

John William Carlin

MESSAGE OF GOVERNOR JOHN CARLIN TO THE KANSAS LEGISLATURE January 13, 1981

Mr. President, Mr. Speaker, Members of the Kansas Legislature and Fellow Kansans:

Today we stand at the brink of a new era. Some have already labeled it as an era of "new conservatism." I choose to see it as much more. Certainly the growing perception that our fiscal and natural resources are limited has given us a renewed sense of our duty as stewards of the public's interest. A revived austerity must not, however, result in indifference to the needs which confront us. If it does, our actions will be as much confined by complacency as by limited resources.

We must instead strike a balance between the idealism of the past and the hard realities of the present. If we do, I am convinced we can generate enduring solutions to the problems we encounter. The era we face embodies much more than "conservatism"--it is an era of balance.

No matter the times, the measure of good government has been its ability to balance the needs of the myriad of interests it must represent. In these uncertain economic times we must restore that balance to our fiscal affairs. Our success or failure in this endeavor will certainly be the measure of our ability to address the realities of today and the challenges of tomorrow. We must balance the budget.

The last eight budget messages and reports, two of my own and six of preceding governors, have presented budgets which utilized not only estimates of current receipts but also accumulated balances from receipts of prior years. Legislatures have followed suit and have eventually used more of those surpluses. Further depletion of the State General Fund balance is not an option available to this Session of the Legislature if general tax increases to finance basic state services are to be avoided--and avoided they will be.

Recommended expenditures and reserves from all funds total \$2,783,047,070 for fiscal year 1982, an increase of 3.8 percent above the revised estimate for fiscal year 1981.

Recommended fiscal year 1982 expenditures and reserves from the State General Fund total \$1,352,426,405, or 6.3 percent above the revised estimate for fiscal year 1981. Recommended State General Fund expenditures and reserves for fiscal year 1982 are equal to the consensus estimates of State General Fund receipts as adjusted for agency earnings and transfers. Income and outgo are in balance.

Limiting spending to current income has been accomplished in the budget report for fiscal year 1982 by eliminating all but the very few most critical new or expanded programs. It has been accomplished by severely limiting expenditures for capital improvements. It has been

accomplished by holding the number of state employees to zero growth. Essential new personnel have been provided by shifting employees from other programs and agencies.

In contrast to the fiscal situation in many other states, balancing the budget did not require either abandonment or severe reductions of significant services. The budget I recommend to you maintains adequate state services with the necessary additional support to meet inflationary increases in the cost of services and goods. For example, I am recommending sufficient funding to keep our new civil service pay plan current. Faculty and other unclassified employees will also receive increases in their salaries. Budget controls on school districts are recommended to be funded at the 106 percent - 116 percent range.

In achieving a balance State General Fund budget, it has been my objective to fully fund essential services. It is my intent that the balanced budget I recommend today not be unbalanced by amendment in the months to come. I have told my Cabinet Secretaries that, barring calamitous circumstances, it is my resolve that any additional budgetary needs which may later be perceived must be met from current resources so as not to unbalance income and outgo.

As I stated in my first message to the Legislature, the strongest restraint upon spending is a Legislature and a Governor committed to holding the line against excessive expenditures. However, the Legislature has, in the past, lacked confidence in its ability to control its spending urges and has proposed "spending lids" to provide an external control to compensate for the internal discipline it lacks. I have endorsed the concept of a "spending lid" in the past. The focus of such lids was preservation on an adequate ending balance. However, the perfect spending lid is a commitment to a balanced budget. Each month all Kansans are required to make the same commitment--to live within their budget. I pledge the state of Kansas to that same commitment and challenge the Legislature to do the same. I further want to make it totally clear to the Legislature that I will not allow the budget which I have balanced to be increased to the point that income does not equal outgo. Under our constitutional system of checks and balances, the veto power of the Governor can be an effective check on excessive commitments if the Governor is provided maximum opportunities to exercise it. If this budget is unbalanced, that power will be exercised.

To provide the opportunity to exercise this veto if the Legislature does exceed the limitation posed by a balanced budget, I recommend that you enact a bill that is understandable, easily applied, and adds but one substantive section to state law. It reads:

"All appropriations of money by the legislature which are for the addition of new services or facilities or for the expansion of present services or facilities and which are in addition to those recommended by the governor or which cause the total state budget to exceed that recommended by the governor in the budget report to the legislature and the amendments thereto, shall be set forth and presented as separate items of appropriation."

I have analyzed the stark realities which we are now facing in state government, and I have come to this simple conclusion: there are fundamental state responsibilities which absolutely must be met, and there are very few options for meeting them.

I have looked at the status of our highway system and the Legislature has also studied this problem. We have each determined that we must maintain this vital portion of our economy by investing adequate funds for its repair and reconstruction. I have also looked at our system of school finance, and the Legislature has again separately studied this problem for the past year. Again we have both determined that we must reduce the share of school finance supported by the property tax. We both agree that the State General Fund could not bear the burden of either of these responsibilities. We both agree that we must find a new mechanism of state funding.

The Legislature and I are in harmony but for one major difference: the method used to raise the necessary revenues. At that point we sharply differ.

The Legislature through its Special Committee on School Finance is proposing that we increase the state sales and use taxes, that we increase corporation income taxes, and that we increase financial institution privilege taxes--all significantly--to underwrite the projected cost of school finance. In addition, the Legislature through the Special Committee on Transportation is recommending that we increase motor fuel taxes and that we further deplete state revenues by funding the Highway Patrol from the State General Fund in order to finance needed highway repair and reconstruction.

Under the Legislature's proposal for school finance, the sales and use tax imposed on all Kansans would increase 67 percent from three to five cents on the dollar. This would increase the tax burden on all Kansas consumers by \$240.2 million in fiscal year 1982.

In addition, under the same legislative proposal for funding school finance, the corporate income tax on Kansas business would be increased 30 percent. Also the financial institution privilege tax on all banks and savings and loans would be increased 30 percent. This would increase the tax burden on business and financial interests in Kansas by \$60 million.

Under the Legislature's interim committee proposal for funding highways, the motor fuels tax would increase 30 to 37 percent or three cents on each gallon of motor fuel purchased at the pump. This will increase the tax burden on all Kansas motorists by \$45 million.

These actions proposed by the Legislature as their solutions to these two problems would have a chilling effect on the Kansas economy and devastating impact on Kansas consumers in a time of double-digit inflation. The cumulative effect of the Legislature's tax proposals would be to decrease the spending power of Kansans by \$285.2 million at a time when consumer spending is already too low. At a time when small business is struggling to survive, such action could be expected to contribute to retail business failures.

The Legislature's proposal would have the further effect of removing \$60.0 million in operating capital from an already overburdened Kansas business community at a time when it is hard pressed to maintain inventories and it is nearly impossible to acquire needed capital in the face of constantly rising interest rates.

Finally, these legislative proposals will certainly inhibit future economic development in Kansas, placing the state at a competitive disadvantage with our neighbors by excessive taxation of the business community.

I propose a dramatically different solution to the problem of school finance and highway funding:

-- A solution which rejects an increase in the sales and use tax, the corporate income and a financial institution privilege tax, and the motor fuel taxes.

-- A solution which rejects an increased tax burden on the Kansas business community, the Kansas consumer, and the Kansas motorist.

-- A solution which rejects a \$285 million decrease in Kansans' spending power.

I propose an alternative which would raise the needed revenue without a general tax increase. Yet it grants substantial property tax relief, increases the state's share of school finance, and meets our highway needs. The only major state tax source not being utilized by Kansas is a tax on the production of minerals. The time has arrived for Kansas to enact a mineral production tax.

Kansas is the only major mineral producing state in the midwest and southwest that does not have a severance or mineral production tax. In addition to providing a major source of tax revenue not now available to support Kansas government, a mineral production tax would have other advantages. First, it would return to Kansas a portion of the money Kansans have paid to the surrounding mineral producing states for years through their utility bills. These states "pass through" the cost of their severance tax to the ultimate consumer. As a result, we pay for education of Wyoming's children when we purchase Wyoming coal to fuel our power plants. As a result, we pay for the construction of Oklahoma roads each time we purchase Oklahoma gas to heat our homes. For example, it is estimated that Kansans paid approximately \$10.2 million in coal severance taxes to Wyoming in 1978 and the cost will triple by 1992.

