

# John William Carlin

## MESSAGE OF GOVERNOR JOHN CARLIN TO THE KANSAS LEGISLATURE January 10, 1984

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

One year ago, I asked your assistance in finding solutions to the most urgent problems facing our State. Last year, our agenda was firmly set before the opening gavel came down. We faced a fiscal crisis unprecedented in our state's history, and our highways were in serious need of repair. Underlying these two problems was the debate to decide who should fund state government and the services it offers.

Together, in a spirit of cooperation, we succeeded in addressing those key issues. Today, with our pressing problems behind us, I ask your help in addressing a new agenda. This is an agenda not just for this legislative session nor just for the remainder of my term in office, but an agenda for the future of Kansas.

The time has come for us to confront our quiet crises -- those crises which slowly chip away at our economic and social well-being, those crises which we too often ignore because they do not appear to have a direct impact on our lives, those crises which are new and for which we have no precedent for solution and those crises which have not yet created public outcries for solutions. If left unattended, our quiet crises will grow in volume, and future legislators, governors and Kansans will be forced to grapple with problems as severe as those we dealt with one year ago.

The issues I will address today, while labeled "crises," should not be viewed as problems, but as opportunities. We have sufficient time, by acting now, to engineer thoughtful, long-range solutions instead of quick-fixes forced upon us out of urgency. We have an opportunity to be in the forefront of the issues and set precedent rather than follow it.

Quiet crises such as those represented by education reform, protection of the environment or prison overcrowding threaten the high quality of life we enjoy as Kansans. Additionally, we must confront our infrastructure needs. That is why I am proposing a five year capital improvement plan. The plan, though subject to change as priorities are reviewed, is intended to set the years. These are issues which will not be resolved in one legislative session. And even though we may disagree as to how they should be addressed, that should not serve as an excuse for not addressing them. We, alone, cannot solve all facets of the problems underlying these quiet crises; but we can generate a public dialogue which will set machinery in motion to develop long-term, comprehensive solutions.

EDUCATION

We've heard the nation is at risk. We've read the reports chronicling the movement toward mediocrity in our educational system. We've viewed with alarm the statistics suggesting that the quality of our schools and the education they provide are being eroded.

While many national reports have focused on primary and secondary education, I want to stress that my plan for improving the quality of Kansas' educational system includes higher education as well. We must take a comprehensive approach if we are to meet the social and economic goals of our State.

Many school districts and institutions of higher learning across the State are doing things right, and we continue our progressive attitude toward comprehensive educational programs. Yet, extensive research indicates that there is room for improvement. In order for Kansas to continue to grow, prosper and attract new industry and jobs, we must address the situation while we can still speak of opportunities for improvement rather than massive problems requiring immediate solutions.

There has been much discussion at the national level about the declining quality of students admitted to education programs as well as the quality of those graduating as teachers. Results of a study I commissioned indicate that ACT composite scores show that education majors at our Regents institutions rank 15th out of 19 disciplines studied. In addition, enrollment in our schools of education has declined by half over the past ten years. We will face a serious crisis to our education system if the quality and numbers of our new teachers continue to decline. In order for our children to gain a solid education, we must find ways to attract and retain good teachers.

I have worked with the Board of Regents to implement a program review of our teacher and administrator preparation programs. We cannot expect excellence from education graduates unless that same degree of excellence has been provided in their academic programs.

Research by my Administration shows that the educational system in Kansas is being threatened by declining enrollments in schools of education, non-competitive teacher salaries and the migration of education professionals to other fields.

With increased salaries comes an expectation that teachers will meet increased standards regarding certification requirements, in-service work and more intensive evaluation. The public must be assured that increased salaries will bring increased quality into the classroom.

The following recommendations reflect my Administration's commitment to the pursuit of excellence in Kansas' Educational System.

