

John William Carlin

MESSAGE OF GOVERNOR JOHN CARLIN TO THE KANSAS LEGISLATURE January 12, 1982

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

Over the past year as I have spoken with and listened to people from all over this state, I have sensed a convergence of concerns. They are aware that the way of life which they have come to know and love is threatened by forces which are eroding the economic and social structure of our state.

They are troubled that the ever-increasing property tax burden will affect the vitality of the farm and business community and over-extend the finances of the homeowner. They are afraid that as a result the funding of our children's education will become unstable and that our youth will not receive the high quality instruction they must have if they are to attain their fullest potential.

They are concerned that our highways are deteriorating and that, consequently, we may lose our investment in these arteries of commerce and industry without which our economy cannot survive.

They are anxious because crime is robbing them not only of their property, but moreover, the sense of security to which they are all entitled.

Perhaps their greatest concern, however, is that complacency will replace the progressive determination that is embedded in our frontier heritage and which is the very foundation of our accomplishments. They know that if we abandon this legacy that we will drift on the dangerous currents that inevitably turn a lack of headway into a crisis.

And so, as there is a convergence of concern, there is a consensus for progress. There is concurrence that we must look for, and find, innovative ways of dealing with our problems and that we must not revert to the same tired old solutions which have, by virtue of their shortsightedness, left us in our current situation. And there is agreement that we must communicate and cooperate as we work together towards the resolution of these issues.

In the following pages I have articulated the concerns which I have gleaned from my conversations with the people of Kansas. I have also indicated the direction which I recommend we take to address those concerns.

With a consensus for progress achieved, I believe that we can turn whatever differences we may have into lasting achievements -- achievements that maintain the course of progress and quality of life which our forefathers sought and which we now seek to pass on to our children. It is our heritage. It is our birthright. It is our responsibility.

REVENUE

In this time of difficult and uncertain economic conditions, effective management of the State's finances requires responsible fiscal policies which do not overextend the State's resources or overburden Kansas' taxpayers.

Recognition of the need for fiscal restraint, however, does not mean that we can ignore fundamental state needs. Nor does it mean we can turn aside the challenge of the new federalism that forces greater responsibilities on state and local governments. Fiscal conservatism should not mean the decay of those basic foundational structures such as roads, highways and bridges that are essential for sustained economic growth. Fiscal conservatism does not mean that we should turn our backs on the plight of the property taxpayer in Kansas. Nor is it a prudent decision for the future of public education to rely more and more heavily upon the property tax for funding public educational needs in this State.

Finally, neither fiscal conservatism nor sound public policy dictates that the State place unwarranted and unnecessary general tax increases on Kansas consumers and businesses. For these reasons, I again recommend the imposition of a severance tax on the gross value of oil, gas, and coal produced in Kansas.

Kansas is one of the only major mineral producing states without a severance tax. Unlike other states, Kansas is not compensated on a statewide basis for depletion of its non-renewable mineral resources. Nevertheless, Kansans pay severance taxes to other states. Whenever coal is purchased from Wyoming to generate our electricity, Kansas consumers pay a severance tax to help build schools in Wyoming. Whenever we utilize natural gas from Texas or Oklahoma, we help pay for schools and highways in those states. It is time that other states return in kind the price they for years have exacted from Kansas.

Price de-control and greater oil production increased the value of Kansas oil and gas by \$1 billion in one year. Though there has been some softening of prices, even at current rates the price of oil has increased by 800 percent from 1973 to 1981. The price of natural gas is gradually being de-controlled. From 1979 to 1980, the price per MCF of natural gas increased from 68 cents to 83 cents, or 22 percent. An equivalent rate of increase can be expected annually through 1985 under current federal price deregulation policies.

As a point of comparison, the price of wheat in 1973 was \$3.75 per bushel. The price of oil during that year was \$3.89 per barrel. If the price of wheat had increased at the same rate as that for oil, farmers would now be receiving in excess of \$30 per bushel of wheat. A factory or office worker who was making \$4 per hour in 1973 would now be earning \$36 per hour. A school teacher who had a \$7,000 annual salary in 1973 would now be receiving in excess of \$60,000 per year if his or her salary increase had kept pace with the increased price of oil. When one considers the ability of various segments of the Kansas economy to share in the tax burden necessary to support schools and highways, the oil and gas industry is the segment best able to pay.

A third factor that must be taken into account is that much of the tax burden would not be paid by Kansas producers or consumers. Out-of-state consumers, mineral producers and the Federal Government would bear the greatest portion of a severance tax.

During the last Legislative Session a study was commissioned by opponents of the severance tax. The Gerking study concluded that 60 percent of the severance tax would be paid by non-Kansans. Further, the study did not take into account the ability of oil producers to export a portion of the tax through federal income tax deductions. It is estimated that this would result in the exportation of an additional 10-15 percent of the severance tax.

In contrast, a study requested by the Special Interim Committee on Assessment and Taxation a few years ago concluded that 81 percent of the motor fuels tax and 76 percent of the sales tax are paid by Kansas consumers. Practically all of the proposals which have thus far surfaced as alternatives to the severance tax proposal have included recommended increases in one or both of these taxes. Why should the general public be expected to accept increases in these burdensome taxes in order to further protect the oil and gas industry?

The federal government has recently provided additional tax benefits for independent producers of oil. Effective January 1, 1983, independently owned stripper production will be exempt from the federal windfall profits tax. It is estimated that this will result in a tax benefit to Kansas independent producers exceeding \$100 million per year. Viewed another way, the windfall profits tax exemption will result in a tax reduction of approximately \$5 per barrel for stripper oil. The proposed severance tax would impose a tax burden of \$1.53 per barrel assuming that the price was \$35 per barrel. The net effect would be a tax savings of \$3.47 per barrel on independently owned stripper production.

Opponents of the severance tax have claimed that the pump price of gasoline and diesel fuel would increase by 7 or 8 cents per gallon if the tax were imposed. The Gerking study, however, concluded that the prospect of any pass-through is practically nil.

Other aspects of my recommendation address long-standing fears and misconceptions of the effects of a severance tax. Under my proposal, the royalty interest in all production would be specifically excluded from the severance tax. Further, to avoid seriously eroding the tax bases of those local jurisdictions where significant oil and gas production exists, the severance tax would be in addition to current ad valorem taxes. Local units which are dependent upon assessed values of oil and gas properties for a portion of their funding would be protected.

Farmers, homeowners, and businesses who are paying \$50 million in additional property taxes to fund public schools this year know that this increase was unnecessary. They know it would not have occurred had the Legislature approved a moderate and reasonable severance tax. I ask you: Why should Kansas property owners and Kansas schools be denied the benefits of a severance tax? Why should Kansas property owners and schools be sacrificed to protect the privileged position of a small, but rich and powerful, special interest group? Why should Kansas -- unlike Texas, Oklahoma, Wyoming, and other major mineral producing states -- fail to be compensated for depletion of non-renewable resources that one day will be gone? I submit that there are no satisfactory answers to these questions.

I ask this Legislature to act courageously and wisely -- to act on behalf of Kansas farmers, Kansas homeowners, Kansas businesses, and Kansas schools -- by enacting a moderate and reasonable severance tax and rejecting any proposal for a general tax increase. No other revenue raising measure is necessary with the enactment of a 5 percent severance tax.

Court-mandated reappraisal of all tangible property draws even nearer. Legislative inaction is not an acceptable course. This classification issue must be addressed. I am again this year recommending passage of a constitutional amendment permitting classification of tangible property. Such an amendment is essential if we are to prevent a shift of over \$200 million in property taxes to farmers and homeowners.

I am heartened that the Special Interim Committee on Assessment and Taxation has by a wide margin recommended passage of a classification amendment encompassing many of this administration's recommendations. This action suggests growing legislative awareness of the seriousness of this problem.

Reappraisal is only a matter of time. The question is: Will we have the constitutional ability to avert a \$200 million property tax increase for farmers and homeowners that inevitably will accompany reappraisal? For the future of local government in Kansas, as well as for the protection of Kansas homeowners and farmers, we must have a classification amendment.

Just as Kansas' taxpayers recognize that last year's \$50 million property tax increase was unnecessary, they recognize that the enormous shift of property taxes which will occur with reappraisal is likewise unnecessary.

TRANSPORTATION

It has been observed that America is rich because of its good roads rather than having good roads because it is rich. This same observation can be made of Kansas. Transportation is the key to the continued vitality of agriculture and industry, rural and urban areas, and the private and public sectors of Kansas. Transportation is essential to our way of life. Yet our roads are being seriously eroded.

This summer legislators toured Kansas highways and viewed first hand the serious deterioration of our highway system, and clearly saw the needs. We must now work together to maximize the use of available revenues and resources to solve the highway crisis.

The bleak financial condition of the highway fund is not new. It is a situation that has been slowly building over several years. Inflation is the primary cause of the problem. The buying power of the road dollar has declined at an accelerated rate relative to the Consumer Price Index (CPI). The CPI indicates it now costs \$2.45 to buy what we paid \$1.00 for in 1967. Highway maintenance work which cost \$1.00 in 1967 costs \$2.73 today. Highway construction that cost \$1.00 in 1967, now costs \$3.48. In other words, while the cost of living has increased dramatically, the cost of highway construction and maintenance has increased radically. Additionally, the current funding sources, taxes on motor fuels and vehicle registration, are not responsive to inflation and have decreased in terms of real dollars.

This year, I again recommend a solution to the highway funding crisis which addresses the concern of the Legislature and which is in step with the wishes of the people of Kansas. I recommend that increases in the highway fund come from sales taxes on motor vehicles, parts, accessories, and services. Currently these revenues are deposited in the General Fund. The loss to the General Fund will be made up by the growth in revenues, a restructuring of other general fund activities and a scaling down of the bureaucracy.

This is a solution which satisfies the legislative desire to fund highways from a user fee. It is, in fact, a proposal that has been recommended by members of the Legislature in the past. It is also a way to fund our highway program within current resources without the need for a general tax increase, and it provides a source of revenue which is responsive to inflation.

This transfer will produce \$82 million for highways. I recommend that the money be distributed according to the current formula of 35 percent to the locals and 65 percent to the state. According to this formula, then the state will have access an additional \$53.3 million for highway maintenance.

A homeowner, who in an attempt to make ends meet delays home improvement projects, knows that when the roof begins to leak it must be repaired. The "roof" of our highway system is leaking now and if it is not repaired and repaired soon, the State of Kansas will pay dearly in the years to come. It is therefore apparent that the solution to our highway crisis does not lie in the same old unworkable solutions. Our options are limited. We must look for creative solutions that will adequately address our problem. The \$82 million transfer is such a solution.

For years there has been a major concern about the efficiency of the Kansas highway program. During my administration, I have moved aggressively to solve this problem. The Kansas Department of Transportation established a Task Force to conduct a Manpower Utilization Study. My fiscal year 1983 budget combined with my past recommendations reflect a reduction of 297 positions in the Department of Transportation's budget since I have been Governor. Additionally, the Secretary's reorganization plan calls for a reduction in staff of another 480 positions by fiscal year 1986. To the extent possible, these will be accomplished through attrition.

According to the plan, the Kansas Department of Transportation will now be organized along functional lines rather than the current or mixed organizational model. With a reorganized, more efficient Department of Transportation, we will be ready to meet head on the challenges of the future.

Events of the past year have shown that the State must take action to prevent the loss of state dollars through bid-rigging. At my direction, the Department of Transportation has made a thorough study of current legal protection from bid-rigging. We have concluded that current antitrust legislation is adequate to allow the state the authority to handle matters of this sort. The problem lies in the detection and enforcement of the law. I have asked KDOT to work closely with the Attorney General's Office and the U. S. Department of Justice, Antitrust Division,, to monitor, identify, and prosecute any bid-rigging practices by contractors.