At the same time the mineral production tax is a fair tax. The Kansas mineral producing community has enjoyed a relatively advantageous position in comparison to its counterparts in other states. For instance, if the Kansas property tax were converted to a production tax, it would approximately equal a 3.4 percent rate of taxation--a rate far below that of surrounding mineral producing states.

Accordingly, instead of a \$345 million general tax increase as the Legislature has proposed, I am recommending that Kansas enact a mineral production tax equal to 8 percent of the actual value of production of all oil, gas, and coal produced in the state of Kansas. I am further recommending that this tax would not apply to any royalty interest in such production; it would apply only to the working interest. The royalty interest would be specifically exempted from the tax.

Using 1979 production data and assuming a 20 percent increase in natural gas values due to decontrol, a total of \$199.0 million would be generated for the support of Kansas state and local government as follows:

Mineral

8 Percent
Tax Revenue
(millions)

Natural gas

\$ 46.4

Natural gas liquids

20.0

Oil

131.2

Coal

1.4

Total
\$ 199.0

With the enactment of a mineral production tax as I propose the proceeds would be used as follows:

Expenditure

Amount
(millions)

1.

Property Tax Relief (School Finance)

\$ 111.6

2.

Highway Maintenance and Repair

60.0

3.

Compensation to Counties for Reducing
the Property Tax on Farm Machinery

12.0

4.

Individual Income Tax Reduction
for Energy Cost Relief

15.4

Total
\$ 199.0

By earmarking \$111.6 million for property tax relief we will provide a statewide average decrease of approximately 10 mills in the property tax under current law. By funding the increased need for highway finance from the mineral production tax we will avoid a 37.5 percent increase in gasoline taxes and a 30 percent increase in diesel fuel taxes.

In addition to providing the needed funding for school finance from the mineral production tax, I propose dedicating portions of the revenue generated to property tax relief on farm machinery and individual income tax relief for energy costs.

Kansas consumers, at a minimum, pay approximately \$40 per month or \$480 annually in utility costs. I would propose providing an "above the line" Kansas individual income tax deduction of \$480 to the 800,000 households in Kansas. This proposal would provide approximately \$15.4 million per year in reduced income tax liability for individual Kansans.

The property tax on farm machinery represents approximately \$34.2 million in local government revenues. I propose that the constitutional amendment permitting classification of property, which I have consistently supported, include a provision specifically reducing the assessment rate for farm machinery from 30 to 20 percent of fair market value. In addition I propose a provision for straight line depreciation on farm machinery. I recommend that the classification amendment be submitted to the voters this year in the April city elections. This would permit the Legislature to enact the necessary implementing legislation before the end of the 1981 Session. Upon implementation I recommend that the state compensate local units of government from the Mineral Production Tax receipts for the resulting reduction in property taxes.

In addition to property tax relief on farm machinery, the classification amendment, which I again recommend, is essential if we are to provide needed property tax relief and protection for Kansas farmers and homeowners.

A court-mandated, statewide reappraisal of all tangible property is only a matter of time. Without a classification amendment we will have little or no ability to shield homeowners and farmers from the massive tax shifts in excess of \$240 million that would accompany such reappraisal.

I will, therefore, continue to support equalization through reappraisal only if we can protect homeowners and farmers from this massive tax shift.

In only two years we have clearly demonstrated our concern for the tax burden on our citizens. In addition to exercising restraint in our spending of tax dollars, we have made substantive reforms in the sales, property, income, and inheritance taxes. We must continue our efforts to make our tax structure more equitable and the tax burden fair.

STATE EMPLOYEES

The 1980 Session of the Legislature approved my recommendation for a new classified pay plan. Two basic needs were addressed in designing the plan--higher starting rates of pay to attract well-qualified employees and merit increases which distinguish between levels of performance so that outstanding work is appropriately recognized and rewarded. Fiscal year 1982 salary estimates for positions assigned to the new pay plan are budgeted on the principle that merit increases shall be earned, not automatic.

If we are to remain true to the merit principle under which the new salary plan was designed, we must adjust the pay plan to maintain the state in the position of being able to attract well-qualified employees. If the pay plan rates are not competitively adjusted, step increases for individuals will be based on labor market conditions and not level of performance. Accordingly all agency budgets have been funded for an average of 5 percent salary increase for merit.

In addition, I am recommending a cost of living increase in an amount which will increase each step of the pay plan five percent for fiscal year 1982. The reserve has been calculated to include those unclassified positions whose salaries are subject to my approval and who are assigned to pay ranges of the classified pay plan.

The budget requests for the agencies of the Judicial Branch as submitted to me contained a request by the Chief Justice that the pay plan for non-judicial employees of the state courts be revised in the same manner as the classified pay plan. I concur that such an adjustment is needed, and the reserve for salary plan revision includes that estimated cost.

Frequently, the Legislature has accorded some form of salary revision to other unclassified employees whose salaries are not subject to my approval. Such employees include those of other elective officials of the state and those of the Legislative Branch, including legislators. In the past, the cost of such salary revision has been an addition to the amounts contained in the Governor's Budget Report. This year, in order to maintain a balanced budget, the salary plan

reserve contains an additional five percent salary benefit above the amounts contained in the detailed budget estimates of the involved agencies.

Separate salary recommendations are included in the detailed budgets for faculty of the Regents' institutions and for the Schools for the Deaf and Visually Handicapped.

Finally, the reserve for salary plan revision includes an amount to finance a new salary plan for physicians in the institutions of the Department of Social and Rehabilitation Services. A new physician salary plan has been designed to attract and retain qualified physicians for such institutions. A separate salary plan has been approved for physicians in the Department of Corrections.

Reserves for salary plan revisions total \$23.6 million, of which \$14.6 million would be financed from the State General Fund.

Salary increases are not the only new benefits provided for state employees this year. We also made changes in the rules and regulations. Employees with 15 or more years of service to the state now receive 3 more vacation days a year. Changes in the regulations also allow employees to retain vacation days above the maximum accumulation until December 31 of each year.

The regulations also raise the subsistence allowance beginning in fiscal year 1982 for in-state travel to \$36 a day and the mileage allowance to 22 cents per mile.

ENVIRONMENT

Once many Kansans shared the common misconception that our natural resources could never be depleted nor irrevocably contaminated. There now is a growing appreciation of the limits of our natural resource base and the delicate ecological interrelationships upon which the future availability and quality of these resources depend. Our natural resources are limited; and their continued availability and quality are tenuous. The balanced use of the state's land, water, air and energy resources is the key to maintaining the state's current productive capacity and to preserving the general quality of life. It is essential that the state act with sensitivity to preserve and protect the quality and quantity of its natural resources for future generations.

One natural resource that demands special attention in Kansas is water. Water is essential to all forms of life and to many human endeavors.

We in Kansas are now becoming critically aware of the importance of water to our social and economic well-being. Moreover, it appears that Kansas will be faced with problems in the future if we do not act now to wisely manage the water we have today.

The state's first priority in this area is to define its approach to water issues. As a first step, I am today submitting an Executive Reorganization Order that establishes the Kansas Water Resources Authority. The Authority will be charged with the responsibility of planning and regulating the state's water resources.

The Authority is a consolidation of the structures and responsibilities of the Kansas Water Resources Board, the Division of Water Resources of the Board of Agriculture, and the Water System Development and Analysis Section of the Department of Health and Environment. The Order establishes two divisions within the Authority: the Division of Water Resource Planning and the Division of Water Resource Administration and Regulation. The duties of both are of equal importance to the overall management of the state's water resources.

I am confident that this reorganization will improve coordination and result in the uniform interpretation and execution of public policy. As the demand for water increases and the supply decreases, it becomes all the more important that we protect the quality of our existing sources. We must insure that pollution does not further reduce the availability of usable water.

The extraction of oil, solution mining of salt, production of industrial waste, and underground storage of liquid petroleum gas all pose potential hazards to the purity of our ground and surface waters. During 1979, there was an increase in the number of groundwater contamination incidents which occurred as a result of these hazards.