#### General State Aid

I recommend that amendments to the School District Equalization Act provide for budget limitations during the 1984-85 school year of 104 to 108 percent. An additional two percent of budget authority is recommended to be used exclusively for teacher salaries in those districts which budget at least the same percentage increase in the pool of money available for teacher salaries as the percentage increase in their total general fund budget authority. These

recommended amounts for general state aid, when combined with the consensus estimate of payments under the school district income tax rebate program, would mean that state aid in FY 1985 would increase from 45.1 percent to 46.5 percent of total estimated unified school districts' general fund budgets. This would be an increase of \$54.3 million over FY 1984 expenditures for state aid. The Department of Education has estimated that this increase in state aid, together with the recommended budget authority under the proposed amendments to current law, would limit local property tax increases to \$39.4 million. Based upon the expected growth in property valuation, the average increase in mill levies statewide would approximate only 2 mills.

It is estimated that these recommendations together will result in a statewide average teachers salary increase of 9.75 percent.

I further repeat my previous recommendation that the Legislature disallow transfers from school district's general funds to their capital outlay funds. This action will make more funds available within the general fund budget for needed expenditures, without necessarily increasing local property taxes.

I also recommend that legislation be passed to correct the unintended effect on the distribution of general aid that resulted last year from the passage of Senate Bill 436, the bill which limited the deductibility of federal income tax for Kansas personal income tax purposes.

#### Recommendations To Improve Teacher Quality

I recommend that the State Board of Education require the use of the National Teacher Examination for initial certification in Kansas. FY 1985 expenditure recommendations for the Department of Education include \$115,000 necessary to validate this examination. I recommend that the Board of Education continue to issue subject area certification through processes other than testing. Beginning the validation process in FY 1985 will permit candidates for certification in the Spring of 1986 to be tested as a requirement.

In addition to the requirement of passage of a teacher certification examination, I recommend that the Board of Education require that full certification only be achieved after successful completion of a year of "internship" in a teaching position. I recommend that this entry year development requirement take effect for the first time in the 1986-87 school year, and that successful completion of this year count toward the two-year probation provision for new teachers.

I believe that the Board should implement a process whereby a beginning teacher is supervised, assisted and then recommended for full certification by a three-member committee. This committee would include a representative of a College of Education, the school building administrator and a supervisory "master" teacher. The "master" teacher should be selected on the basis of meritorious performance, and I recommend that teachers within each district be allowed to participate in both the development of the criteria and the selection of "master" teachers. It is my intention to recommend that, once this process is a requirement, local districts receive additional state aid on a per new teacher basis to defray the costs of operating this committee.

The current state plan for In-service Education contains a voluntary compliance process and no state funding support. I believe that if the State assisted local districts in the costs associated with compliance, more districts would participate. When a district, under the current plan, has its local plan approved, teachers participating in that local plan are permitted to accumulate credits toward recertification. This process is an essential element to improving the performance of teachers.

For FY 1985, I recommend \$1.0 million in state aid to local districts who have filed approved plans with the Department. This money would be matched locally by the same amount and would equal, in total, one half of one percent of a district's General Fund budget. If in FY 1985 the recommended appropriation of \$1.0 million is insufficient, I recommend that the Department pro-rate these funds among eligible districts. To implement this program, I also recommend one additional professional staff and one-half secretarial staff positions in the Department of Education budget.

### Curriculum Initiatives

I recommend that the Legislature act quickly to re-establish a program of Competency Based Education Testing (CBE). It is clear to me that the expected benefits of this testing program have materialized and that it should be continued. I recommend that the Legislature re-enact existing law, with minor adjustments, but without any "sunset" of its provisions. Furthermore, I recommend that the Department be permitted to contract for testing services with a vendor for a period not to exceed five years. This will provide the needed stability for this program and will permit local districts to plan accordingly.

My budget recommendations contain \$230,000 for continuation of testing at five grade levels in two subject areas. I recommend that those grade levels be two, four, six, eight and ten and that the subject areas tested continue to be reading skills and mathematical abilities. I recommend the change from grade 11 to grade 10 so that remediation efforts for those needing them can begin earlier. I encourage school districts to also continue the practice of supplementing CBE testing with the nationally norm-referenced tests which are already being used in practically every district in the State. Based on the information I have received, the combination of the two types of testing serves as an important and useful instructional tool for classroom teachers. I strongly recommend to the Board of Education that districts be required to ensure that CBE and norm-referenced test results follow students to their next classroom teacher.