The Kansas transportation system is comprised of more than highways. As a grain state, our railroad network is of tremendous importance to us. It has been well over two years since the Rock Island Railroad announced that it was bankrupt. Today we are still trying to ensure essential rail service along the Rock Island line. The State has maintained an active role in response to this crisis. 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.

At this Group's urging and with my support, we amended the State Constitution to allow for the expenditure of federal funds for rail rehabilitation. We were also able to amend the Kansas Port Authority Act to include rail facilities. This has been instrumental in securing rail service for the Northern Rock Island line. Additionally, local, county, and city officials, business representatives, and private citizens have worked very closely with the state in an attempt to resolve our rail problems.

However, the Rock Island Trustee in Chicago has been unwilling to work with us. He has given little consideration to the needs of Rock Island constituents and creditors. As a consequence, our Senators in Washington have even been involved in this issue. Still, we have been unable to secure positive action from the Trustee. I will continue to press the Trustee for action. I have called for a meeting of the Governors and Attorneys General of the 13 states in which the bankrupt Rock Island Railroad once operated. The meeting will be held in February or March and together we will seek solutions.

Moreover, I have been very involved in evaluating the impact of the Union Pacific, Missouri Pacific, and Western Pacific (UP/MP/WP) Railroad Company consolidation. My conclusion is that the State of Kansas should support the consolidation, contingent upon the following:

1. That the Interstate Commerce Commission should be mindful of the impact such a merger may have on the Santa Fe railroad;
2. That the Southern Pacific be granted access to St. Louis via an economically efficient route. I will defer to the judgment of the Interstate Commerce Commission to decide how the desired right is best obtained; and
3. That the trackage rights and related applications filed by the KATY Railroad be approved by the Interstate Commerce Commission.

Current economic realities dictate that the old solutions will no longer suffice. We must continue the innovative course that we have set. But most of all, we must continue to work together to ensure that essential transportation services are provided for all Kansans.

PUBLIC SAFETY

Crime is probably the most widely discussed social problem in our nation today. Kansans are fortunate to have been spared the waves of violent criminal activity that have occurred in more urbanized states. There is no question, however, that our citizens are likewise alarmed by the

growing incidence of theft, vandalism, assault, and robbery. It is one thing to wring our hands about crime statistics, but more and more, we find that crime has taken on an intense personal meaning. Criminal activity has literally robbed us of our property and destroyed the sense of security to which we are entitled.

Yet we must deal with this issue responsibly, not politically. Without such an approach, we are vulnerable to simplistic and naive proposals that on their face seem to address the issue, but are nothing more than expressions of public outrage. While there is no "quick fix" for the crime problem, there is much that we can do.

The State has a responsibility to protect its citizens from acts of violence. Unfortunately, some citizens have their lives disrupted by violent acts. Consequently, the State established the Crime Victims Reparations Board to compensate those victims. Currently the Crime Victims Reparations fund is supported solely by state dollars. I recommend the establishment of an additional cost to be paid by all persons convicted of felonies or major misdemeanors. The monies collected would be used to compensate victims. Furthermore, I recommend the establishment of a flat fee on criminal and traffic cases filed in District court. This fee will then be used to fund the Law Enforcement Training Center. In both of these instances I believe that it is important that those who disrupt our lives pay for the expenses of their disruption.

When we think of crime, we usually think of murder, rape, and assault, all violent crimes. In fact, these violent crimes make up only 8 percent of all crimes committed in Kansas. Of this percentage, a significant portion are family related. For example, in 1980, 28 percent of all murders were cases of domestic violence. The effects of domestic violence go even further than that. We know that a disproportionate number of prisoners in our correctional institutions were abused as children.

To address this problem my office has undertaken a study of domestic violence. Over the summer a five-member panel met to develop the charge which was given to the recently named Governor's Committee on Domestic Violence. It is my hope that the recommendations developed by the Task Force will be ones that we can all embrace.

Yet, if we are to significantly affect the crime rate in Kansas, we cannot focus solely on domestic violence or even the 8 percent of violent crimes. We must begin finding solutions that will address the other 92 percent of crime, and we must focus our attention on preventive solutions.

Every sheriff and police chief understands the most effective weapons available in the fight against property crime. They are the eyes and ears of citizens who care about their neighbors and are willing to participate in a systematic process of monitoring their neighborhood and reporting suspicious activity to law enforcement personnel.

I am impressed by what has been accomplished in other states and with the experience we have had with some communities in the State of Kansas. I am therefore establishing a state crime watch program, which will provide assistance to local communities in establishing or complementing their own crime watch programs. I have recommended that this program be

located in the Kansas Bureau of Investigation so that partisan politics cannot once again circumvent the wishes of the people.

To adequately protect the citizens of this state, we must provide protection in areas other than just that of crime. More citizens of this state are killed on our highways each year due to drunken driving than are murdered. In 1980 the Kansas Highway Patrol arrested 2,733 people for driving while intoxicated and attributed 195 highway deaths and 5,350 injuries to the abuse of alcohol. For these reasons I am forming a special subcommittee of the Citizens Advisory Committee on Alcohol Abuse to focus on the problem of drinking drivers.

Additionally, I recommend that the Legislature enact a mandatory jail sentence for drunken driving. Other states are currently implementing such laws and so should Kansas.

The Interim Committee on the Judiciary has recommended a sound proposal which I support. They recommend creating an alternative to guilty by reason of insanity: guilty but mentally ill. This verdict will allow an individual to receive needed treatment, while still holding the individual responsible for his or her action.

We must also look to our juvenile justice system for improvements. I am dismayed by the frequency of juvenile crime, and the violence that is demonstrated. Clearly, it is time for a change. In my budget recommendations, I have established a new Commissioner of Juvenile Offenders Services within the Department of Social and Rehabilitation Services. The Commissioner will be responsible for coordinating all services provided to adjudicated youth. This will greatly strengthen our ability to deal effectively with juvenile offenders. In a broader sense, this change embodies the heightened awareness of juvenile accountability which the balance of my recommendations implement.

I am particularly concerned about those sixteen and seventeen year-old offenders that commit serious violent crimes. I therefore recommend the establishment of a list of serious crimes that, if committed by a sixteen or seventeen year-old, would result in the juvenile being adjudicated in the adult system, unless it could be proven that such a placement was inappropriate.

Additionally, we are establishing a 30-bed secured facility at Larned for those sixteen and seventeen year old offenders who have committed the most serious offenses.

Although I support the work of the Juvenile Code Subcommittee of the Judicial Council in dividing the Juvenile Code into criminal offenses and status offenses, I do not feel that the recommendations went far enough.

It has been our hope that youngsters would change if they were rehabilitated and treated. I am persuaded that in our preoccupation with this approach we have partially deceived ourselves.

As a consequence, we have established a juvenile justice system that is not honest, and at times is not just. In our system, the length of stay in a juvenile facility is more closely related to age than crime. This is neither just nor honest to the juvenile, nor to society as a whole. It also fails to communicate to the offender the message which is most basic to his or her rehabilitation: that

actions have consequences, and the more serious the action, the more grave the consequence. Length of stay should be based on severity of the crime and should be applied in a consistent fashion.

I am, therefore, directing the Secretary of Social and Rehabilitation Services, in cooperation with the District Judges' Association and other representatives of the juvenile justice system, to develop a system of fixed sanctions for juvenile offenders so that each juvenile who enters the system receives a sanction and the sanction is appropriate to the crime committed.

Additionally, I am concerned with the Juvenile Code Subcommittee's recommendation regarding reduction of the juvenile age to 16 for those offenders with two prior felonies on record. This revision may place a significant number of non-violent juveniles into adult court. I am concerned that this recommendation may miss the heart of the problem and may ironically, contravene our efforts to introduce greater accountability to the juvenile and adult systems alike. With a large number of non-violent offenders inserted in the adult system, judges will be faced with an awkward choice. The choice will be one of placing juveniles who should receive a sanction on probation or, conversely, restricting their own ability to use adult institutional resources for adults by placing juveniles in those facilities. Either choice would not only be undesirable; but, moreover, unnecessary when the implementation of my recommendations would make juveniles answer for their crimes without limiting the adult system's ability to make adults do the same. In order to assist the Legislature in making a rational decision on this question, I have asked the Department of Social and Rehabilitation Services to prepare detailed information on how many and what kinds of juveniles would be dealt with in the adult court as a result of this recommendation.

During this Legislative Session, our attention must also focus on adult corrections. Kansans have lost faith in our criminal sentencing and parole practices. The system of indeterminate sentencing now in place allows great disparity in sentence length, and our system of parole at times results in those criminals who have committed violent criminal acts being released from prison early. To remedy these problems, I am proposing the creation of a Sentencing Guidelines Commission. The Commission will promulgate sentencing guidelines. The guidelines will assure that persons committing similar crimes under similar circumstances will receive similar punishment. The Commission would include legislators, judges, prosecuting and defense attorneys, law enforcement personnel, citizens and other key representatives of the criminal justice system. If approved by the Legislature, implementation of these guidelines will be scheduled for 1983.

Dangerous, habitual, and violent criminals in our adult system must be dealt with appropriately, assuring that their punishment is commensurate with the nature of their crime. I again recommend legislation doubling the current minimum mandatory sentence for those criminals convicted of first degree murder. During the last Legislative Session, both the Attorney General and I were in complete agreement on the necessity for this legislation, yet the Legislature failed to act. I call upon the Legislature to swiftly approve this measure during this Session.

I strongly believe that for every adjudicated crime a sanction must be applied, and community corrections is another of the tools that we can utilize to accomplish that goal. Moreover, it has been proven effective in states like Minnesota, Oregon, and Iowa. I am more convinced than ever

that as the number of commitments of offenders continues to rise, coupled with the astronomical costs of building new prisons, that we must have a sound community corrections program. Those states without a community corrections alternative, such as Texas and California, are suddenly having to consider institutional construction programs that cost not in the millions, but in the billions of dollars.

In contrast, a workable concentration of community resources becomes a far less costly and more effective option for the non-violent first offender. It is a much more rational policy for non-dangerous offenders to be taxpayers instead of tax users and acknowledge the harm they have done to their victims by promptly paying full restitution. As a result of a sustained effort at the community level, six major counties are operating community corrections programs and by April 1, 1982, I expect three more of Kansas' largest counties to begin participation. I will seek full funding for the nine counties to continue Community Corrections Act participation in fiscal year 1983.

We must meet our obligations to provide a secure state prison -- but we also must be sensible in terms of the cost effectiveness of institutions of that type. Prisons are inordinately expensive, and there is no rationale to a system which provides the same expensive facility to hold a first time non-violent offender that is provided for an inmate who has committed repeated or violent crimes. We need an active and strong community corrections system -- supplemented by prison institutions at the state level where those dangerous prisoners can be committed and held securely. We truly need both approaches.

Recent events at the Kansas State Penitentiary at Lansing have reinforced what many of us had already come to realize, security at Lansing must be improved. The people of Kansas at large as well as individuals whose job it is to preserve the security of the prison, are quite rightly asking that improvements be made. Though we cannot solve in several months time problems that are over 90 years in the making, we have begun in earnest a task too long neglected.

We have made a number of administrative changes at the prison which have made the institution more secure. At my urging, the State Finance Council approved funding to speed up final planning of the expansion of the prison. The expansion will be a tremendous step forward in making this facility more secure and safer for all concerned. It will remove from inside the walls of this institution activities and physical spaces that have been security problems literally for decades.