With this in mind, I endorse the rules and regulations proposed by the Department of Health and Environment to improve state regulation of: (1) the underground storage of liquid petroleum gas, (2) the underground storage of liquid petroleum products, and (3) salt solution mining. To enhance this regulatory program, a new Bureau of Oil Field and Environmental Geology has been established within the Department of Health and Environment. I recommend the addition of five positions to the new Bureau to implement this expanded monitoring effort.

As compared to other areas of the country, Kansas enjoys relatively clean air. Yet we must always strive to maintain our air quality.

Despite the fact that Kansas has made significant improvements in this area, our state's air pollution control statutes are not in compliance with current federal initiatives. We have completed work on temporary regulations which allow the removal of the federal government's construction ban on major new industry in the state. This action has helped clear the way for the siting of a new automotive plant in the Kansas City area. To avoid reinstatement of the ban, I recommend the state's air pollution control statutes be amended to comply with the federal Clean Air Act so that the state plan may be unconditionally approved.

As we enter the 1980's, the most important challenge we face in preserving our environment is the safe management and disposal of hazardous and nuclear wastes. Over the last several years the generation of an ever-increasing amount of hazardous waste materials in Kansas has paralleled the increased presence of these materials across the United States. As a nation, we have become more and more dependent upon nuclear power for a variety of energy related purposes. We must face the fact that nuclear power plants generate highly dangerous wastes. Today, these are facts of life we simply cannot afford to ignore.

In Kansas, as in other states, questions have arisen regarding the disposal of wastes which are potentially dangerous by-products of our highly industrialized and technological society. People are quite naturally, and quite rightly, concerned about the environment in which they live.

Annually, Kansas generates approximately 22 million gallons of liquid hazardous waste and 126 thousand tons of solid hazardous waste.

Two months ago I requested an intensive study and report from the Kansas Advisory Commission on Environment regarding hazardous waste management. At that time I charged the Commission with the task of reviewing existing state laws rules and regulations, as well as the structure of the Department of Health and Environment, to determine whether changes are necessary to bolster our ability to properly manage the disposal of hazardous wastes. As a result of the Commission's report, together with significant analysis and review of this subject by my Office, I recommend to the 1981 Legislature a comprehensive program for improved hazardous waste management in Kansas. The measures contained in this program, taken together, will greatly strengthen our ongoing efforts to responsibly address this issue.

First of all, I have directed the Department of Health and Environment to create a separate Hazardous Waste Section within the Bureau of Environmental Sanitation. I have also budgeted for a substantial increase in personnel dedicated to this function. As in other agencies, these personnel increases have been accomplished without an overall increase in total position count for the agency. In addition, I submit the following legislative proposals:

1. I recommend that the maximum fine for violation of hazardous waste laws be increased from \$500 to \$10,000 per day. Further, the Department of Health and Environment should be given the authority to reject permit applications from previous chronic offenders.
2. Regarding the selection and operation of hazardous waste sites, I recommend that a unit of state government be authorized to acquire such sites and to contract for their operation.
3. I recommend legislation that grants authority for Kansas to enter into interstate compacts for regional management of hazardous and low level nuclear waste. In addition, I request a moratorium on new sites for hazardous waste until such compacts are in place.
4. I recommend a prohibition on the ground burial of hazardous waste when more suitable means of disposal are available. Alternatives to ground burial must be actively pursued.
5. In order to preserve the buying power of funds for emergency corrective actions, I recommend legislation to allow the retention of interest in the Perpetual Care Trust Fund.

Currently, the federal government is wrestling with the question of nuclear waste disposal--specifically high level waste. However, there is still no long term policy as to how this question will be answered. Therefore, in order to dispose of materials in a manner that does not create health hazards, I recommend that the state not allow a high level disposal site to be established unless the following criteria are met:

1. The Secretary of Health and Environment must certify, on the basis of on and off site testing, that the disposal method is both safe and feasible; and
2. The Legislature must approve the site.

In the area of low level nuclear waste, Congress recently approved and sent to the President legislation endorsing a regional solution to this problem. In concert with this action, I recommend that the state ban the siting of any low level nuclear waste disposal facility in Kansas

until the formation of an interstate compact for the storage of hazardous waste. Further, the compact would allow Kansas and other participating states to refuse disposal of waste from non-participating states.

My responsibility as Governor is not only to resolve current problems but to anticipate future needs. The execution of both these responsibilities is part and parcel of my program in environment and natural resources. Foresight in government is too frequently a rare commodity. However, when considering the long range dangers to human health posed by hazardous and nuclear waste, foresight must flood the market. If we can move forward to implement the initiatives I have outlined today, then we will have taken great strides toward safeguarding the current and future health and environment of every Kansan.

AGING

We owe our aged Kansans the most dignified and promising future that can be provided. Our challenge for the 1980's is to enable older people to live independent and productive lives. To do so we must maintain services that allow older Kansans to remain in their homes and avoid costly and inappropriate institutional placements.

I recommend that the state continue its current level of support for nutrition services. The congregate meals program provides low cost, nutritional meals to over 37,000 older Kansans at 221 sites. This program makes an important contribution to the health of the elderly by serving as a focal point for other aging services. The combination of health, nutrition, and support services which they provide prolongs the active years of older adults. I also recommend that we maintain the Home Delivered Meals program presently serving 626 home-bound Kansans. Although there is no major expansion in this program, there has been a substantial commitment of "new" state dollars. These funds will replace federal reductions in the Title XX support of the program.

I am committed to the continued development of a community-based continuum of care for older Kansans. The continuum provides programs with varying levels of care such as adult day care, adult foster care, and small intermediate care facilities. This presents the elderly with an alternative to the current choice between total independence and total dependence.

As a part of the community-based continuum of care, I recommend a pilot program for nursing home pre-admission screening in four counties. The pre-admission program identifies alternatives to institutionalization for Medicaid-eligible participants.

In coordination with the nursing home pre-admission screening program, I recommend the continuation of the model Adult Day Care program as an alternative to nursing home care. Adult Day Care provides up to eight hours of daily assistance for those who need some support.

There will always be some people who require an institutional setting. Because 50 percent of those in nursing homes have no relatives or families, I strongly support programs which guarantee these people an advocate. We have provided such an advocate through our Ombudsman program in the Department on Aging.

In addition, older people often do not have adequate input into the health care system. Therefore, I support legislation which insures the membership of elderly advocacy groups on the Statewide Health Coordinating Council.

One-half of Kansas elderly live in homes built before 1945. Because of the age of these homes, they are frequently in need of repair and weatherization. The limited and fixed incomes of the elderly make it impossible for them to cope with payment of a mechanics lien possibly resulting in double payment for services provided by subcontractors.

I recommend adoption of an amendment to the Kansas Mechanics Lien Law which establishes a threshold of \$2,500 below which liens cannot be filed against residential remodeling and repair projects. The amendment also establishes criminal penalties if the contractor fails to give the homeowner a warning statement.

I have made a strong commitment to energy assistance for the elderly. During my administration, I have proposed the elimination of the sales tax on utilities, the elimination of the winter cut-off, and 30-day notice for shutoffs.

In addition, I have directed the Department of Social and Rehabilitation Services to establish a comprehensive outreach the publicity to assist older Kansans in getting help to pay their utility bills through the Low Income Energy Assistance Program. I am further directing that older Kansans and the handicapped, who have not had an opportunity to submit their applications, be given until January 31 to receive assistance for December, as well as January.

This past summer, the federal government provided a 14 percent cost of living increase for Supplemental Security Income Assistance to persons over 65, the blind and disabled who have little or no income or resources, and for recipients of Social Security. These badly needed increases had the negative effort of forcing some low-income elderly to spend more of their income in order to remain eligible for Medicaid. I directed the Department of Social and Rehabilitation Services to increase the protected income level so that those needy low-income could remain on Medicaid.

Health care is a significant concern for older Kansans. Approximately 30 percent of our state's health care costs are attributable to the elderly, although they make up only 17 percent of our state's population. Doctors and allied health professionals often need special training to fully care for the aged. To focus on the need for geriatric training, I am sponsoring a Governor's Seminar on Geriatrics and Gerontology.

Employment is critical to both the economic and psychological well-being of many older persons. Yet they are deprived of the opportunity to continue productive employment--solely because of age. Because older persons have no protection from discrimination under Kansas law, I recommend that age be made a protected category.

