administering the program would be financed out of fines imposed on violators.

This will permit the criminal courts to direct their total efforts to the handling of serious criminal cases. Such a program in New York City would free approximately 18 Criminal Court judges who now deal with traffic cases almost exclusively. It would also enable the State to keep current on revocation and suspension orders for persistent violators.

4. Protection for Auto Accident Victims

Last year I appointed a distinguished panel under the Chairmanship of former Court of Appeals Judge John Van

Voorhis to examine our present methods of compensating automobile accident victims. I asked the panel to submit recommendations for improving the system which would help keep down automobile insurance rates, speed up the payment of claims and eliminate long delays and court congestion in the disposition of automobile accident cases. When the panel makes its recommendations, I will submit specific legislative proposals.

5. *Tire Standards*

In keeping with our concern for safer vehicle components, I will recommend legislation to authorize the Commissioner of Motor Vehicles to set standards for both new and retreaded tires on passenger and commercial vehicles to close gaps in present federal tire safety regulations.

XVIII. *Conclusion*

The fiscal situation is our greatest single problem this year. It affects our approach to all the other problems.

Its solution will require us as public officials to exercise the utmost in courage, judgment, balance, and objective seeking for the greatest good for the greatest number.

It likewise will require the people of New York State to practice the utmost in restraint and responsibility in their demands on the public treasury.

For until there is a redress of the imbalance in the federal system, the difficult fiscal steps I have recommended are unavoidable if we are to preserve the State's competitive economic position—with all that means in terms of better living standards for the people of New York State.

I believe that these proposals strike a prudent balance—that they express our deep concern for people.

They weigh not only the human needs for services and assistance, but also the hardships that so many people of New York State are facing in paying their taxes and making ends meet in times when inflation exacerbates all our other problems.

Next week, I shall begin a series of town meetings in all parts of the State to discuss these proposals with the people of New York State so they will fully understand our reasons for advancing them.

As in the past, these meetings will be open to all. Members of my administration will be with me. We shall explain what the State is up against, exchange views and answer questions.

The days ahead will be difficult. There are no easy solutions. But the genius of the American federal system is its ca-

capacity to adapt to changing times. That is why it has so long endured. I am confident that we shall find the right solutions. With a high sense of duty, and with God's help, let us pursue our mission and exercise our responsibilities for the people of this great Empire State.

(Signed) NELSON A. ROCKEFELLER