Additionally, there are concerns about pay and benefits for our correctional officers and about staffing at the prison. I recommend that the 1982 Legislature place our correctional officers and unit team personnel under the Kansas Police and Firemen's Retirement System. I also recommend a career ladder for certain institutional staff with meaningful salary incentives to reward and retain experienced personnel. My budget recommendations also contain 19 additional security positions for the institution.

I am again strongly urging the Legislature to fund a new high security telephone system at the prison. Last Session I recommended this system be funded, but my recommendation was not approved by the Legislature.

In addition, security specialists have evaluated security problems at the Kansas State Penitentiary ranging from electronic surveillance devices to staffing. This process has addressed a wide range of concerns and is the most extensive examination of security at the Penitentiary in the history of the institution. A number of their recommendations are already being implemented.

I ask the Legislature to take the action they must if there exists a genuine interest in solving problems at KSP. Without a united effort made with the good of our State as the solitary motivation, we will not succeed.

The recommendation that I have made represent a balanced approach. Please join with me in pursuing a sound course of action. We must harness the support and concern of community leaders. We must convince the public that monies must be found. We cannot let another session go by without positive and tangible action to meet our needs.

EDUCATION

When Colonel Joe Engle rode Columbia II into orbit and flew it back to Earth, he demonstrated a set of skills which place him apart from most of us. After the international praises had been given, the first places Engle sought to return that tribute were the schools which had given him the foundation for his fullest development. His high school, his university, his State -- these were the places to which he returned.

There is only one Joe Engle, but there are hundreds of thousands of Kansans, successful in their chosen fields, productive and proud of their abilities, who can trace their successes to Kansas schools.

Our State constitution requires state government to provide an education for all of our young. Our expenditures in this investment outstrip almost every other area of the budget. Over 2,000 citizens serve on local boards; 30,000 teachers in elementary-secondary school districts and thousands more in our community colleges and universities serve the needs of education in Kansas.

Though the foundations of our educational system seem strong, year after year the same problems become more critical.

Property taxes bear by far too heavy a burden in financing schools in our State. The possibility of record increases in property taxes in 1983 will become a reality unless the State assumes a larger portion of the rising cost of education. Teacher salaries are shamefully low, as they have been over the last several years. Shortages of teachers in various disciplines are now a reality. Enrollment in teacher education has fallen, we are told, over 50 percent in the last half-decade. University and community college faculties become more and more susceptible to recruitment in other states which have kept monetary and other rewards at higher levels. Demands for programs accelerate every year, while available revenue from all sources either shrinks or vanishes altogether. The poorest districts continue to falter as the gap between the rich and the poor widens.

In my message to you a year ago, I urged the Legislature to enact a severance tax on natural gas, oil and coal. I suggested an 8 percent tax on natural gas and oil, and a 2 percent tax on coal. At that time, I asked that a portion of the revenues from this tax be used for financing schools and that a portion be used to help repair our roads and bridges. I reiterate my firm belief that such a tax is the most equitable and logical means of addressing both the imbalance in our current tax structure and the need to reinforce the financial foundation of our school system. I am asking this Session that the revenues from this tax be used to relieve property taxes in local school districts. Using the money in this fashion will prevent a massive increase in levies statewide, and at the same time ensure quality education continues in our State.

I made several recommendations to the Task Force on School Finance which would provide greater equity in the distribution of funds from state sources. Among those suggestions were a new enrollment category for the largest four districts and a linear norm for the second category which would have helped to alleviate the inequities which exist in the present method for determining allowable budget levels. While the Task Force did not approve all of these recommendations, it agreed freely that some were discarded solely because of cost.

I also proposed a multi-year funding package which set budget limits of 8/18 percent for the first year of implementation and 7/17 percent for the following two years. All of my recommendations to the committee were tied to my proposal that a severance tax be imposed to provide a stable funding source for public schools. The effect of my multi-year recommendations would have been a reduction in property taxes in the first year and only minimal increases over the next two years.

The final Task Force recommendations did include a three-year funding plan. If implemented, however, this plan would result in property tax increases over the three-year period from 1982-83 to 1984-85 of \$36.6 million, \$40.5 million and \$42.1 million, respectively. Even with property tax increases of this magnitude, the Task Force indicated a definite need for new revenues to fund its proposals. The committee, however, avoided making recommendations as to the specific level of need or what sources should be considered. While multi-year funding is a meritorious concept, I feel that consideration of any proposal should be given only when accompanied by an adequate funding mechanism.

I do ask that the Legislature recognize the devastating impact inflation has had upon schools in the last few years and give boards a chance to recoup and retrench. I ask that you enact a budget limitation for the next school year which will allow an 8 percent increase for the higher expenditure districts and range up to 18 percent for the lower expenditure districts. This will provide for a teacher salary increase of 9-10 percent, which is in line with the increases I am recommending for other State employees and regents faculty.

Declining enrollments, special education mandates, and the spectre of a teacher/pupil ration penalty make it difficult for school districts to adjust their teaching staff accordingly. Two years ago I proposed that the Kansas Public Employees Retirement law for school teachers be amended to permit local school boards to offer early retirement with full benefits. The Legislature agreed and reduced the early retirement penalty for a three year period. I recommend that we extend this provision for another three years. By removing partially a major disincentive

for early retirement, this amendment allows school districts additional flexibility to adjust their teaching staff and salaries through attrition as opposed to lay-offs.

A question remains as to what the appropriate breadth of coverage should be in the area of special education. I recommend that we fund a longitudinal study of those handicapped children now enrolled in pre-school, special education programs. This study will enable us to assess the effect on handicapped youth of receiving specialized instruction at an earlier age. In addition, decision makers must know whether or not early intervention can result in savings, both in money and, more importantly, in human potential.

I further recommend for fiscal year 1983 that the State fund the Special Education Program at the same amount per teaching unit that the Legislature approved for the current year. This continues the policy which I have maintained throughout my administration with regard to funding special education.

In January of 1981, I indicated to you my intention to appoint a committee to examine the Professional Negotiations Act to establish whether there were changes which might expedite the bargaining process between boards and teachers. I appointed such a committee this last summer - a distinguished committee which included a good balance of views and a broad representation of backgrounds. Three legislators were included as members of that panel. Since the days when I was a member of the Legislature Branch, we have struggled to provide a level of equity in the negotiating process without usurping the powers of elected boards of education.

My Committee on Professional Negotiations conducted extensive hearings this last summer and fall and were presented a number of divergent views on the current law. That committee has submitted recommendations which I will submit to you in the form of recommended legislation. The recommendations, eleven altogether, suggest some mechanical changes in the present law, along with a substantive recommendation for arbitration by a third party as a last resort to settle impasse between a local board and its teachers.

The testimony presented to the committee indicated that very few districts under these amendments would resort to the use of arbitration. Extensive restrictions would be placed upon the arbitrator, including the requirement that he choose from either the board's or the teachers' "last best offer." This would create an additional incentive for both parties to bargain in good faith. Therefore, the arbitrator's greatest contribution to the negotiation process would be in cases where the parties settle without arbitration. Since the last best offer of each party must be based on the approved for the school district, the decision of the arbitrator will never remove from school boards the power to set mill levies.

In the area of higher education, there are also a number of issues which must be addressed. Community colleges have fallen behind in disposable income over the past two or three years. The importance of this very specialized group of institutions can hardly be overestimated. As a community-centered institution, the community college has a role which cannot be performed by other educational institutions. Trustees and faculty, as well as the population centers served by these institutions, must be assured of firm State support.

I have budgeted for increases in the funding levels for both community colleges and Washburn University. These increases can be seen in my recommendations for credit hour aid as well as a special increase for the graduate programs at Washburn University.

Washburn University is a unique institution. The hard decision as to whether the sole remaining municipal university in the state should continue in that role is a decision which we will have to make ultimately. In the meantime, lacking a final judgment from the Legislature, Governor, and the community it serves, we must guarantee that it be allowed to serve its crucial function in the education of our young.

Kansas area vocational technical schools (AVTS) also perform an important function as part of our State's diverse and comprehensive educational system. The AVTS program has contributed significantly to elevating the skill level of the Kansas work force. It is important that we maintain the viability of this program. For fiscal year 1983, I recommend a 10 percent increase in AVTS Program Aid.

Current fiscal constraints prohibited me from including funding for the AVTS Capital Outlay Program. I have, however, fully supported this program in the past and recognize that there is an on-going need in this area. I, therefore, am not recommending the repeal of the statute which permits the State to provide capital outlay aid to AVTS.

We must also maintain the quality of our regents schools, without which our contribution as a State to research, the arts and the general expansion of knowledge would diminish.

The heart of any university is its faculty. This distinguished corps of scholars has already established itself as the pivotal factor in the success of our university programs. I am recommending an 8.75 percent increase in faculty salaries. I am further recommending an additional 1.25 percent to give the universities the latitude to deal effectively with the special salary requirements of certain technical and professional faculty that are most affected by salary competition from other states and the private sector. We must provide as great an incentive as we can to retain them.

Primarily, I have limited my budget recommendations for capital improvements at the regents schools to the Educational Building Fund. The funding level I recommend fulfills previous commitments and provides for the on-going maintenance needs of existing facilities.

I feel that my salary increase and capital improvement recommendations, combined with my recommendation for a six percent increase in other operating expenses, are sufficient to maintain a high quality of education in our regents institutions.

Higher education, like other state functions, must operate with the realization that state resources are limited. The programs run by the Board of Regents must consequently be the subject of the same scrutiny as other state programs so that there is no question as to the efficiency of their operation. The existence of such questions can only serve to weaken the position of higher education at a time when the investment we have made in this important resource must be preserved.

Perhaps the greatest award we can make to education, at whatever level, is to provide the respect, recognition, and gratitude for the people who are the reason for any education program -- the faculty and the appointed or elected officials who are, after the young people, the prime ingredients in education. There are, no doubt, many other young Joe Engles out there, waiting to be inspired and excited toward their own zeniths. Let us help assure them of their chance.

AGING

Older Kansans have taught us much. They have taught us the value of hard work, fiscal responsibility and concern for our fellow man. They embody the qualities that the State, too, must embody: self reliance, restraint, and compassion.

Despite federal cutbacks in many areas, my immediate goal for older Kansans is to maintain those services which have proven cost-effective in assisting them to remain in their homes and communities and to lead full and independent lives.

First, I recommend that we maintain the Home Delivered Meals Program at the 1982 level. This program which presently serves 600 frail or ill, low-income elderly often prevents higher cost institutionalization.

Over the last three years, I have supported community in-home services for the low-income elderly through the expansion of home health services, provision of funds for wellness screening, and support for the Homemaker Program. I recommend for fiscal year 1983 that we continue to fund the Homemaker Program at the current level. This program has proven to be a creative and cost-effective way to serve the elderly as well as provide substantial tax savings to all Kansans. I have budgeted for an increase in fiscal year 1983 aid to local units which will provide for an expansion of home health services to areas which are not currently served.

I am committed to serving the frail elderly in the least restrictive environment possible. In order to do this, I have directed the Secretary of the Department of Social and Rehabilitation Services (SRS) to develop a waiver plan under Medicaid which provides federal reimbursement for in-home and community services as alternatives to costly institutionalization.

Last session, I instructed SRS to develop a pilot pre-admission screening program that diverts well elderly and disabled from nursing home placement and links them with needed services. This pilot program has been successful in identifying inappropriate placements and recommending more suitable and cost-effective care to many elderly and disabled citizens. Through the efficient utilization of funds made available for the program in fiscal year 1982, SRS will be able to expand pre-admission screening services to six additional counties during the next fiscal year at the current appropriation level. In addition, I direct the continuation of the Long Term Care Sub-Committee, under the direction of the Secretary of Aging, to review the progress of the Pre-Admission Screening Program.