I am proud of our accomplishments in the area of aging. We have greatly enhanced our ability to respond to and provide for the needs fo older Kansans. As the elderly population increases, providing for their needs will be an ongoing challenge.

ENERGY

Although much still needs to be done, I am proud of our energy policy achievements to date. We have taken significant steps to contain both gas and electric utility rate increases. We have strengthened our program efforts in conservation and in renewable resource assessments. We have prepared contingency plans in case of shortage of petroleum products. And, we have upgraded our ability to effectively administer weatherization and low-income energy assistance programs designed to help those most adversely affected by energy price increases.

Containing utility rate increases has been one of the principal objectives of my administration. Although we cannot reverse world and national trends in energy price increases, we can persist in our efforts to keep rates as low as they justifiably can be. Since I have taken office, several major policies have been adopted. We now have a power plant siting law that requires the Kansas Corporation Commission to certify need before a new electric generating facility can be built. This important measure will help prevent expensive over-building of generating capacity. We have removed the state sales tax from residential utility bills, which has saved Kansas consumers tens of millions of dollars. And we will save Kansas natural gas customers in excess of \$125 million over a ten-year period through the provisions of the Natural Gas Price Protection Act.

In addition to actively supporting these measures, I have also advocated adoption of other proposals designed to keep utility costs down. These include elimination of automatic adjustment clauses in utility rate tariffs and establishment of a statewide interconnection system for electrical utilities. I also support the Commission's efforts to analyze the potential of load management and rate design to reduce our requirement for more power plants.

I also recommend legislation which will permit the Corporation Commission to determine whether a portion of an electric generating facility should be excluded from the utility's rate base, rather than all or none, as is now the case. Allowing the Commission to decide whether such facilities are fully used will encourage efficiency on the part of utilities, and will protect customers from paying full cost if they are not receiving full benefit. Other states, including our neighbor Oklahoma, have given their regulatory commissions this flexibility, and I believe Kansas should also.

We have made progress in promoting energy conservation and the use of renewable resources. During this administration we have established lighting standards for public buildings, authorized reduced motor fuel taxes on gasohol, improved incentives for the use of active and passive solar systems, and encouraged utilities to invest in conservation and renewable resources by permitting a higher rate of return on those investments. We have revised our procurement procedures to explicitly allow energy efficiency considerations in state purchasing. We have encouraged our employees to conserve by establishing a vanpooling program.

Further, we have proceeded to administer the implementation of a number of important energy programs. These programs include the Residential Conservation Service, through which energy audits and other services soon will be offered by utilities to nearly all residential gas and electric customers in the state. The Energy Extension Service is now becoming operational. Its activities

will focus upon providing technical energy assistance directly to small businesses. We are continuing implementation of the Institutional Buildings Grants Program. This effort has saved school districts, hospitals, and other local and non-profit institutions in excess of \$1 million the first year.

Despite our past successes much remains to be done. We must change the currently widespread notion that domestic energy production in a free market can alone solve our present and future energy problems. In many instances, the necessary changes will not occur without state initiative and leadership. My energy-related proposals for 1981 continue on the path previously established by this administration.

During the past two years I have taken a number of steps to increase the efficiency of energy use in state government. Yet, the state's energy bill continues to escalate. I believe it is now time to undertake a coordinated evaluation of the state's 2,800 buildings to insure implementation of feasible, cost-effective, conservation measures. While the cost may appear high, the cost of inaction would be far greater in the future. The state, like the private sector, must look at the bottom line and act aggressively to control the energy costs of all our operations.

This past year Kansas became one of the few states to implement a vanpool program for state employees. The ten vans now operating have proven extremely popular while saving an estimated 86,000 gallons of gasoline annually. Members of the vanpools essentially pay all costs associated with the service. Recognizing the energy savings, convenience to employees, and the potential for ensuring that employees will have access to transportation during a fuel shortage, I am calling for an additional ten new vans for fiscal year 1982, including the implementation of this program in cities where there are adequate concentrations of state employees other than Topeka. In order to encourage vanpooling in both government and the private sector, I recommend legislation to remove the current requirement for a chauffeur's license for vanpool drivers.

Recognizing the unique circumstances confronting tenants of rental property who attempt to improve the energy efficiency of their homes, I recommended to the Legislature last year a program for mandatory weatherization of rental property. The proposal was not adopted, and the problem has increased as a result of continued escalation in energy costs. I again recommend that the problem be addressed, but with a different approach. By modifying the existing Landlord Tenant Act, every prospective tenant will be informed of the probable energy costs of a particular dwelling unit. Should the most basic energy conservation measures be absent, tenants may take action to achieve them. This approach will not ensure the comprehensive weatherization of rental property we sought last year; but it will allow a tenant to take action in controlling his energy costs, while providing adequate protection for the landlord. In addition, there are a number of financing mechanisms which will soon be available to assist landlords, tenants, and homeowners in meeting basic energy conservation standards.

Significant energy efficiency, as well as safety achievements, are available from compliance with one simple measure--the 55 mph speed limit. In recent months over 60 percent of all highway traffic exceeded 55 mph. If this continues it could result in a significant loss of federal highway funds. To increase compliance, I will be calling for implementation of two measures: a ban on

the use or sale of radar detectors and modification of current law to make speeding over 55 mph a moving violation.

Kansas has a proud tradition of independence and self-sufficiency. We would do well to continue this tradition in regard to energy policy. In the next decade, we must reduce our energy consumption and better manage our resources. I am confident that we can meet this challenge if we take the initiative and provide strong leadership.

AGRICULTURE

Kansas' historic, social, and cultural heritage has evolved from our basic agrarian economy. Although Kansas has grown and its economy has diversified, it is still primarily an agricultural state. Because the influence of agriculture transcends even city limits, the preservation of a thriving agricultural community is of prime concern in all areas of the state and in state policy.

Throughout my administration I have consistently supported tax reform programs which benefit the farmer. This commitment has been reflected in such tax relief programs as:

- Exempting electric, gas, and water utilities for residential and agricultural use from the state sales tax;
- Providing a tax incentive for the use of gasohol;
- Permanently removing the sales tax on used farm equipment, repair and replacement parts, and services performed in the repair and maintenance of such machinery and equipment; and
- Exempting on-farm grain storage facilities from the property tax for an additional eight years.

The tax which causes greatest concern to the farmer is the property tax on farm machinery. The recent Supreme Court decision in *Stephen v. Martin* has closed the option for full or partial statutory exemptions from the property tax on farm machinery, such as the 20 percent reduction which I supported.

With the cooperation of the Department of Revenue and many farm organizations, a new assessment manual has been devised which better reflects the value of farm machinery. Local committees across the state were designated to document the sales of farm machinery in Kansas over a six month period and to submit this information to the Department of Revenue. A special committee was appointed to review the data and to develop a valuation manual which would be specifically designed for use in Kansas. The new guidelines allow for full decreases in valuation but limit increases on farm machinery to 5 percent over the previous year's base. Even though this new measure will help to reduce the system-wide inequities which have existed in the past, we must develop a more direct and permanent solution.

A long-term, constitutional solution which allows the property tax on farm machinery to more accurately reflect the value of the property must be developed. As a matter of first priority, I therefore request that the Legislature adopt a resolution to amend the constitution that would

authorize the classification of property for the purpose of taxation. The amendment which I propose will reduce the assessment on farm machinery from 30 percent to 20 percent--a 33 percent reduction of the current assessment rate. I further recommend that the Legislature allow farmers a ten year, straight-line depreciation on farm machinery upon enactment of this amendment.

Transportation has a profound effect on the price that a farmer receives for his produce and his ability to market it. If transportation is not reliable and efficient, the farmer must bypass market opportunities and pay a greater amount to get his goods to market. The revitalization and maintenance of a reliable rail system is of prime concern to my administration.

The recent constitutional amendment which allows the use of federal funds for internal improvements and the amendment to the Port Authority Act which allows counties to join together to acquire and, if necessary, operate railroad lines are both important measures. As a result of the modification of the constitutional prohibition on internal improvements, my budget for fiscal year 1982 contains \$1 million of federal funds for the revitalization of rail lines. Kansas would not have been able to take advantage of this resource had we not amended the constitution.