Many districts throughout the State have already increased graduation requirements from the mandated 17 credits and have added courses in the areas of mathematics and science. A broader knowledge of these subjects is becoming increasingly necessary as the knowledge explosion and technological advancements continue. A solid understanding in these basics is no longer simply the desirable end result, but the minimum necessary to succeed. This is true for all students who will graduate from our high schools, whether they are interested in pursuing college careers or other vocational interests. To assure that all Kansas high school graduates are prepared to meet the challenges they face in future job markets, I recommend that the State Board of Education mandate increased graduation requirements on the following schedule:

1986-87 . . . . . Increase units of math from 1 to 2  
1987-88 . . . . . Increase units of science from 1 to 2  
1988-89 . . . . . Add 1/2 unit of computer science.

The Board of Regents has developed a recommended curriculum for college-bound students which includes additional emphases in mathematics, social sciences, natural sciences and foreign language. I support the Board's recommendations and would encourage school districts and parents to work with students in making appropriate course selections to ensure adequate preparation for performance at the college level. The study of social change and the arts must also be supported to ensure that we preserve the quality of life we enjoy and to learn from the masters of the past.

My Administration is understanding of the fiscal outlays which will be required of many districts in the future if computer science becomes a required course. We will continue to investigate a variety of ways to assist districts, including the possibility of such measures as tax credits for contributions of equipment and software to school districts.

The growing importance of math and science studies necessitates additional expertise within the Department of Education to assist school districts in developing quality programs of instruction. I, therefore, recommend \$60,000 be appropriated to the Department to employ two additional program specialists in the areas of math and science.

#### Parental and Community Involvement

One of the most critical factors to ensuring a positive and productive educational experience for children is the interest and involvement of their parents. I urge all parents to double their efforts to become actively involved in their child's education. It is important that parents monitor their child's academic progress, and to facilitate this, I recommend to the Board of Education that all school districts be required to provide CBE and norm-referenced test results to parents and guardians and further that parents be required to verify to each district their receipt of these test results. I recognize that many districts, through teacher-parent conference and other means, are already doing this, and I applaud their efforts.

I feel strongly that lasting improvements in education can only be achieved through the involvement of patrons, business and professional groups, agriculture interests, labor groups, educators and elected officials. Many districts across the State benefit from the community participation derived from Citizen Advisory Committees. I urge those districts which have not yet formed such groups to do so.

#### Special Education

Consistent with past policy, I recommend that state funding for FY 1985 of the "excess costs" associated with special education be calculated on the basis of the number of special education teachers employed during the budget year. This proposal will fund the Department of Education's estimate of growth in teaching units eligible for aid, over those eligible in the current year.

For FY 1985, I further recommend \$38,245 to fund a High Risk Registry initiative in the Department of Health and Environment to provide for the early identification of pre-school handicapped children. This proposal has come to me from the Task Force on Pre-School Handicapped Children. I also intend to pursue the Task Force's recommendation that I establish a Council for Early Childhood Development Services to provide effective coordination of health, social and education services for pre-school handicapped children in our State.

#### Regents Institutions

I share with all Kansans a great pride in the excellent University system that has been established in our State. Surveys continue to reveal a high level of support for higher education in Kansas and a willingness to invest the resources necessary to maintain a quality system. The recommendations contained in my FY 1985 Budget Report reflect this Administration's commitment to placing higher education on its priority list.

Severe fiscal constraints on Kansas' General Fund budget, resulting from a depressed economy, have forced the State for the past few years into a position of maintenance level funding. Fortunately, Kansas has been able to sustain the economic downturn better than most and has not, therefore, had to reduce support for education to a critically threatening level.

The time has come, however, to increase our support for higher education if we are to protect the investment in quality faculty and programs we have made in the past and if we are to pursue a level of excellence which will bring increased benefits to the entire State.

A periodic, yet thorough, review of program areas is critical to accomplishing the most efficient utilization of resources and genuine improvements throughout our system of higher education. The Board of Regents, in cooperation with my office, has begun such a process. I strongly recommend that any savings accomplished through this difficult process be maintained within the individual schools for reallocation to strengthen quality in other areas. This is absolutely necessary if we are to encourage the continued cooperation of those who are critical to the success of such an effort.