Another focus during my administration has been the promotion of wellness and prevention of disease. Promotion of wellness and knowledge of available health service are two important ways to contain escalating health costs. Our present health system is illness oriented. An illness

emphasis unnecessarily drives up the cost of health care. I have, therefore, provided a level of funding to maintain:

1. The current level of meals in the congregate nutrition program. This critical service contributes to both the physical and mental well-being of many older Kansans by reducing loneliness and isolation, providing nutritionally sound meals, and health and nutrition counseling;
2. The wellness screening program for Senior Adults that is provided through local health departments. This program which provides blood pressure screening, glaucoma testing, urinalysis, etc., often prevents disease from going undetected.

We all recognize that the specialized medical needs of the aging are often distinct from those of the general population. Doctors and allied health professionals need special medical training and skills to care for the elderly. In Kansas, less than 0.8 percent of the doctors list their area of specialty as geriatrics or gerontology. I recommend that a Geriatric Medical Education Program be established at the University of Kansas School of Medicine. This program, in conjunction with the Long Term Care Center, will develop a geriatric evaluation unit, provide geriatric education to all allied health professionals, provide continued education in geriatrics to physicians, nurses, and other health professionals, and generate research in the geriatric needs of senior citizens. Further, I recommend that the State replace the federal funds withdrawn from the gerontology program at Wichita State University. If we are indeed serious in our commitment to providing quality care to our aging population, Kansas must maintain the capability to adequately train personnel to meet those needs.

Maintaining and preserving family support systems has been another priority of my administration. One major alternative to the high cost of long term care is to build incentives for family support by relieving family pressure and enabling families to continue maintaining the vulnerable older person at home. Cost savings will accrue to the State if nursing home placement is postponed or eliminated when not necessary.

Upon my recommendation the State for the first time provided start-up grants for Adult Day Care centers. Seven such centers now offer services to frail, older people who might otherwise be institutionalized. I have directed the Secretary of Aging to provide technical assistance to these programs and to evaluate their cost-effectiveness.

However committed we are to assisting people to remain in their own homes, it must be recognized that some people require an institutional setting. It is estimated that 50 percent of those in nursing homes have no relatives or families. It is our obligation to continue to ensure that these vulnerable elderly are protected. Over the last two years, I have been a strong advocate for protecting the wellbeing of the elderly through the creation of the Ombudsman Program, increasing fines for nursing home violations, support of the Elderly Abuse bill, and support of nurses' aide training.

I have re-established the Governor's Task Force on Nurses' Aide Training to ensure the highest level of skill for those who care for the nursing home patient. In addition, I recommend an amendment to delete the statutory prohibition against aide training during the first 90 days of employment. There should be some elementary training provided during the early period of employment for any individual caring for the chronically ill older person who is often reliant upon the caregiver for survival.

To further ensure that high quality standards are maintained in nursing homes, I have reinstated the \$75,000 Nurse Surveyor Program which was not included in the Department of Health and Environment's "B" level budget submission.

One of the greatest problems facing the elderly, and particularly those who own property, is the fact that the majority of them are forced to live on fixed incomes. Current inflation rates have had a particularly devastating effect on this group. To date, 83 percent of the elderly in Kansas have managed to maintain their own homes. As their resources continue to shrink, however, it becomes increasingly difficult, if not impossible, for many of them to maintain their independent status. The \$50 million property tax increase we experienced this past year and the staggering projection for future property tax increases have posed a burden on elderly property owners which many will be unable to sustain. Unless action is taken to secure a new funding source for our public schools, it is estimated that the State will experience a \$65 million property tax increase in 1982. If passed, however, my severance tax proposal will reduce property taxes for the next year by \$9 million. This would significantly aid the large number of older Kansans who have managed to stay in their homes to continue to do so.

I am proposing several other actions which the State should take which would also aid the elderly in protecting their limited resources.

The majority of the elderly have occupied the same residence for a great many years. We all know that the older the home, the more substantial the repairs to maintain that home. As a safety measure to assist elderly homeowners maintain their independent status, I again recommend that the State enact a mechanic's lien bill which would balance the interests of elderly consumers against those of sub-contractors and suppliers.

Finally, I have further directed the Division of Motor Vehicles in the Department of Revenue to provide free ID cards to the non-driving elderly so that their Social Security and other checks are protected. No additional state funds are required to implement or provide this service.

I recognize the need for older citizens to remain an integral part of society. We must remove the barriers that do not allow older people to support themselves. It is time to provide increased employment options and remove the disincentives for work. Although the State has a commitment to maintain reasonable levels of income among the elderly, any share of the income that willing older persons can generate should be encouraged.

With this in mind, I urge that the Age Discrimination bill, still in the House, be passed. Age is not a protected category in Kansas' employment discrimination laws; consequently, older Kansans who have been discriminated against because of their age have no protection. The

employment decision should no more be made on the basis of age than it should on the basis of religion, color, or sex. To demonstrate the State's commitment to providing employment to older workers, I have directed the Division of Personnel to identify jobs that would be available for part-time, flexible time, and shared job status, and to distribute this list to elderly organizations.

Government, however, is not and should not be the major employer. Any employment strategy must consider the role of private employment. I direct the Secretary of Aging, working with the Secretary of Economic Development and the Secretary of Human Resources, to develop an alliance between private employers and the elderly to promote private sector employment for older persons.

It is important that older Kansans have a say in their destiny. The ability to understand the legislative process and influence those decisions are paramount. The State Advisory Council has recommended, and I accept, that a Silver Haired Legislature be funded primarily from private or federal resources. The Silver Haired Legislatures in other states have proven effective in providing a forum for their states' elderly.

Finally, I am urging continued support of remedies to fight the high cost of energy. Between 1972 and 1979, fuel costs increased 200 percent, three times the cost of other items. Some older people find themselves confronted for the first time with a choice of "heat or eat." Although the poor elderly use less energy, they spend a larger proportion of their incomes to purchase it. I have asked the Secretary of Aging to develop an educational program to counsel the elderly on energy conservation. In addition, I have directed the Department of Social and Rehabilitation Services to establish a comprehensive outreach and publicity program to help older Kansans to enroll in the Low Income Energy Assistance Program.

During the last two years, I have had a strong commitment to energy assistance for the elderly. During my administration, I have secured the elimination of the sales tax on utilities, the elimination of winter cut-offs, a 30-day notice for shut-offs, and the natural gas pricing act which will result in savings of \$134 million to Kansas consumers. I will continue these efforts to keep costs down.

The tide of progress must not be reversed. We all know what must be done. We must find new solutions for very real problems--solutions that address both cost and humane care. We must encourage a new perspective that emphasizes efficiency and effectiveness while not losing sight of human needs. Although we have made great progress in responding to the needs fo our aged, we must continue our efforts to provide them with the secure environment they deserve.

ENVIRONMENT

Programs intended to preserve natural resources and promote a safe and healthy environment, though at times diverse, are highly interrelated. The time is long past when environmental concerns can be addressed in a fragmented fashion; rather, cooperative efforts among governmental agencies, officials, and citizens are vitally necessary if we are to establish sound, coordinated, and well-balanced programs to achieve environmental goals.

My first priority has been to develop a long-term strategy to protect the quantity and quality of water in Kansas. Over the last three years, we have been very active in this State taking measures to ensure the long-term quality of our water.

To date, the major emphasis of state involvement in water issues has been a plan, develop, and facilitate the use of water and to serve as a bookkeeper and referee in the water appropriation process. But Kansans are now confronted with new water needs and demands. A water crisis is developing in this State. We must be aware that there is enough water in this state for all uses, but only if it is managed wisely. State government must become active in establishing a state water policy which promotes such stewardship.

Last year I signed into law a bill which established the Kansas Water Office. The language in the act specifically provides for the Kansas Water Office to serve as the water planning, policy, and coordination agency for the State.

It is my intention that the Water Office be the lead agency for water planning, policy, and coordination. In this capacity it will prepare the State Water Plan for water-related agencies. The plan will provide a comprehensive framework for the formulation of specific state water programs.

With new leadership at the Water Office and the recent formation of the Water Authority, it would be premature for me to issue new water initiatives or programs. Rather, I will afford the Water Authority and Water Office the opportunity to make their recommendations to me. What I have done is to detail those policy issues which I believe must be addressed if Kansas is to proceed into a new era of water resource management.

First, the State Water Plan must be completely revised and updated. The State Water Plan should contain only those long-range goals which are necessary and achievable.

Second, the Water Office should become a central point in State government where cities and local districts can receive technical assistance evaluating the adequacy of local water supplies.

Third, the administration of the Water Appropriation Act must be examined to determine an effective means of enforcing the Act.

Last, the State must immediately involve itself in long-term planning so that we will be prepared to address the critical water issues of the future. In this vein the State must devise a water storage and supply strategy.

There are several communities in Southeastern Kansas which must continually deal with the prospect of insufficient water for public use. In recognition of this critical problem, I recommended and the Legislature appropriated \$150,000 for the purchase of pipe to transport water from other sources. The pipe is now available for any community with a water shortage. We have also formed an interagency Water Task Force to ensure that we, at the State level, are prepared. As a consequence, we now have available the necessary tools to assist any community in the State with a severe water shortage.

While structural and organizational changes can sometimes correct or prevent problems, it is also necessary that our State agencies be given the tools to protect our water. I supported and signed legislation which authorized the Secretary of Health and Environment to require suppliers of water to give notice to persons served by a public water supply system when the system is not in compliance with maximum contaminate levels, treatment techniques, monitoring or testing requirements, or when the system has been granted a variance or exception.

I endorsed the establishment of the Bureau of Oil Field and Environmental Geology to protect groundwater from potential hazards and recommended the addition of four positions to enhance the monitoring activity.

In recognition of the number of groundwater contamination incidents which occur as a result of increased petroleum activity, I strongly supported KDHE's effort to strengthen its regulatory activities.

Yet it has not been enough. The Interim Legislative Committee on Natural Resources has proposed, and I endorse, a bill which provides new authority to both the Kansas Corporation Commission and to the Kansas Department of Health and Environment in carrying out their joint responsibility for monitoring oil and gas wells under the injection well program. This new legislation provides the two agencies with much needed improvements in their regulatory authority.

I have further directed the Department of Health and Environment to develop a statewide Groundwater Management Plan, which will be presented to the Legislature this year. The Plan reflects a collaborative effort between citizens and officials developed during extensive public meetings.

As we move rapidly into the 1980's, my second area of special concern is waste disposal. This will be the most important challenge that we face in preserving our environment. We must find ways to dispose safely of both hazardous and low-level waste. Our highly industrialized and technological society generates hazardous waste. Annually, Kansas generates approximately 22 million gallons of liquid hazardous waste and 126 thousand tons of solid hazardous waste.

Last year, I recommended to the Legislature, and they approved, a comprehensive program for improved hazardous waste management. This legislation instituted tougher fines for waste law violations and a process for site selection which solicits public input. Changes which give the State greater ability to care for abandoned sites, and a requirement whereby ground burial of hazardous waste is prohibited if a more suitable means of disposal is available. Consequently, 1981 has been a year of intense activity implementing the provisions of this legislation.

I directed the Department of Health and Environment to create a separate Hazardous Waste Section within the Bureau of Environmental Sanitation. I also budgeted for a substantial increase in personnel, within existing position allocations, to be dedicated to this function. One of the most important features in the Comprehensive Program for Hazardous Waste Management has required the cooperation of the Governor and the Legislature.

The State has the authority to enter into interstate compacts for the regional management of low-level nuclear waste, and there is a moratorium on licensing new sites for low-level waste disposal until Kansas is a member of such a compact.