We must retain an active interest in the rail system. In light of recent rail merger applications to the Interstate Commerce Commission (ICC), the composition of the Kansas rail system could change significantly in the years to come. We are presently conducting a feasibility study of the effects of rail mergers on our state's transportation system. My office will stay actively involved in representing the state and its people in the Union Pacific/Missouri Pacific/Western Pacific merger which is now before the ICC.

Kansas is rich in natural resources, but we must realize that these resources are limited. The agricultural productivity so vital to our state is directly linked to their preservation.

Water resources have been and will continue to be an important issue for Kansans. I have actively pursued this issue by creating a cost sharing program that authorizes new state General Fund grants for water conservation projects on privately owned land. Additionally, the State Conservation Commission is authorized to carry out programs which conserve and develop the state's water resources. I have continued an active interest in this area by serving as the Chairman of the High Plains Study Council.

I am today submitting an Executive Reorganization Order that establishes the Kansas Water Resources Authority. The Authority will be charged with the responsibility of planning and regulating the state's water resources.

The Authority is a consolidation of the structures and responsibilities of the Kansas Water Resources Board, the Division of Water Resources of the State Board of Agriculture, and the Water System Development and Analysis Section of the Department of Health and Environment. The Order establishes two divisions within the Authority: the Division of Water Resource Planning and the Division of Water Resource Administration and Regulation. The duties of both

are of equal importance. The establishment of this consolidated agency will enable the state to better serve Kansas' agricultural needs through improved water resources management.

Many agriculture policies which are important to Kansas farmers are established on the national level. As Chairman of the Agricultural Committee of the National Governors' Association, I have represented the interests of Kansas' agricultural community at the national level and will continue to do so.

A smaller, but nevertheless costly problem for the farmer is the lack of any grain inspection stations in northwest Kansas. Consequently, when shipping grain to the West Coast, inspection has been available only in Denver or at the destination point. In order to alleviate this problem, I am recommending funds in my budget to establish a grain inspection station in Colby, Kansas.

One of the greatest adversities a farmer faces is the destruction of his crops by unfavorable weather conditions. Last year Kansas suffered the severest heat wave and drought in recent history. My administration was successful in securing a "disaster area" designation from the federal government for 74 Kansas counties. As a result, millions of dollars in low-interest loans are available to Kansas farmers to help minimize the effects of the summer drought.

Our best efforts are required to assist the farmer in maintaining high levels of productivity and developing essential marketing opportunities. As our roots are embedded in an agricultural past, so our future development depends on the continued vitality of our farm community. Thus, our major challenge will be to facilitate this industry's growth in the face of economic and environmental adversities.

PUBLIC SAFETY

As our society has become more complex, protecting the public well-being has become increasingly difficult, requiring the cooperation of state government, local communities, and private citizens. In Kansas, we have achieved a high degree of that cooperation. Nevertheless, we must continue examining our criminal justice system with the intention of promoting effective crime prevention, while at the same time preserving our own humanity.

In my message last year, I asked that certain amendments be made in the Community Corrections Act so that it would function as originally envisioned. Since the passage of those amendments, we have seen interest in the program increase significantly. Five counties are now fully participating in the Act, seven counties have formed advisory boards, and a number of other counties are planning participation for their communities. I therefore recommend a sufficient level of funding for those counties which are scheduled to enter the program in the next fiscal year.

Dangerous, habitual, and violent criminals must be dealt with appropriately, assuring that their punishment is commensurate with the nature of their crime. I again recommend legislation establishing a 30-year minimum mandatory sentence, without possibility of parole, for those criminals convicted of first degree murder.

Even as we combat the basic causes of crime and strive to keep punishment just but humane, our criminal justice system must recognize that the punishment of the criminal does nothing to provide relief for the victims of the crime. I will continue to press for legislation and policies that will assist these victims. I urge you to support legislation which would make payment of restitution to crime victims a high priority.

To address the needs of crime victims immediately, I have directed the Secretary of Corrections to establish an Office of Victim Advocacy. This office will provide technical assistance and victim advocacy training to counties across the state. Through this office we intend to assist local communities in orienting their criminal justice systems toward the victims rather than the perpetrators of crime.

It is an unhappy fact that criminal activity among young people is becoming increasingly serious. Our law enforcement agencies need greater latitude in dealing with this problem.

I recommend legislation which will allow for the finger-printing and photographing of juvenile offenders who are charged with an act of delinquency. This differs from the bill which I vetoed last year in that it excludes those charged only with acts of miscreancy from this process. This will allow our criminal justice agencies better tools in dealing with serious juvenile offenses.

A serious outgrowth of relaxed moral standards is the growing problem of drug abuse among our young people. We must discourage by threat of law the sale of illicit drug-related items. Because the sale of these items tends to legitimize use, I recommend legislation making it a crime to sell so-called drug paraphernalia in premises that are open to minors. The bill contains the definition section from a "model" act developed by the Drug Enforcement Administration of the United States Department of Justice, and it is much more specific than the vague definition section which prompted me to veto the paraphernalia bill last year.

The sensitive relationships that naturally exist between law enforcement officers and members of the community require special handling. Last year I established the Governor's Commission on Law Enforcement Standards and Training. The Commission has completed its work, and I am in basic agreement with their recommendations. Their findings have prompted me to recommend the development of an interagency working group which will, over the coming year, review and make recommendations dealing with all facets of the Kansas criminal justice system. Although I believe we should immediately enact the new training standards and a funding mechanism along the lines the Commission envisioned, I believe the remaining recommendations should be considered in light of the working group's findings.

We are making progress toward a resolution of some of the difficult problems that always arise when human beings group together. The protection of our citizens and the control of crime must continue to be among our most urgent priorities.

TRANSPORTATION

The movement of goods and people throughout our state is the single most important factor which makes us a community instead of groups or individuals living in isolation. It is the basis of

shared resources, economic and social interaction, and cooperation. It is essential to our way of life.

Kansas, at the crossroads of the nation, is dependent upon a comprehensive transportation network. There are approximately 13.7 billion passenger miles traveled on Kansas streets and highways every year.

Last year I advised the Legislature that additional revenue was urgently needed for state and local roads and highways. Since that time the cost of maintaining our roads and highways has rapidly increased while revenue from the motor fuel taxes has decreased. Revenue estimates project an 11 percent decrease in motor fuel tax revenues from fiscal year 1980 to fiscal year 1982. I have analyzed the stark realities of financing the repair of our roads and highways, and I have come to this simple conclusion: highway finance is a fundamental state responsibility which absolutely must be met, and there are very few options for meeting it. We must find a revenue base for highways which will meet our current and future needs.

In looking for solutions, I have critically reviewed all available and workable alternatives. A major increase in motor fuels taxes has been recommended to finance needed highway repair. While this is obviously appealing to some, I am convinced that it is not a wise proposal. With the exception of Nebraska, Kansas already taxes motor fuels at a higher rate than our neighboring states. Any additional increase would have a very detrimental economic impact. Moreover, with the Federal government considering a fuel tax increase, this would be a poor time to have an increase at the state level.

There is a better way. I submit to the Legislature a reasonable, practical alternative to address the fundamental problem of highway financing. And that alternative is the enactment of a mineral production tax. When measured against the basic needs we have, and when compared to the available options, this proposal represents the best way to generate necessary revenue without burdening Kansas with a general tax increase. Funding the increased need for highway finance from the mineral production tax will mean avoiding a 37.5 percent increase in motor fuel taxes and a 30 percent increase in diesel and other special fuel taxes. My proposal would set aside \$60 million for highway repair and maintenance. This money will be distributed consistent with current receipts to the state Highway Fund--65 percent to the state and 35 percent to local units.

For years there have been two major concerns about the Kansas highway program. First, the efficiency of the Department has been questioned. Addressing this problem has been a primary consideration of my administration. Through improved efficiency in the Department we have eliminated 133 positions. Comparable reductions will be made over the next two years. Another example of increased efficiency was evidenced in our obtaining 16 percent of the federal interstate discretionary funds available to all 50 states (\$56.9 million). As a consequence we will be able to complete I-435 at a substantially accelerated pace and reduced cost. This has been instrumental in locating the General Motors plant in the Kansas City area.

The second concern has been the process of selecting construction projects. Under my direction the Department is developing a documented, systematic selection process, reflecting the interests of all Kansans.

