

Address on State's Rights in Government

by

THE HONORABLE HAROLD LeVANDER

Governor of Minnesota

at the

NATIONAL ASSOCIATION OF
INSURANCE COMMISSIONERS

Zone IV Meeting

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*Remarks by Governor Harold LeVander
delivered before the Zone Meeting
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On behalf of the people of Minnesota, welcome. We are grateful for the opportunity to host the Zone IV Convention of the National Association of Insurance Commissioners and your wives, who are getting a cooking lesson at Betty Crocker's Kitchen at General Mills. I am confident Commissioner Hunt has been taking good care of you. You can begin to appreciate how dedicated a public servant Tom is when you realize his careful attention to planning for this important meeting during this week . . . even while becoming a father for the first time. The mother and father are doing well since Lang came into the family by adoption.

I am sure you have dealt with the nuts and bolts and have been told of our new laws.

As I look out here, I see some the real substance of State Government . . . commissioners and staff from Zone IV, the industry representatives who are interested in working with the states. When you review the serious discussions going on here, you see in the flesh the revolution in the Federal system that so often seems abstract and remote.

The time is long overdue for us to re-work the role of units of government. We tried a confederation of states. That didn't work. Some tried to split the country in half. That didn't succeed. A few tried to abolish local government. That wasn't practical. We tried a strong dominant Federal government. That was nearly catastrophic. Today government activity is at an all time high.

And people's faith in the government's problem-solving ability at an all time low.

If we are to prove to the nation as well as to the world that a people can govern themselves, we must reshape the balance of power.

Surely the states have waited as long as they dare to reassume the direction of their destiny. We must be prepared to push all abilities to the limit in seeking to solve problems.

In order to do that, states must redefine their relationship to local government.

As often the parent is responsible for the child, as an offspring of the state, local government must be treated as a friend, not competitor. Here in Minnesota that philosophy is evident. Over 60% of the state's budget is returned directly to local government. In addition to providing a substantial part of local government's living expense, the state has also given them tools for self help.

The Regional Development Commissions, a vehicle for local government to work together to solve area-wide problems, to be used by rural communities if they so desire.

In addition to revamping our relations with local government, we need to rework our partnership with the Federal government. The overwhelming need to do so has been recognized by President Nixon. He has pointed out that after a third of a century of centralizing power in Washington, the Federal government has become a bureaucratic, cumbersome, unresponsive and ineffective monstrosity.

It's time to change.

The spirit of the new federalism is best exemplified by the proposed Federal-State revenue sharing concept. For

several years, I have argued that only through revenue sharing can the states survive as viable partners. The present mix of government revenue and responsibility gives the Federal government the money and leaves state and local government with the problems. The Federal government clearly dominates the most progressive tax . . . the income tax. Washington collects 93% of all the income taxes paid in the country.

Because of the use of the income tax, Federal revenues grow at about $1\frac{1}{2}$ times the rate of growth of the gross national product. In contrast, the states' revenues grow at about 1%. The automatic annual growth of the U. S. economy is accelerating; present tax rates should pour \$9 billion of new revenue annually into the Washington coffers . . . \$45 billion in five years. If the war ended, the amount available for other purposes would be greatly increased.

In fact, it has been said that it took the Viet Nam war to use up the surplus.

The states are left in a difficult position to increase their own revenues . . . not only because they rely on less progressive taxes but also because they must compete with tax rates in other states. Minnesota ranks fifth in the nation in our state and local tax effort. We cannot substantially increase our taxes without affecting our ability to compete for industry and talented people with other states.

I have said many times that Federal-State tax sharing is an absolute necessity if we are to preserve the Federal system.

In the process of applying to actual cases the philosophy of the new federalism, there will be tough decisions to make. Disputes will arise. It's inevitable.

We have one right here, right now. The Minnesota Pollution Control Agency has set water quality standards on all Minnesota waters. One of the large power companies in Minnesota is building a nuclear power plant on the Mississippi River. They maintain they cannot meet the standards set. Furthermore, they argue because the AEC is interested in nuclear matters they have final authority.

The state of Minnesota's position is that Federal standards serve a very valuable function in providing regulations. But we believe just as firmly that any state that is willing to walk the extra mile should have the right to provide stronger protection for its people when special circumstances so require.

I do not view this as simply a states' rights issue. I view it as Minnesota's obligation to future generations to aggressively foresee new problems and seek to solve them before they become insoluble.

In essence, I want Minnesota to protect its God-given natural resources . . . not try to reclaim them once they have been lost. It's both cheaper and healthier.

The forecast looks as if another Federal-State controversy may arise in insurance. There are signs stirring in Congress that the Federal government may be interested in extending its influence over insurance regulations.

Senator Hart's sub-committees have been very active in the past year and a half. There have been investigations into auto insurance, credit life questions asked, and a bill proposed dealing with teachers insurance annuity and college retirement equity fund. Pressure is building for a national guarantee fund to protect against losses from defunct insurance companies.

The prospect of Federal regulations is not comforting for us in Minnesota. We want to be in a position to set

standards which meet Minnesota's needs, not New York's or California's or Texas'. We want to be able to shape the regulation to meet our problems, not someone else's.

Furthermore, we believe in keeping government services close to the people. For example, we have a team of circuit riders from the State Insurance Department, who every month travel the state. When they are not on the road they work in the main office.

This means that no Minnesotan is more than sixty miles from the man with the power to make things happen . . . to whom the citizen can complain or raise questions. Minnesotans appreciate being so close to government for in every town they have stopped in for the past year and a half, at least a dozen people have come in with problems to solve on each day the department representative has held office hours. In addition, our urban areas have unique insurance difficulties. Every Monday from noon until eight in the evening, a Minnesota Insurance Department representative is in north Minnesota to handle special people problems.

This is just one illustration of the kind of special programs a State Insurance Department is able to run.

But in order for states to keep control over insurance regulation, they are going to have to do an A-No. 1 job of it. Many people, many public officials and some states have argued for states rights so they can do as they please and do nothing . . . if that pleases them. Such a philosophy is self-destructive. Problems must be solved. Abuses must be stopped. If people can't get the state to do it, the Federal government will be asked . . . and they have rarely been so impolite as to refuse.

Therefore, it is incumbent upon you and me to do the best we can. Frankly, it is not enough to keep our own

house in order. We must be concerned about poor performance in other states. For their casualness can be our doom.

We must find the proper mechanism to put pressure (if the case should arise) on sloppy work being done in other states. Left to drift unnoticed and unchecked, abuses in other states can mean the end of state regulation in all states. One of the strongest vehicles for emphasizing that states must assume responsibility to avoid Federal intervention is the National Governor's Conference.

I am confident we in state government and those interested in state government have the ability and the desire to make the new federalism work.