Since passage of that legislation, the Secretary of Health and Environment has been involved in negotiations with the Southern States Energy Board to develop an interstate compact for the disposal of low-level waste. The Secretary has been working at the direction of the Policy and Technical Advisory Committee which is comprised of legislators, legislative staff and executive branch representatives. Kansas, through the Policy and Technical Advisory Committee and through our negotiations has literally set an example for the Nation. We can be proud of the work our representatives have done. Later this Session I will join with the Policy and Technical Advisory Committee in recommending that the Kansas Legislature approve legislation which will pave the way for Congressional approval of one of our nation's first Interstate Compacts for disposal of low-level waste.

One of the most attractive features of our State is clean air, and we must constantly strive to maintain high standards in this area. Last year I recommended that the State's air pollution control statutes be amended to comply with the federal Clean Air Act. As a result of legislative changes and subsequent regulatory actions, the State of Kansas is now in full compliance with federal Clean Air Act requirements which, in the past, had the potential of restricting major new development in some areas of the State. I have recommended that the Department of Health and Environment identify and evaluate the origin and prevalence of specific chemical substances in the atmosphere which are not subject to federal control, but are considered to be potentially hazardous to the public health.

We must not allow ourselves to be placed in a reactive position when it come to protecting our natural resources. While we have made substantial gains in dealing with some difficult environmental problems, the increasing complexity of our society demands that we anticipate potential threats and develop an approach to prevent their realization. Environmental goals must be accomplished even in the face of a conservative budget. This will require a concerted effort if we are to protect our environment for future generations.

ECONOMIC DEVELOPMENT

The effects of the current national economic slump, although they can be seen in Kansas, are much milder than in many areas around the nation. Preliminary estimates from the annual Governor's Social and Economic Report reflect this fact.

The unemployment rate in Kansas is expected to be 3.3 percent during 1982, down from the 1981 rate of 3.5 percent, and very much below the national rate of over 7 percent. Kansas employment will grow at a rate of 1.1 percent during 1982, up significantly from the 1981 rate of 0.2 percent. However, the expected national employment growth rate for 1982 is only 0.6 percent, which is down dramatically from the usual rate.

Kansas personal income is expected to increase by 12 percent during 1982, up from the 1981 increase of 10.6 percent. The estimated 12 percent increase in personal income is higher than the national estimate for 1982 also, which is an expected 10.9 percent increase.

Finally, the gross state product is expected to increase by 11.9 percent in 1982, as compared with a 10.2 percent increase in 1981.

The relatively healthy condition of our State is attributable to a well-diversified economy established on a firm agricultural base. But the intangible attributes of personal initiative, hard work, conservative spending, and undying optimism, which are embedded in our State's heritage and its people, are the foundation of Kansas' economic success.

It is this foundation which my administration has built upon to create a healthy business and economic climate. I have built upon our heritage of fiscal conservatism by balancing the state's budget for the first time in a decade. I have advocated and signed measures which have helped keep the cost of energy in Kansas, especially the cost of intrastate natural gas, among the lowest in the United States. These are two factors which, among many others, led the firm of Alexander Grant and Company to rate Kansas as having the 13th best overall business climate of the 48 contiguous states -- better than any of our surrounding states.

We must, however, aggressively pursue every avenue to further develop our economy. To keep our state competitive in attracting new business and to encourage the expansion of existing firms, I recommend that the state double the Job Expansion and Investment Credit.

I also recommend that the state retain its current conformity with the federal schedules for depreciation on industrial machinery for the state corporate income tax. Although many states are proposing the repeal of their statutes which adopt the federal depreciation schedule, I believe that we should try to reinforce the President's efforts to bolster our economy through the Economic Recovery Tax Act. As a result, corporations which operate in Kansas will realize an \$18 million savings in state corporate income tax in fiscal year 1983.

I support and encourage the Legislature to explore and enact other tax reforms which encourage job expansion and industrial development. If we are to retain our competitive edge, we must be sure that our overall tax structure is conducive to the development of our economy.

The availability of capital is a source of continuing concern to the Kansas business community. In recognition of this concern, I directed the Secretary of Economic Development to convene a Task Force on Capital Formation. The Task Force has recently completed its work; and although it has made a number of recommendations, one is of key importance to the already economically depressed housing industry. The current structure of the Kansas usury law as it relates to first-purchase home loans has affected the viability of those loans in the secondary market. Therefore, the Task Force recommends, and I concur, that the usury law should be amended to address this problem.

The Department of Economic Development has increasingly become the focal point for the industrial development and economic outreach activities of our state. I recommend improvements in two of the Department's key programs.

The first, the Kansas Industrial Training Program, allows the state to assist firms which are establishing new facilities in Kansas in training Kansas workers for the jobs which are created. This program benefits management in securing skilled labor without incurring the excessive cost of importing workers. It also benefits Kansas workers in upgrading their skills and increasing their incomes.

The second, the Promotional and Advertising Program, has been expanded to permit the Department to make businesses considering relocation more familiar with the advantages offered by Kansas.

I have also instructed the Department to create a separate Travel and Tourism Division to better focus our support of this important and growing segment of the Kansas economy. Travel and tourism currently generates over \$1 billion dollars annually in the Kansas economy and employs over 41,000 Kansans.

I also continue to support the efforts of the Kansas Cavalry to encourage industrial development with promotional activities on a national and international basis. I am especially encouraged by the Cavalry's effort to foster the development of business already established in Kansas. These initiatives by Kansans to promote Kansas should continue.

The current nationwide slump in agricultural prices poses special problems for the Kansas economy which can be offset through increased efforts in export marketing. Additional funding and staff are recommended for the State Board of Agriculture for an overseas export marketing program to promote the sale of Kansas agricultural products. While this program would develop the entire international market, initial efforts would focus on countries of the Far East and Latin America. I am also allocating additional funds to the International Trade Institute at Kansas State University to develop a master's program in international trade. This should assist Kansas in developing the expertise to expand its export activities.

The creative initiatives which have, over the years, secured for us a healthy economy must continue in our state's programs for economic development. Without such efforts, complacency will erode our foundation of economic accomplishment and the prospects for progress.

ENERGY

Kansas' energy outlook gives us many reasons for pride. In a national survey, Kansas received the 7th best ranking in energy costs per million BTU's.

A study by the American Gas Association shows that of the 93 utilities nationwide with industrial rates, the rates for gas service from Kansas Power and Light are the lowest of the 93 companies. Another company serving Kansas, the Gas Service Company, has industrial interruptible rates which rank 70-71st out of 74 companies nationwide with such rates. And our

low utility rates for businesses have paid off. In a national survey, Kansas ranked 13th best nationally in terms of overall business climate.

Not only have our businesses benefitted from our State's relatively low utility costs, so have residential users. The American Gas Association shows that for residential rates, KPL's gas rates rank 101st out of 101 companies, and Gas Service Company's rates ranked 91st to 96th, out of 101 companies, depending upon the level of usage. In a national survey conducted by the Jacksonville, Florida, Electric Authority and the Kansas Corporation Commission, the average residential electric bill in Kansas has always been substantially below the average of the 63 companies surveyed. Clearly, then, for both residential and business customers, Kansans pay some of the lowest utility bills in the nation.

Kansas' relatively low utility costs have not happened by accident. I have actively pursued measures at the state level to help reduce our energy bills. I succeeded in securing passage of a bill which removed the state sales tax from electric, gas, and water utilities for residential and agricultural use. This measure alone saves Kansas consumers \$22.5 million annually.

In another of my recommendations, the Kansas Natural Gas Pricing Act now helps hold down the price of natural gas produced and sold within Kansas. This act is expected to save Kansas consumers more than \$134 million over the next few years.

I also recommended the successfully passed Utility Plant Siting Bill. The bill requires more investigation and public review of future generating plants to determine whether there is need and to limit the power of utility companies to build generating plants and then charge customers for plants that may never be needed by Kansas consumers.

The importance of this action to Kansas consumers should not be minimized. The costs of building these new generating plants has skyrocketed in the past few years due to of inflation and increasing construction costs. For example, the cost of generating plants built by electric companies in the 1950's and 1960's averaged about \$100 to \$150 per installed kilowatt. Currently the cost would be \$430 to \$530 per installed kilowatt. Additionally, the Wolf Creek nuclear plant is estimated to cost at least \$1,500 per installed kilowatt.

This Legislative Session I will again recommend passage of legislation I introduced last year permitting 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 used fully will encourage efficiency on the part of utilities and will protect customers from paying full costs 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.

However, if we are to truly affect the energy picture, it must be done through conservation in our homes, our businesses and our state facilities.

The Kansas Corporation Commission and participating Kansas utilities through the Adult for Conservation Today (ACT) Program are helping residential customers conserve. The ACT

Program allows eligible residential customers to obtain a comprehensive energy analysis of their homes. Included in this analysis will be recommendations on energy-conserving practices which cost little or no money to implement and energy-conserving measures which could substantially reduce residential energy consumption.

This is a program of which we can all be proud. The KCC worked diligently to provide this program at a reasonable cost, and it is one in which Kansas utilities have willingly agreed to participate.

Budget cutting in Washington has forced all of us to rethink how best we can utilize limited resources. The precarious nature of federal funding for energy-related activities has necessitated that we evaluate possible options for the future direction of the energy-related function of state government.

In light of events at both the federal and state level, I am submitting to this Legislature an Executive Reorganization Order for the Kansas Energy Office. I am proposing the formation of a Division of Energy within the Department of Administration. The Division, comprised of 10 people, will be responsible for three primary programs. First is an institutional and state building conservation program to offer energy audits, technical assistance, and, in some instances, grants. Second, an Energy Extension Service, provided through a contract with the Cooperative Extension Service at Kansas State University will emphasize technical assistance for small energy users through a statewide network. Last, the Division will be responsible for policy analysis, fuels forecasting, and energy emergency preparedness planning.

The placement of this Division within the Department of Administration will promote the coordination of energy-related policy with state policy as a whole due to the agency's organizational proximity to the Governor's Office. Additionally, the Department of Administration has been involved in several specific energy-related activities since 1975.

Even though Washington may be reducing the role of energy, I will not allow the State of Kansas to slide backwards in our commitment to energy. Though we are looking at a smaller staff in the energy field, we have taken the necessary steps to secure the continuation of a state government presence in the energy area.

In an era of economic uncertainty, it is all the more important that we focus on those areas of highest priority. Such is also the case in energy. We must focus on long-range energy planning and preparedness. Conservation in all areas must be our goal, but especially for the poor and elderly. The challenge that faces us in 1982 is the same as the challenge of the 1973 oil embargo. Our State must retain the necessary resources to allow us to meet that challenge. My recommendation will insure that we can meet this challenge and will use our scarce resources more efficiently.

AGRICULTURE

It is a paradox that agricultural prices are so depressed, yet there is hunger and malnutrition in much of the world. Tragically, the spirit that drove this nation to embrace the "Food for Peace"

Program in 1954 seems lost in 1981. Our grain bins are full, yet a half billion people -- more than twice the population of the United States -- will be hungry tonight.

It is also ironic that our very productivity -- our success -- results in low prices and an economic crisis in agriculture today. It is the very logic of the free market that drives production, the result being greater efficiency and greater productivity. Tragically, that has frequently meant too much for the marketplace and lower prices for the farmer.

As Governor, I am concerned about low farm prices, as every Kansan should be. Farmers must succeed or we will not generate the income that drives our economy and produces the tax base that finances our roads, highways, and educational system. Without the farmer we are not going to prosper as a society. The farmer's fate is our fate.

Those of us in government at both the state and federal level must do everything we can to ensure the vitality of the agricultural community. Although there is little we can do at the state level to affect the price farmers get for their crop, one of the fixed costs which we can affect is taxes.