My administration will not tolerate trucks operating in Kansas that are intentionally overloaded. Overloaded trucks contribute to the deterioration of our highways. Last year I was successful in obtaining new legislation that enforces harsh penalties for those who habitually destroy Kansas roads. To enforce the load limits I propose the installation of special scales in the traffic lanes of our major highways. These scales allow officers to monitor weight without inconvenience to the truck drivers.

Although roads and highways will remain as an integral part of commerce, future expansion in this area will depend upon an adequate rail system. The closing of the Rock Island Railroad had a severe economic impact on Kansas. This has forced a renewed emphasis on the rail lines. As a result of the Rock Island failure, I established the Kansas Railroad Working Group. This Group consists of representatives from my office, the office of the Attorney General, the Board of Agriculture, the Kansas Corporation Commission, and numerous other departments.

The charge of the Group was to make recommendations on state rail policy. Among their recommendations was a proposal to amend the state constitution to allow for the expenditure of federal funds for rail rehabilitation. This proposal was submitted to the voters and overwhelmingly approved. My budget for fiscal year 1982 includes available federal funds for the rehabilitation of rail lines.

Another recommendation from the Railroad Working Group was to amend the Kansas Port Authority Act to include rail facilities. This proposal was approved last year. A rail port authority in northern Kansas has already been formed and is developing viable alternatives.

Kansas must be actively represented in the several proposed rail mergers and consolidations which may change the character of our railroad network. This administration has taken action to ensure that essential rail services are available to move our agricultural and industrial products to their destination.

Transportation is undergoing a period of change. We have the opportunity to make sure that the changes which occur help build a safer, more flexible, and more reliable transportation system for our state.

ECONOMIC DEVELOPMENT

My administration has sought to create an environment for sound economic development in which the revenue needs of the state are balanced with the investment opportunities desired by the private sector. Our initiatives will maintain this balance rather than creating an undue burden on either.

There is a proposal currently under consideration that threatens to destroy this balance. A committee of the Legislature has proposed a 30 percent increase in the corporate income and privilege taxes. It has also proposed a 67 percent increase in the sales tax, and roughly a 33 percent increase in motor fuel taxes. These tax increases would be used to increase the state's share of school finance, and maintain and repair Kansas highways.

Such action would have a very harmful effect on the Kansas economy in three areas. First, it would decrease the spendable income of Kansans by \$285.2 million at a time when consumer spending is already low. Such action could be expected to contribute to retail business failures.

Secondly, it would remove \$60.0 million in operating capital from an already overburdened and struggling Kansas business community that is hard pressed to maintain inventories and operating capital.

Finally, these legislative proposals will inhibit future economic development in Kansas by putting the state in a less competitive position with our neighbors by what could be perceived as excessive taxation of business. Of the surrounding states, only Missouri has a sales tax which is higher than Kansas. To increase this tax would put Kansas substantially above even Missouri's rate. We already have a corporate income tax rate which significantly exceeds those of surrounding states. With the exception of Nebraska, Kansas already taxes motor fuels at a higher rate than our neighboring states.

While I stand steadfastly by my commitment to seek property tax relief for Kansas homeowners and farmers, these general tax increases are not the proper methods to achieve that relief. Consequently, I will not allow them to become law should they reach my desk.

There is simply a better way. And that is the enactment of a mineral production tax. It would place an additional responsibility upon a sector of the economy which is, in comparison, in a much more advantageous position than its counterparts in other mineral producing states. When measured against the basic needs we have, and when compared to the available options, this proposal represents the best way to generate necessary revenue without burdening either business and industry or the average Kansan with a general tax increase. At the same time, it would grant the substantial property tax relief that both so badly need.

Other factors, in addition to state tax policy, play an important role in the economic growth of our state. One of the most important is the development of existing resources in our communities. I recommend the continuation of the Community Development Assistance Program, which provides technical assistance to communities that want to design and implement their own development strategies. Currently, five communities have received assistance through this program. Twenty-five communities will be assisted during the next calendar year.

Housing is probably the single most significant factor in attracting new industry and developing existing businesses in our state. Due to the impact of inflation on the Kansas housing industry, my administration instructed the Department of Economic Development to research initiatives that would increase the construction of more housing in Kansas. As a result, the Kansas Housing Development Corporation was organized and registered by the Secretary of State in December, 1979, for the purpose of issuing bonds for the construction of low and moderate income multi-unit housing.

In cooperation with the Kansas Housing Development Corporation, the Department of Economic Development sought and obtained authorization to administer rent supplement contracts between the United States Department of Housing and Urban Development (HUD) and private developers

on behalf of Kansas communities. These financial and administrative mechanisms have facilitated the utilization of HUD housing programs in this state.

In its first year of operation the Kansas Housing Development Corporation provided financing totaling \$17 million for housing development in six Kansas communities. These projects will provide 200 housing units. It is anticipated that the Kansas Housing Development Corporation will issue between \$30 and \$50 million in bonds for projects in the current year.

We have also made progress in modifying Kansas laws dealing with housing finance to improve the availability of mortgages to all Kansans. Last year I signed a bill which amends the local Residential Housing Finance Law, making low interest bond-financed mortgages available to more Kansans than ever before. I also signed a law that created a floating usury rate. This rate, which is adjusted monthly, provides greater flexibility to lenders and borrowers alike and yet retains basic protection for consumers. I urge the Legislature to review this law to ensure that it continues to meet the housing needs of all Kansans.

The rates for product liability insurance for retailers have increased significantly over the past few years and are becoming burdensome. Last year's Product Liability bill, which I vetoed, placed the greatest burden of proof on injured Kansans to recover damages. However, Section 6 of that bill had merit. For this reason I recommend that a new bill based upon this section be passed. The new bill will provide for fairer distribution of liability and will allow Kansas retailers an affirmative defense when the manufacturer is in court and financially solvent. However, a significantly expanded version of such a bill would be unacceptable to me.

The future for economic development in Kansas can be bright. If we maintain a balanced tax structure, promote community development, and encourage growth in our housing industry, we can enjoy the benefits of a diversified and healthy economy.

HEALTH

Since the turn of the century, a remarkable change has occurred in the health status of Kansans. There has been a steady decline in morbidity and mortality rates. The most significant result of this decline is that more people are living longer. In 1900 the average life expectancy at birth was 47 years; today it is 73 years.

Yet the rising cost of health care is a burden for us all. Our challenge is to develop innovative approaches in order to provide quality health care that is cost-effective.

I recommend measures be taken in the areas of hospital cost containment, health insurance, and preventive health care. I support the efforts of the Department of Social and Rehabilitation Services to establish its regulations for Medicaid reimbursement. The Department is developing a special prospective rate review program for hospital charges to Medicaid recipients. This should serve to contain state public assistance costs in an area where they are increasing rapidly.

Unrestrained demand for costly institutional care continues to fuel inflationary fires in the health care industry. This demand is exacerbated by "first dollar" health insurance coverage which

creates the illusion for the consumer that health care is free. Health insurance policies containing deductible and co-payment provisions help identify for consumers the real cost of health care. I challenge the health insurance industry to provide policies which contain such provisions and to offer "first dollar" coverage only as a rider to the basic policy.

Furthermore, I encourage the health insurance industry, in cooperation with the Commissioner of Insurance, to develop voluntary major medical deductibles and minimum levels of coverage for each of the major categories of service.

Changes in our health habits offer the greatest potential for improving health and reducing demand for medical care. My administration has made significant advances in promoting positive health behaviors. I established the Governor's Council on Fitness and "Project PLUS." Both programs are focused on prevention of disease through improved physical fitness. Project PLUS has been implemented through the Department of Health and Environment and develops health promotion and education at the work place. Nearly 30 major employers in Kansas are now participating in this program.

Preventive health care must begin early in a person's life. My administration has supported child health assessment to facilitate the early detection of disease. I have expanded state efforts in early and periodic health screening of children who are eligible for Medicaid benefits. By increasing the number of caseworkers assigned to assist these families, outreach and follow-up have been improved.

I have directed the Secretary of Health and Environment to expand the state's efforts in training community health and school nurses to conduct child health assessments.

Once health problems have been discovered, it is equally important that they be adequately evaluated, diagnosed, treated, and monitored. Using existing state and local resources the Departments of Health and Environment, Social and Rehabilitation Services, and Education will cooperate to accomplish this goal. In regionalized areas of the state, health and education experts will periodically meet with children and their families to formulate individual plans of care for each child. The comprehensive plans will provide for the ongoing treatment and education of the child. Referrals will be taken from both public and private resources.

While the elderly have special health care needs, the cost of institutional care is becoming prohibitive. As alternatives to institutional care, I have strongly supported the development of community-based home health agencies and adult day care. During my administration we have markedly increased the availability of home health care through start-up grants of state funds to local agencies. Progress in this area has exceeded expectations, and 74 Kansas counties now have these services available.

The Departments on Aging and Social and Rehabilitation Services are cooperating to develop "continuum care" demonstration programs which provide alternatives to nursing home care. Because adult day care is one important component in this area, I recommend an expansion of state support to increase the availability of this service.

Notwithstanding the progress being made to provide noninstitutional services, many elderly and disabled Kansans will continue to require nursing home care. Improving the standard of care in nursing homes will always be a high priority of my administration.

Over the past two years, we have overhauled the nursing home regulatory program, provided for additional training for inspectors, and provided better investigation of consumer complaints. We have substantially increased the staff which monitors nursing care. We have contracted with local public health personnel to monitor nursing homes in more than 50 counties. I have also directed the Secretary of Health and Environment to undertake a thorough review of existing nursing home regulations and to recommend revisions. Standards that were considered appropriate three years ago may no longer be practical or cost-effective.

CHILDREN AND YOUTH

My administration has always viewed the needs of our children as a high priority. There is no more appropriate function of state government than to increase the ability of our children to lead healthy and productive lives. Our children are the future of our state; and proper expenditures on their behalf are investments that will reap benefits time and again.

In dealing with children's problems the ultimate goal must always be to maintain the child within his or her family. Yet because of certain circumstances, some children require out-of-home placement for their protection or the protection of others.

The Foster Care Programs is one of the more successful and cost-effective out-of-home placement programs the state provides. To encourage good foster care, I recommend a 5 percent increase in foster care rates. I further recommend that an additional \$100 per month be made available to families who are willing to work with the more difficult children. The Community Residential Homes program also requires continued support. I recommend a 5 percent increase in reimbursement to these homes. In addition, I have directed the Department of Social and Rehabilitation Services to develop individualized placement plans that are directed toward returning the child to his or her own home.

Young people should be assisted in developing self-control so that they become well-adjusted members of society. This is reflected in my budget recommendation for the development of semi-independent living arrangements for a small number of boys leaving the Youth Center at Topeka. They would be living essentially on their own; however, for a limited time, they would have the guidance and support of counseling staff within the community. This program would provide a smooth transition from the structured setting of the Youth Center to life in the community.

While these intensive counseling programs are necessary, our goal is to reach children and parents with the necessary preventive programs before any of these services are needed.

Last year, my administration supported the establishment of the Children and Family Trust Fund. This legislation was directed towards stabilizing family life and nurturing the development of parental skills. Even though there is only \$140,000 available in the Children and Family Trust

Fund, interest in this prevention area has been demonstrated by grant requests in excess of \$650,000.

A good, healthy start in life is one way to ensure that our children develop into independent, self-supporting adults.

Towards this end, the Child Health Assessment Program, funded through Medicaid, provides regular medical check-ups for children of low income families. This administration has consistently emphasized the importance of this program. Therefore, I recommend adequate funding be provided to continue this effort.

In addition to the assessment program, I recommend the development of special child evaluation centers. These centers will provide an integrated system of detection, evaluation, planning, and follow-up for children with disorders and chronic diseases. Specialized services will be available through health, education, and social service providers. These centers will further facilitate and assure full services for the handicapped child.

With an ever-increasing number of mothers working outside the home, adequate child care is becoming vitally important. Government alone cannot solve this problem. Business and industry must become active partners in developing and assuring good day care facilities for the children of working parents. I wholeheartedly support all such initiatives on the part of business. For those 5,000 children whose day care is funded by the Department of Social and Rehabilitation Services, I am recommending a 5 percent increase in funding.

My administration is committed to maintaining a strong level of support for state programs that preserve the family unit, detect and prevent child abuse, and insure the health needs of our children. Please join me in that commitment.

EDUCATION

One of the best measures of the quality of any society is its ability to weigh the use of its resources for immediate needs against investment of those resources in the possibilities for tomorrow. Using that standard we can be proud of our state's foresight. We dedicate well over half of the State's General Fund expenditures to the education of our young. This investment will certainly yield dividends which will be realized by Kansas for years to come.

Our state's low level of unemployment, our high per capita income compared to other states, and our ability to retain skilled labor speak well for the products of our primary and secondary schools and institutions of higher education. Our efforts to extend the benefits of education to every young person in the state have improved every child's prospect for a productive life. The Kansas School District Equalization Act has been hailed as one of the most progressive school finance laws in the nation.

Yet, in spite of these positive attributes, education seems annually to cause a crisis when consideration is given to bills or appropriations that relate to schools. The bleak budgetary

outlook for the coming fiscal year promises to make the stabilization of funding for education a difficult task.

Persistence, courage and a state-wide view on the part of legislators; cooperation, imagination, and a willingness to change on the part of educators will be required to solve these problems. They are, however, problems which must be resolved; for the prudence of our past investments and the scope of Kansas' potential hang in the balance.

The financing for primary and secondary education is easily the question with greatest impact. Its implications affect the future funding of state government, the equalization of financial resources between school districts, and the spendable income of every Kansan.

The legislative interim committee has made far reaching recommendations regarding the sources of funding for and the distribution of state aid to education. They have recommended that 100 percent of the state income tax be refunded to local school districts, that the state sales and use tax be increased 67 percent, and that the corporate income and privilege tax be increased 30 percent. They have also recommended that school districts be allowed virtually unlimited budget authority after the first year of operation of the new plan. Each part of this recommendation carries with it serious consequences.

The substantial general tax increase will certainly have a negative impact on Kansas business and consumers alike. The removal of income tax receipts for the State General Fund will reduce its responsiveness to inflation. Moreover, the unbridled budget authority which the recommendation grants to all USD's almost assures that the gap between those districts with a greater ability to raise revenue and the less fortunate districts will widen.

In making their recommendation the legislative interim committee recognized that primary and secondary education in Kansas relies too heavily on the property tax for funding. I too recognize that if the current situation continues, dependence on the property tax will increase and homeowners, farmers, and businessmen in Kansas will pay the price of that dependence. However, there is a better method of reducing that dependence than the way which the Legislature has recommended--a method which achieves substantial property tax reductions, increases the state share of school finance, continues the process of equalization between districts and does so without a general tax increase. I recommend that the state enact an 8 percent mineral production tax and that \$111.6 million of the proceeds from that tax be injected into the current school finance formula. I further recommend that authorizations of 106-116 percent be enacted for the coming year.

I fully recognize that teacher salaries have fallen steadily behind inflation rates in recent years. Local boards of education can help close the widening gap between those salaries and the rise in cost-of-living by making salary improvements their highest priority. The value of a teacher corps to a community justifies significant increases. Therefore I recommend that within their increased budget authority, school boards make increased teacher salaries a first priority.

While the Professional Negotiations Act has recently been amended, I believe that there is a need to monitor this legislation with the view toward increasing its effectiveness in resolving disputes

which arise between boards of education and teachers. I therefore recommend that a panel of independent and unbiased experts be selected from within the state to gather information and make recommendations to me and to the 1982 Legislature concerning this law.

Competency Based Education (CBE) may help to identify areas of weakness among our school population. I endorse the interim committee's recommendations for CBE and have provided funding in my budget to cover the costs of the additional testing that the recommendation entails.

Once skill deficiencies are identified, remedial action must be taken to correct those deficiencies. Failure to treat the problem once it is identified would make a mockery of our efforts.

Experience in other states indicates that the cost of remediation is great. The Legislature should carefully consider these costs as they formulate their response to CBE.