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

Exempt electric, gas, and water utilities for residential and agricultural use from the state sales tax;

Provide a tax incentive for the use of gasohol;

Permanently remove the sales tax on used farm equipment, repair and replacement parts, and services performed in the repair and maintenance of such machinery and equipment;

Exempt on-farm grain storage facilities from the property tax for an additional eight years; and

Reduce assessments on farm machinery through straight line depreciation.

The pending court challenge by the Attorney General and the Supreme Court decision in *Stephen v. Martin* casts doubt on the constitutionality of full or partial statutory exemption of farm machinery from the property tax. The State must find a more viable and permanent method of addressing this problem and others inherent in the current property tax structure.

I am encouraged this year by the apparent willingness of the Legislature to adopt a resolution to amend the constitution that will authorize the classification of property for the purposes of taxation. The Assessment and Taxation Committee has recommended such a resolution. It proposes an 8 percent assessment on agricultural and residential property. This rate of assessment would be roughly equivalent to the current rate. It also includes a five-year phase-out for inventories of merchants and manufacturers and livestock, and a 25% assessment on farm machinery and equipment less straight line depreciation over an eight-year period.

Without passage of a classification amendment, there will occur within our tax structure a massive tax shift of approximately \$200 million to the farmers and homeowners of our State. We cannot allow this to happen.

Yet to address the property tax problem in this State, we must do more than maintain the status quo. We must move to relieve the property tax burden. I will again present to the State Legislature a major proposal which will significantly relieve that burden for Kansas farmers.

The agricultural community in our State shoulders a major portion of the property tax liability. As the costs of education have increased, property taxes have escalated. We are currently feeling the effects of last year's \$50 million property tax increase. Without an infusion of new funds this year, the State will be unable to avert an estimated \$170 million property tax increase and concurrently meet our other critical needs.

To relieve the pressure on the property tax, I am again proposing that a severance tax be imposed on mineral production in this State. I am further proposing that the tax not apply to royalty interest.

There are many factors which affect the viability of farming. The least controllable is weather. This has been a rather unusual year in Kansas, with everything from drought to frost to flood to devastating tornadoes occurring. Widespread freezing early last May over an area of Western and Northwestern Kansas resulted in an estimated loss of 126,951,078 bushels of wheat.

Eighty-one of Kansas' 105 counties reported losses. Rawlins County in Northwestern Kansas sustained the most serious damage, losing 85% of its wheat production.

In response to this crisis, I requested a federal disaster declaration for counties in Kansas which sustained 20% or more in losses. In total, I was able to secure a disaster declaration for thirty-two of the counties.

Additionally, the State received almost \$3 million in federal aid after a major disaster in the State was declared due to severe storms, tornadoes and flooding in and around the Lawrence and Great Bend areas.

The conversion of prime farmland to other uses, while not as serious as in some parts of the country, is nevertheless a vital concern in Kansas. Prime farmland in our State is being converted to nonagricultural uses at the rate of nearly 100 acres per day! It is important to take action in Kansas before the conversion of prime farmland becomes a crisis, as is the case in many other states. I will, therefore, issue an Executive Order which will require state agencies to consider alternatives before they convert prime farmland for state purpose.

In the area of agriculture, as in many others, we must not lose sight of public investments that will yield substantial returns in future years. It is through such investment that our economy will be strengthened. Improvement of our agricultural export program is an area that meets these criteria. I am, therefore, allocating additional monies to the International Trade Institute at Kansas State University. The money will be used to develop a masters program in international

trade and a resource library. Additionally, I am recommending a new position at the State Board of Agriculture. The new position will be an export market coordinator. In the past the State has acted only to assist in the marketing process. We must now begin to move aggressively to develop new markets. This new position will allow us to do this.

Transportation also has a significant effect on the price that a farmer receives for his produce. The revitalization and maintenance of a reliable rail system has been and remains of vital concern to my administration.

In August of 1979, the Rock Island Railroad announced that all of its operations would cease. In a state which has 984 miles of Rock Island track, that was certainly grim news. Since that first announcement, much has happened. I appointed a railroad working group that has been active ever since. The Southern Pacific was able to purchase the Tucumcari Line which runs up from Liberal through Pratt and on to Kansas City. The Southern Pacific has begun a comprehensive repair program and is breathing new life into the line.

The rest of the story is not as good. The Rock Island Trustee in Chicago appears to be more interested in retaining his rather large salary than in satisfying the constituents and creditors of the Rock Island. I will continue to press the Trustee for action. I have called for a meeting of the 13 Rock Island Governors and Attorneys General in February or March, and together we will continue to seek solutions.

Furthermore, a stable highway system with adequate rural roads and bridges is key to the continued vitality of agriculture. For some time I have been concerned with the highway funding crisis which is developing in this state. This year I again recommend a solution to the highway funding problem which addresses the concern of the Legislature and which is in step with the wishes of the people of Kansas. I recommend that increases in the highway fund come from sales taxes on motor vehicles, parts, accessories, and services. Currently, these revenues are deposited in the General Fund. The loss to the General Fund will be made up by the growth in revenues, a restructuring of other general fund activities and a scaling down of the bureaucracy.

This is a solution which satisfies the legislative desire to fund highways from a user fee. It is also a way to fund our highway program within current resources without the need for a general tax increase, and it provides a source of revenue which is responsive to inflation.

Water resources have been and will continue to be an important issue for Kansans. I have consequently been supportive of and active in a number of different programs which address many aspects of water quality and supply. Through this activity, I became concerned about the absence of a coherent, coordinated State water program. Subsequently I signed into law a bill which established the Kansas Water Office and the Water Authority. With new leadership at the Water Office and the recent formation of the Water Authority, it would be premature for me to propose major new water initiatives. The new Water Office and Authority, however, are working on a major new initiative to develop a State water marketing policy. They will keep the Legislature informed of their progress.

Another water issue which we must address is the backlog of applications for water rights at the State Board of Agriculture. I am recommending an increase in the application fee for water rights in order to fund six new positions and a consultant to reduce this backlog. With the current backlog of 13,000 applications, increased positions each year will not solve the problem. I will therefore ask the Kansas Water Office to make recommendations dealing with this problem to me and the 1983 Legislative Session.

We are experiencing a governmental transition. The transition is called the New Federalism, the returning of power to the states. As part of this change, I believe we must seriously consider ideas to strengthen the role of the states in the farm economy. I have asked the National Governors' Association in Washington to explore this idea, in conjunction with the Staff of the National Association of Wheat Growers. While our work in this area is still tentative, we are certain that this topic -- the role of states in the farm economy -- will be a central theme at the National Governors' Association meeting in February.

While much of what affects a farmer's price is done at the federal level, we in state government must do what we can. The viability of the family farm must be maintained.

HEALTH

The combination of increased medical technology, heightened consumer expectations, increased utilization and rising costs have precipitated a crisis in the health care delivery system. Confronting this crisis will require cooperative efforts from all participants in the system to develop innovative approaches that will provide quality, yet cost-effective, health care for all Kansans.

This administration has made significant advances in combating the causes of rising health care costs. One such effort, designed to instill cost-based competition in the health care market place, is my endorsement of the prepaid medical services provided by health maintenance organizations. I am pleased to report that three such programs now offer services in Kansas and two additional programs are in the planning stage. Following recommendations made by myself and others, prepaid group benefits are now available as an alternative to the conventional insurance program for state employees.

Many of our major health problems are attributable to a lack of consumer awareness and willingness to assume responsibility for one's own health status. Poor personal health habits contribute to escalating costs which threaten the viability of our health care system. Modification of personal habits is proving to be of significant importance in improving health and reducing the demand for health care services.

My administration has made significant advances in promoting positive health behaviors with the establishment of the Governor's Council on Fitness and "Project PLUS." Both programs focus on prevention of disease through improved physical fitness.

Local communities also have a responsibility for promoting positive health care and have demonstrated cooperative efforts with the State in achieving this end. Recognizing the

significance of stable local health activities, my administration has provided support to local health departments which has ensured steady increases in Aid-To-County programs despite federal cutbacks. I have budgeted an increase in the level of state funding for the Aid-To-County program to offset substantial cutbacks in federal spending for the next fiscal year.

Over the past several years, the State has continued to mandate programs which local health departments must implement. It is important that we provide them with adequate State support to carry out these mandates. The budget I am recommending will also fund additional preventive health programs and allow emergency support of local health officials when floods, tornadoes, epidemics or other special problems cause health hazards.

Last year I expanded State efforts in early and periodic health screening of children who are eligible for Medicaid benefits by increasing the number of caseworkers available to assist in these activities. As a result, outreach and follow-up have been improved, and many more children have been aided in initiating a more healthy, productive life.

With preventive care in mind, I have supported the continued development of the Home Visitor Program and expansion of the Maternal and Infant Care Projects. The special mission of both projects is the prevention of child abuse and neglect. These programs have successfully reduced the number of confirmed child abuse reports in our State, increased the number of referrals to Family Planning programs, improved follow-through on immunizations and increased enrollment in the Women, Infants, and Children Nutrition Program for high-risk families.

The aging process does not preclude a preventive approach in meeting the health needs of elderly Kansans. In developing this concept, I have suggested that the Department of Health and Environment initiate a pilot program in cooperation with local communities and other state agencies which develops pre-retirement planning programs to help retirees adopt healthful lifestyles. Such planning will help individuals maintain their health and remain in their homes. As a result, hospitalization, care home entrance, and incidence of chronic disease among the elderly will be reduced.

Although the preventive approach is crucial in reducing health care costs, not all health programs can be preventive in nature. Health conditions exist that requires diagnosis, treatment and custodial services. I have addressed certain aspects of this continuum of services.

As part of that effort, health and education experts now periodically meet with handicapped children and their families in regionalized areas of the State. Using existing State and local resources, the Departments of Health and Environment, Social and Rehabilitation Services, and Education cooperate to formulate individual plans of care for each child. This program assures that children with highly complicated handicapping conditions receive optimal, professional advice in meeting their educational and medical needs.

Another major effort by my administration has been the decentralization of services to cripple children. This change has enabled more children to receive critically needed care. This modification, which I strongly endorsed, has doubled the number of approved hospitals providing treatment services since 1978.

I am convinced that the early detection and treatment of medical problems of our young people will pay large dividends in terms of improving their performance in school, their general outlook, and their ability to achieve self-reliance in adult life.

At a time when the cost of institutional care is becoming prohibitive, programs which address the special health care needs of the elderly continue to be important. Under my administration, notable progress has been made to establish home health service programs through the joint efforts of state, local and private agencies.

For the past three years, I have endorsed the provision of start-up grants to local agencies to increase the availability of home health care. Because these services have proven effective in maintaining so many elderly in their homes, I have increased the Department of Health and Environment's fiscal year 1983 Aid-To-County budget to provide start-up funds for five additional home health agencies.

Although home health services have provided an effective alternative to costly institutionalized care, nursing home care continues to be required by many elderly and disabled Kansans. My strong commitment to improving and maintaining a high standard of care in nursing homes was reflected in my directive to the Department of Health and Environment to review the existing nursing home regulations and to recommend revisions.

The Department's review has resulted in regulations reflecting an increased orientation toward patient care and more cost-effective regulatory methods in general. Notable progress has been made in developing cooperative efforts among state agencies in meeting the health care needs of nursing home residents. I advocated collaborative efforts among the Departments of Health and Environment, Social and Rehabilitation Services, and Aging to develop a coordinated program for the receipt and resolution of nursing home complaints. This has been accomplished through the establishment of an interagency agreement to combine resources in achieving this end.

Through periodic nursing home visits, county health nurses have also played an important part in monitoring the quality of care provided in nursing homes. My budget includes funding to ensure that this necessary function is continued.