Each of us can remember an outstanding teacher who had an important influence on our lives. In every vocation, in rare instances, a professional rises to inspired greatness. Most professionals have a high degree of competence and reflect that skill in their work. Every profession has a very minimal number of licensed practitioners who lack some of the fundamental skills necessary for their work. So it is with teachers. The perception of teachers in some communities, unfortunately, is based upon the least skilled, not the most skilled practitioners of this most sensitive of arts. In order to change that negative perception where it does exist in the state, I recommend that educators, boards of education, parents and students support a measure which would require proof of competence in communication and arithmetic skills, as well as demonstrated competence in subject matter areas. Proof of competence would require passage of a test which would be administered before teaching certificates are granted.

A diverse and comprehensive educational system is essential. Area vocational technical schools play an important role in such an educational system. I am supportive of the Area Vocational Technical School (AVTS) program which provides Kansas industries with skilled workers. Their efforts towards easing the skilled labor shortage in the state are well documented.

During my term as Speaker of the House, the Legislature appropriated \$2 million for each of three years for funding AVTS capital-outlay projects. After reviewing the needs of the AVTS, I recommend \$1.5 million again be appropriated for capital improvements and upgrading the equipment used for training students.

The final component in the Kansas educational network is our state institutions of higher learning. They provide for the intellectual growth, cultural enrichment, and personal awareness of Kansas youth. Recognizing the pivotal role that the faculty at the universities play, I recommend an 8 percent increase in faculty salaries. If we are to attract and retain qualified faculty members, we must provide salaries which keep pace with educational institutions in the other states.

To assist our institutions in meeting their rising operating costs, I also recommend base budget increases of 6 percent for other operating expenditures.

After several years of steady decline in enrollment, the universities of our state have experienced a resurgence in enrollments. Additional resources should be allocated to the universities in fiscal year 1982 to enable them to provide adequate teaching programs and services for these increased enrollments. Therefore, I recommend budget increases of \$1.5 million to finance 77 education faculty and support positions and other operating costs caused by these major enrollments. These positions are recommended on the basis of the instructional component of the formula funding concept developed by the Regents.

I have also recommended an 8.1 percent increase in the amount of funds allocated to student employee wages. Along with this increase I recommend that all student employees continue to receive the federal minimum wage.

A diverse and comprehensive educational system is essential to the cultural, intellectual well-being of our estate. Maintaining this network is a high priority even in the face of a conservative budget. With adequate investments in education the return to our state will far exceed the initial cost.

SOCIAL WELFARE

My administration is committed to providing services that assist the disadvantaged citizens of this state in gaining independence and self-sufficiency. It is our goal to create programs which provide incentives for self-support instead of dependence. If our programs do not address this goal, then we are wasting valuable human resources. In a state where the level of unemployment is half the national average and labor is at a premium, this is an asset we cannot afford to waste.

Public assistance, the area which is normally fraught with the greatest disincentives for self-sufficiency, is, in Kansas, a trend-setting program. Assistance recipients are allowed only 80 percent of the "basic standard" for assistance if they do not work in compensating positions for state or local government. If they do work, they are allowed 100 percent of the "standard." This practice gives the recipient the dignity of earning a portion of their income. It is a program which other states are now adopting and one which we must continue.

Another means of helping citizens gain independence is the Department of Social and Rehabilitation Services' Work Incentive Program (WIN). The WIN Program enrolled 3,141 Aid to Dependent Children (ADC) clients during fiscal year 1980. By helping applicants find employment, the program closed 720 assistance cases and reduced cash grants in another 2,916. These activities saved the Kansas taxpayer approximately \$4.7 million. The WIN Program also helped 1,983 ADC clients find jobs at an average hourly wage of \$3.39 in fiscal year 1980. These jobs generated approximately \$13.3 million in taxable earnings. For each dollar spent by WIN, Kansas saved \$1.76 in ADC benefits.

Only an approximate 3 percent of the Kansas population is drawing assistance from the ADC program. Although this figure is less than one-half the national average, our goal is to further reduce the caseload. The Child Support Enforcement Program has contributed much toward achieving this goal.

Through the location of absent fathers, the Department of Social and Rehabilitation Services was able to collect \$4 million from ADC related cases and \$624,753 from non-ADC cases in 1980. Through the Department's fraud unit, another \$415,286 was collected or saved.

We must, however, insure that public assistance is maintained at a level commensurate with essential human needs. The past year has seen a rise in inflation and unemployment. The net effect has been that more Kansas citizens have needed assistance. Consequently I recommend that there be adequate funding of the Kansas assistance programs for the balance of the current and subsequent fiscal year to meet the increased caseload.

The rapid rise in the consumer price index during this last year has had a particularly adverse effect on the poor who spend a disproportionate share of their income on food and housing. I recommend that we increase the basic standard and housing allowance by 5 percent.

The commitment for a productive and independent citizenry is not and should not be limited to the poor. We must also address the needs of the elderly and the disabled. On this basis I recommend that we continue the homemaker services program at its current \$4 million level. This appropriation will provide 645,000 hours of service to 9,000 households and will allow approximately 2,500 Kansans to lead independent lives in their own homes.

There are some instances when nursing home care is necessary for our state's elderly. We will spend over \$80 million of state funds during the current fiscal year for such care. In spite of our efforts, people have been placed inappropriately in nursing homes. I find this situation unacceptable and intend to provide the elderly with alternatives to nursing home care.

I have called upon the Department of Social and Rehabilitation Services to develop, in cooperation with local medical societies, a nursing home pre-screening program. This program will run as a pilot project in Labette, Douglas, Shawnee, and Decatur Counties. The objective of the project will be to curtail inappropriate placements and provide more suitable and cost-effective care.

Disabled people in Lawrence and northwest Kansas have been able to obtain greater self-sufficiency through the assistance of independent living centers. Disabled persons are kept in touch with community resources and can look forward to homelike living. I recommend that we continue to support these centers.

If we are to avoid unnecessary and costly institutionalization of our elderly and disabled, the lack of transportation is one further barrier which must be overcome. I have directed the Secretaries of Transportation, Social and Rehabilitation Services, Aging, and Health and Environment to formulate a plan which will make transportation services for these individuals more efficient. I expect to have that Cabinet sub-committee report available to the Legislature during this session.

LOCAL GOVERNMENT

Community problems are often unique and cannot be resolved in Washington or Topeka. However, we have a responsibility to assist local governments. The state performs important

functions in cooperation with local governments by supplementing school finance and investing adequate funds for repair and reconstruction of streets and roads.

Our goal is to meet these fundamental state responsibilities without imposing a general tax increase on Kansas individual and business taxpayers. The Legislature, through its interim study committee, is recommending that we increase motor fuel taxes by an average of 33 percent. In the area of school finance, the Legislature, through its interim committee, has recommended that state sales and use taxes, corporation income taxes, and financial institution privilege taxes be increased from 30 to 67 percent. Although they provide some property tax relief, these increases would have an extremely harmful effect on our Kansas consumers and business.

Instead, I would recommend that Kansas adopt a mineral production tax. A total of \$111.6 million of the tax revenues generated by the tax will be earmarked for direct property tax relief to local units. This will provide an approximate 10 mills (statewide average) reduction in the property tax. I recommend another \$60 million from this tax be earmarked for the repair of our state's roads and highways with 35 percent of the proceeds going to local units for their streets and roads.

The mineral production tax has several advantages. It is a major source of tax revenue not now available to support Kansas government and local services. It will also compensate the public for the depletion of our mineral heritage. As an "add on" tax, it will not affect local taxing subdivisions that rely heavily on minerals as part of their property tax base.

The property tax lid is another tax concern. I again recommend a uniformly applicable property tax lid. The tax lid has in the past proven to be effective in holding the line on property tax increases. But parochial legislative interests over the past years have diminished its effectiveness. The taxpayers deserve this protection.

In addition to tax policy, other state initiatives impact on local government. Last November the voters overwhelmingly approved an internal improvement amendment to the state constitution, which will allow the state to "pass through" federal funds to local governments in such areas as public transportation, housing, and public works.

Two years ago, I pledged to avoid the imposition of new public mandates on local governments. I have kept my pledge. Instead we have focused upon developing existing resources in our communities. I recommend the continuation of the Community Development Assistant Program which provides technical assistance to communities that want to design and implement their own development strategies. Currently, five communities have received assistance through this program. Twenty-five communities will be assisted during the next calendar year.

We have a tradition of sound local government in Kansas. My administration will remain committed to assisting local governments in continuing that tradition.

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