In a further effort to enhance the quality of care, I am proposing an amendment to delete the statutory prohibition against aide training during the first 90 days of employment. This amendment would not mandate such training, but would at least allow the option of requiring earlier training of uncertified aides.

The scarcity of resources has had an impact on the availability of emergency medical services in many areas throughout the State. State, local and private organizations have joined forces to address this problem and to develop innovative methods to achieve the same ends with less federal support. Under my administration, these entities have worked together to implement an Emergency Medical Services System (EMS) for the State of Kansas. I have advocated and provided budgetary support for: 1) the EMS communication system in 42 western counties; 2) state maintenance of the EMS communication system; and 3) a program requiring all ambulance services to have a permit to operate. My commitment to this activity continues with a substantial

increase in state funding for fiscal year 1983 to support and maintain current regional council activities which are no longer receiving federal support. These councils have played active roles in improving local ambulance services, hospital emergency capabilities, emergency manpower training and communications system coordination. They concentrate on regional concerns and direct their efforts toward cost-effective projects.

Recent events have focused public concern on a great variety of toxic and hazardous substances in the environment. Exposure to these pollutants may lead to cancer, lung disease and reproductive disorders. Under my direction, the Department of Health and Environment has advanced its capability to undertake epidemiological studies of environmental hazards. I have requested that special studies be initiated where significant problems are suspected to exist or where morbidity studies and health statistics establish such a need. Program activities include the capability to evaluate and respond to the occurrence of acute poisonings from pesticide misuse or other toxic substances. While reports of the effects of exposure to toxic agents are to be given the highest investigative priority, the basic goal is to identify and prevent such exposures before problems develop.

With health care costs in Kansas rising at a faster rate than the national average, we will continue to focus on preventive and health maintenance services which significantly reduce the incidence of disease at a low per-person cost and on the development of alternatives to high-cost institutionalized care. In light of present fiscal constraints, our challenge will be to maintain needed, quality health services with fewer available resources.

SOCIAL SERVICES

There are many programs in state government which may be used to demonstrate efficiency. There is one set of services, clustered generally under the titles of Social Services, which best demonstrates the fact that governments can combine humanity with efficiency.

I take pride in the fact that my administration has illustrated concern for those of our citizens who, because of circumstances beyond their control, cannot provide for themselves the means to sustain a secure, dignified, and productive life.

For the very young, the very old, or the chronically ill who have been stripped of the protection of family or personal resources, government must have innovative programs to enable them to attain the dignity of self-sufficiency.

To assure that these services assist only those who genuinely need them, we must provide that those who wish to work productively for their own and for the State's benefit have the chance to do so. Public assistance should be predicated upon the supposition that recipients will make as great a contribution to the fulfillment of their own needs as circumstances allow. The "basic standard" program provides this opportunity.

While the social services programs are designed to identify and help those with urgent needs, the disbursement of public funds requires that the unscrupulous claims and fraudulent payments which seem always to surface be controlled and prevented by strict monitoring and enforcement

of the laws. We are making progress in assuring that Social and Rehabilitation Services (SRS) dollars go to those who need and qualify for benefits. In recent years, SRS has carried out a program to identify absent parents and has required those parents to provide support for their children. In fiscal year 1981 alone, this process enforced child support payments exceeding \$6 million, thus resulting in a similar savings to Kansas taxpayers.

In another cost-saving effort, the Department has stopped payment of over \$10 million in questionable medical claims over the past three years through medical audits. Enforcement of the law and punishment of the unscrupulous should continue at an accelerated pace.

Although programs which provide cash assistance are necessary, our greatest emphasis must continue to be on programs which help those who would otherwise be dependent to maintain or regain their independence. The elderly and handicapped desire as great a measure of independence from controlled or institutionalized environments as possible.

Last session, I instructed SRS to develop a pilot pre-admission screening program that diverts well elderly and disabled from nursing home placement and links them with needed services. This pilot program has been successful in identifying inappropriate placements and recommending more suitable and cost-effective care to many elderly and disabled citizens. Through the efficient utilization of funds made available for the program in fiscal year 1982, SRS will be able to expand pre-admission screening services to six additional counties during the next fiscal year at the current appropriation level.

SRS, in conjunction with other state agencies and interest groups, has developed a Medicaid waiver and submitted it to the Department of Health and Human Services over my signature. If the waiver is approved, funds currently available for institutionalized care can be utilized for community services.

The Homemaker Chore Program provides a service which assists many people in maintaining their independence. It is estimated that 25 percent of the people receiving homemaker chore services would be in nursing homes if it were not for the help they receive. This saves the State large sums of money in institutional care costs. I, therefore, recommend that the State maintain the current level of services provided by the Homemaker Chore Program in fiscal year 1983.

In another effort to prevent unnecessary institutionalization, I recommend a \$1.2 million increase in project grants to establish community residential programs and sheltered workshop placements for approximately 500 handicapped individuals who are now reaching post-school age and are in need of continued services. There are many other mentally retarded individuals who live with their parents at a considerable distance from the nearest program or have parents who find providing a supervised living situation for their child increasingly difficult. Even if the \$1.2 million is made available, the additional placements that can be provided will be only 10 percent of the total needed. I further recommend that the state aid match to community facilities for the mentally retarded be increased to 35.9 percent.

For fiscal year 1983, Kansas' programs for the mentally retarded will suffer an approximate 20 percent reduction in federal funding. The State must increase its level of support to these

programs if the programs, in turn, are expected to expand their services to more individuals who, without such community services, would require more costly institutionalization.

My administration recognizes that the mentally ill should receive mental health services in their own communities and in the least restrictive environment possible. The implementation of these two principles has resulted in an increased emphasis on community mental health centers. These centers provide services efficiently and in a fashion which is less disruptive to the lives of those who need mental health services than institutionalization. The pressures of inflation and loss of federal funds, however, have put greater pressure on the budgets of these centers over the past several years. For these reasons, I recommend that we increase the state aid match to community mental health centers to 38.4 percent.

In the past year, SRS has identified 1,300 chronically mentally ill individuals who are currently unserved, but who could be adequately cared for if community services were available. These individuals have been historically cared for in institutions at a great cost to the State. I recommend a substantial increase in funding for project grants to mental health centers so that additional community placements can be made available and State efforts toward curtailing the institutionalization of the mentally ill can be expanded.

For many parents, the availability of day care for their children is the difference between economic dependence on the State and the independence gained through employment. I am concerned that the many federal changes in the Aid to Dependent Children (ADC) Program will discourage single parents with young children from taking and maintaining gainful employment due to restrictive child care costs. For this reason, I recommend that additional State funds be made available for the purchase of income eligible day care. I have approached this budget cycle with the intention of picking up federal cuts only in program areas where compelling need dictates that we do so. I feel that day care is such a program. The State cannot afford to discourage people from taking jobs or risk having young children left unattended because of a lack of day care.

Even during these times of federal cutbacks and decreasing State resources, we must try to maintain public assistance at a level commensurate with essential human needs. Consequently, I recommend a three percent increase in the grant for general assistance and ADC.

There are many Kansans who suffer from problems which cannot be directly traced to poor health, physical disabilities or financial deprivation. It is estimated that there are over 91,000 alcoholics and 137,000 other Kansans who regularly abuse alcohol. Further, there are an additional 100,000 Kansans with other drug-related problems. The growing number of Kansans who depend on alcohol and other drugs necessitates that the State take action.

Within SRS, Alcohol and Drug Abuse Services (ADAS) provides various programs for those with drug and alcohol-related problems. During my administration, ADAS has successfully implemented the following initiatives:

- In cooperation with the Department of Education, ADAS introduced two drugs prevention training programs for teachers in the public school system. ADAS also strengthened the

coordination of alcohol and drug abuse treatment programs with the Kansas courts and criminal justice system.

- ADAS began the first Employee Assistance Program for State employees in fiscal year 1980. These highly effective programs assist employees whose personal problems interfere with their job performance.

If the State is to continue to adequately meet the needs of those Kansans who suffer from alcohol and drug problems, we must maintain the essential services which are already in place. I, therefore, recommend that the State continue to fund the substance abuse programs at Larned and Osawatomie hospitals.

In fiscal year 1980, the Kansas Highway Patrol arrested 2,733 people for driving while intoxicated and attributed 195 highway deaths and 5,350 injuries to the abuse of alcohol. These figures continue to rise every year. For this reason, I am forming a special subcommittee of the Citizens Advisory Committee on Alcohol Abuse to focus on the problem of drinking drivers. In addition, I recommend that the Legislature enact a mandatory jail sentence for persons convicted of operating a vehicle while intoxicated. A number of other states are currently implementing such laws.

The illegal sale and distribution of prescription drugs is also a growing problem, both nationally and in our State. The State Pharmacy Board is responsible for regulation in this important area. The Board's current staffing level, however, is insufficient to provide adequate focus on this problem. I, therefore, recommend a new inspector position be funded on the Pharmacy Board to address more fully this area of concern.

While we have done much toward providing the life-supporting needs of our citizenry in Kansas, together we must do more. Until every dollar spent on social service programs goes only to the deserving, and until every urgent and legitimate need is met, we have not done enough.

CHILDREN AND YOUTH

My administration has been and remains committed to providing services for our children which assist them in becoming self-sufficient, well-adjusted members of society. Our primary goal has been to foster programs which preserve the family unit, detect and prevent child abuse, and ensure that the health needs of our children are met.

During my tenure, the focus has been on prevention programs, and I have appreciated the support given to these programs by the Legislature.

Two of our most successful initiatives in the area of preventive services have been the creation of the Advisory Committee on Children and Youth and the Family and Children's Trust Fund. These endeavors have enhanced our ability to deal with child abuse and neglect, mental illness, and substance abuse.

With preventive care in mind, I am supporting the continuation of the Healthy Start-Home Visitor Program. This program has successfully reduced the number of confirmed child abuse reports in our State and has increased the number of referrals to programs providing services to high-risk mothers and children.

The State has been successful in developing a comprehensive range of programs for our children and youth. The primary goal has always been to preserve the family unit while ensuring the safety of the children. Because of certain circumstances, however, some children require out-of-home placements. The Department of Social and Rehabilitation Services (SRS) provides a continuum of services for those children placed out of the home, ranging from family foster home to closed and secure institutional settings.

In fiscal year 1981, SRS investigated 19,783 reports of suspected child abuse and neglect. Of these, 6,726 were confirmed, and another 4,945 cases involved children who were at risk of abuse or neglect. Although shrinking revenues have necessitated social service cuts in many areas, I am requesting that the State retain the 119 social service workers responsible for investigating child abuse and neglect reports. It is essential that we provide the resources necessary to protect our children.

There is a growing awareness that laws identifying the abused child and the abusing parent must be coupled with prevention and treatment programs. During the first year of my administration, we initiated such a program in Kansas. The Family Support Worker Program was originally implemented to serve 25 counties in the Hays, Wichita, Hutchinson, and Topeka areas. During fiscal year 1981, para-professional family support staff worked directly with 355 troubled families representing 587 children. Many of these children were able to remain in their homes only because of the support given the family by these workers.

Importantly, these services were provided at approximately one-tenth the cost of taking the children out of their homes. Because the Family Support Worker Program has proven to be so cost-effective for the State and so successful in keeping families together, I have provided a funding level in my fiscal year 1983 budget which will allow for a statewide expansion of the program.

Last year, I directed SRS to re-define the goals of foster care with an increased emphasis on returning children to their own homes, or when impossible, finding another permanent living arrangement for them. Before this effort began, the State was responsible for over 6,000 children and youth. I am pleased to report that the Department's effort toward this goal have resulted in a substantial reduction in the foster care caseload. This was only possible through the cooperation of judges responsible for juvenile matters and the various groups throughout the State interested in the welfare of children and youth. The savings to the State from these combined efforts are reflected in my fiscal year 1983 budget request for the foster care program. Successes such as this make it possible for the State to expand services in other programs which have proven to be cost-effective.

In light of the many federal cutbacks in the Aid to Dependent Children Program, I am concerned that single parents with young children will be discouraged from taking gainful employment due

to restrictive child care costs. For various reasons, many others may be tempted to leave children alone with no adult supervision in order to maintain the jobs they already have. I, therefore, recommend additional state funds be made available for the purchase of income eligible day care. I have approached this budget cycle with the intention of picking up federal cuts only in program areas where compelling need dictates that we do so. I feel that Day Care is such a program. The State can neither afford to discourage parents from taking employment nor risk children being left unattended because of a lack of day care.

For those children with serious social and behavioral disorders, a more structured living arrangement is often required. Kansas State psychiatric hospitals and community mental health centers now form a comprehensive state mental health system for people seeking psychiatric help in Kansas. Each State hospital has specialized to meet the differing needs of its individual in-patient population. To increase the capacity of the Rainbow Mental Health Facility to offer partial and in-patient hospital services to children in Johnson and Wyandotte counties, I have provided funding for an additional ten beds in the Children In-Patient Unit. These additional beds will allow Rainbow to concentrate on crisis intervention for the seriously mentally ill child who requires a structured, in-patient environment.

In the past several years, the number of mentally retarded and developmentally disabled children seeking services in the community has greatly increased due to the trend for de-institutionalization. We have all been concerned about whether we are providing adequate pre-school special education for the developmentally disabled children now remaining with their families in the community. In order to assess the effects of pre-school special education, I recommend that we fund a longitudinal study of those handicapped children now enrolled. Decision makers must know whether or not early intervention might result in savings both in money and, more importantly, human potential.

In addition, I recommend funding to maintain existing programs for the severely and multiply handicapped at the Kansas School for the Visually Handicapped and the Kansas State School for the Deaf. Through these programs, handicaps which limit future employment opportunities can be overcome.

We must also continue to emphasize prevention programs designed to detect and address health problems of our children at an early age. Last year, I 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 these functions. As a result, there has been a great savings to the State, and many more children have been aided in initiating a more healthy, productive life. I have encouraged SRS to enhance efforts in this important area in the upcoming year.

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, SRS, and Education are cooperating to accomplish this goal. In regionalized areas of the State, health and education experts periodically meet with handicapped children and their families to formulate individual plans of care for each child.

I am convinced that the early detection and treatment of medical problems of our young people will pay large dividends in terms of improving their performance in school, their general outlook, and their ability to achieve self-reliance in adult life.

Though the state's primary goal is to preserve the family unit, for some children we must provide out-of-home placement for their protection and the protection of others. The frequency and violence of juvenile crime is dismaying.

Although I support the work of the Juvenile Code Subcommittee of the Judicial Council which divided the Juvenile Code into criminal offenses and status offenses, I do not feel that the recommendations went far enough. It has been our hope that youngsters would change if they were rehabilitated and treated. I am persuaded that in our preoccupation with this approach we have partially deceived ourselves. We have established a juvenile justice system that is not honest and that at times is not just. In our system, the length of stay in a juvenile facility is more closely related to age than crime. This is neither just nor honest to the juvenile, not to society as a whole. It also fails to communicate to the offender, the message which is most basic to his or her rehabilitation -- that actions have consequences. Length of stay should be based on severity of the crime and should be applied in a consistent fashion.

I am, therefore, directing the Secretary of Social and Rehabilitation Services, in cooperation with the District Judges' Association and other representatives of the juvenile justice system, to develop a system of fixed sanctions and the sanction is appropriate to the crime committed. I have also established a new Commissioner of Juvenile Offender Services within the Department of Social and Rehabilitation Services. The Commissioner will be responsible for coordinating all services provided to adjudicated youth. This will greatly strengthen our ability to deal effectively with juvenile offenders. In a broader sense, this change embodies the heightened awareness of juvenile accountability which the balance of my recommendation implements.

Additionally, we are establishing a 30-bed secured facility at Larned for those sixteen and seventeen year old offenders who have committed the most serious offenses.

I am also concerned, however, with the recommendation regarding reduction of the juvenile age to 16 for those offenders with two prior felonies on record. This revision may place a significant number of non-violent juveniles into adult court.

I am concerned that this recommendation may miss the heart of the problem and may ironically contravene our efforts to introduce greater accountability to the juvenile and adult systems alike. With a large number of non-violent offenders inserted in the adult system, judges will be faced with an awkward choice. The choice will be one of placing juveniles, who should receive a sanction on probation or conversely restrict their own ability to use adult institutional resources for adults by placing juveniles in those facilities. Either choice would not only be undesirable, but moreover, unnecessary when the implementation of my recommendations would make juveniles answer for their crimes without limiting the adult system's ability to make adults do the same. In order to assist the Legislature in making a rational decision on this question, I have asked the Department of Social and Rehabilitation Services to prepare detailed information on

how many and what kinds of juveniles would be dealt with in the adult court as a result of this recommendation.

It must be recognized that there is no single entity, either public or private, that can offer all the services necessary for the protection and well-being of our children. We must foster cooperation and coordination among all state and community resources to achieve this goal.

LOCAL GOVERNMENT

Since the early years of the Republic, local government has played an enterprising role in the development of solutions to problems. State and federal officials must realize that many problems are best addressed at the local level. The State's primary responsibilities to local government are in the areas of school finance and in investing adequate funds for repair and reconstruction of streets and roads. These responsibilities continue to increase in importance.

Everyone has agreed that a crisis currently exists with highways and bridges throughout the State. Recognizing that there is a crisis is a positive step toward arriving at a consensus on the appropriate solution. I have identified \$82 million collected in user fees which are currently deposited in the State General Fund. I recommend that these revenues be used as a meaningful beginning to the solution of our highway problem. A transfer of these revenue sources to the highway program provides a means of addressing the problem within existing resources. Of the \$82 million, 35 percent will be channeled back to local units of government to help meet their critical road needs.

All Kansans want to maintain the high quality of education we now have in our public schools. But at the same time, property tax bills cannot be allowed to increase exorbitantly to fund our schools. Throughout the summer and fall I have talked with many Kansans. There is a growing consensus that the severance tax is the best alternative for relieving the property tax burden and maintaining high quality public education.

A concern some counties expressed is the impact a mineral production tax might have on their tax bases. My proposal will not adversely affect local tax bases. The phased decontrol of natural gas and modifications in the windfall profits tax will more than offset any changes in valuation due to a mineral production tax. Kansas counties that rely heavily on property tax revenues from mineral resources can, for the most part, look forward to increased revenues even with the enactment of a mineral production tax. I do not intend to allow my proposal to create an adverse impact on the local property tax on which those counties rely to fund essential services.

In these times of high interest rates, the ability of cities and counties to issue mortgage subsidy bonds to finance home mortgage loans has become very important. The Mortgage Subsidy Bond Tax Act of 1980 established statewide ceilings on the amount of these bonds that can be issued each year. The effective ceiling for Kansas is \$200 million. The Act established a complex formula for allocating half of the the ceiling within the State. Had I not issued an Executive Order which established an allocation formula, Kansas would have lost the other half of its allocation. Since my action, cities and counties have applied for \$223 million in bonding authority.

The initiatives I have outlined today represent my continuing commitment to local governments. I am proud of my administration's many accomplishments in this area. I have signed bills which maintained the viability of municipal bonds in an unstable economic climate; I signed a bill which enhanced local governments abilities to redevelop. I supported and signed the Community Resources Act which provides a basis for initial state financial support for community resource programs.

While I continue to support programs which give local units of government a stronger role in setting local priorities, the State must continue to fulfill its constitutional role in setting the parameters of local functions. With cutbacks in the federal budget and a modest revenue outlook for the State, local governments as well as the State must look for alternatives to traditional methods of operation. Federal cutbacks are creating hardships for local governments that must seek new revenue sources in order to continue necessary services. We must work together to find new and innovative approaches to the delivery of services which our constituents demand or face a reduction or elimination of essential services.

STATE EMPLOYEES

Human resources are our most valuable asset. The backbone of State government is the crops of public employees who maintain our streets and highways, care for the sick, and provide services for the disadvantaged. Public employees perform these and many other important government functions. With this in mind, I have and will continue to maintain a fair and equitable compensation package for state employees.

Past efforts and accomplishments represent positive steps toward establishing adequate employee compensation. The 1980 Session of the Legislature approved my recommendation for a new classified pay plan. The new plan established higher starting wage rates to attract well-qualified employees and provided merit increases which recognize and reward outstanding performance. In the year I implemented this plan, state employees realized an average 11 percent salary increase.

In addition to the new pay plan, we worked together and achieved for state employees a 7 percent cost of living increase in fiscal year 1980. Along with this, I supported and the Legislature approved a shift differential of 20¢ per hour.

Salary and wage benefits are not the only areas in which progress has been achieved. Improvements have also been made in vacation time and death and disability coverage. Employees with 15 or more years of service now receive 3 more vacation days per year. Further, employees are now allowed to retain vacation days above the maximum accumulation until December 31st of each year. Another change affects employees 65 years of age or older. Some employees opt to work beyond age 65; in response to this, I recommended and signed legislation amending the Retirement Act to extend death and disability benefit coverage to those who remain actively employed after age 65. Further, during my tenure significant improvements were made in KPERS. These include:

1. An amendment to the Retirement Act to provide for calculation of KPERS members retirement benefits based upon "prior service" using the final average salary instead of the salary at the time at which the employee joined KPERS;
2. Reduction of the early retirement penalty from 6 percent per month to 3 percent per month;
3. Legislation which will provide a 13th check each year for the next 17 years; and
4. Removal of the life insurance benefit limit.

The changes made in retirement benefits for state employees under my administration are unsurpassed in breadth and effect by other modifications made since the creation of the KPERS system. They will ultimately benefit all the citizens of our state in addition to KPERS retirees because the state will be better able to retain a high quality workforce.

Although these accomplishments have established a solid base, our compensation package must remain competitive if we are to recruit and retain outstanding employees. For fiscal year 1983, I am proposing a cost of living increase of 7.5 percent. Moreover, all agency budgets include funding for a 1.25 percent merit increase. Merit increases, combined with the cost of living increases, provide outstanding employees with the opportunity to obtain a 15 percent salary increase.

We all share a deep concern for our disabled public employees. I believe we should remove obstacles that hinder disabled employees from performing their jobs with the highest degree of excellence. One such obstacle is the 30-day appointment limit on travel attendants.

Travel attendants assist disabled employees in performing the functions of daily living while traveling in an official capacity. Attendants are hired only as emergency employees. Currently, these employees are prevented from working more than 30 days per year. Thus, a civil service employee requiring an attendant for official travel may not employ the same attendant more than 30 working days in a twelve-month period. This can cause an extreme inconvenience as the disabled person could be required to frequently recruit and train different attendants. I am, therefore, proposing an amendment to K. S. A. 75-2945 (2) which addresses emergency appointments. The intent of this amendment is to allow emergency appointments to exceed 30 working days per year if such appointments are made to the travel attendant classification.

Additionally, it is the duty of state government to take a leadership role in the establishment of policies ensuring nondiscrimination and equal employment opportunity practices. My commitment to prevent sexual harassment in state government is reflected in my Executive Order directing the state agencies to develop consistent policy in this area.

To recruit and retain a high quality work force, Kansas government must remain competitive. I am committed to providing employees with an equitable compensation package and establishing policies that will allow us to maintain a proud tradition of public service.

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