Within my recommendations, which are highlighted below, I have reflected the Board of Regents' request to prioritize faculty salaries, equipment, capital improvements and major maintenance needs as the greatest areas of concern.

For state universities under control of the State Board of Regents, I recommend general use fund expenditures of \$435.9 million for FY 1985. This expenditure level represents a \$30.2 million (7.4 percent) increase over the approved FY 1984 budget for the universities. I propose an average salary increase for faculty of six percent and recommend an additional \$2.0 million to finance additional salary adjustments for the faculty in special areas of need. Allotments from this pool will be made to each of the universities to provide them with a resource to adjust salaries in areas which are lagging behind comparable positions in the private sector. This flexibility is essential if we are to compete with the private sector and other states in retaining quality faculty.

I also recommend that the Legislature support the program endorsed by the Board of Regents on early retirement for faculty between the age of 60 and 65. This proposal would require no additional state revenues, yet allows faculty the opportunity to teach on a reduced basis and retain benefits. Institutions would have the flexibility to plan for the future by retaining the savings realized through this program, and would allow Universities to maintain a competitive advantage in recruiting new, emerging talent.

For Other Operating Expenditures (OOE) at the Universities, I recommend a 5 percent increase for FY 1985. This level of funding is required to finance inflationary cost increases and to replace necessary equipment. In addition, I propose that \$600,000 be approved by the Legislature for extraordinary equipment needs at Kansas State University and the University of Kansas.

I propose a five percent increase in the state funds available for the payment of student wages. This increase should provide for the creation of additional jobs to assist more students who need employment to support their educational costs. In FY 1985, I further recommend that the current level of state support continue for the State Work Study and the State Scholarship programs approved by the 1983 Legislature.

Last year, I recommended and the Legislature approved funding to support high technology research at the University of Kansas State University and Wichita State University. Each state dollar available is matched by 1.5 dollars in private funds. To date, this initiative has yielded a contribution of almost \$700,000 by 17 private business sponsors of 13 research projects, all in areas which hold the promise of increased economic activity in our State. For FY 1985, I recommend that the current level of state support for these programs be maintained.

In order to provide the University of Kansas Medical Center with the fiscal flexibility to respond to the need for the purchase of the most current equipment available and to provide incentive for the development of additional markets for its services, I recommend that the appropriation language for the hospital revenue fund be drafted in FY 1984 and in FY 1985 to provide that 50 percent of all receipts in excess of annual revenue estimates, not to exceed \$3,000,000, be deposited to the credit of a new fund entitled the "Hospital Development Fund."

I further recommend that funding be provided for a nurse anesthesia program and that the number of beds in the neonatal care unit be increased by four.

My Administration, in cooperation with the Board of Regents, has developed a five year capital improvement plan for our State universities which is included in my FY 1985 Budget Report. This plan, though subject to change as priorities are reviewed, is intended to set the agenda for major construction projects on the campuses of the Regents institutions for the next five years.

#### Community Colleges and Washburn

A vital part of our system of education in Kansas is our network of community colleges. According to legislation passed by the 1982 Legislature, aid amounts per credit hour under the community college credit hour aid program, the community college out-district aid program, the Washburn University credit hour aid program and the newly established Washburn University

out-district aid program increased in FY 1983 and FY 1984. I recommend that the built-in FY 1984 increases be funded fully in FY 1985. The estimates of expenditures under these programs also take into account projected growth in enrollments in these institutions for FY 1985.

### Vocational Education

Vocational education has been and continues to be an important element in our educational process in Kansas. In the future, vocational opportunities must be made more market sensitive and more attuned to the increasing complexities of a highly technical age.

We are fortunate to have in place a successful system of vocational education. My budget recommendations for FY 1985 continue all of our aid programs to the various vocational education training institutions. In addition, I recommend that careful study continue of the capital equipment needs of our area vocational-technical schools. For the past few years, capital outlay aid to these institutions from the State has not been available. This aid was previously available, from Federal revenue sharing funds, when the state fiscal picture was brighter. Although I have not recommended capital outlay funding for the next fiscal year, I am committed to continuing state support for the equipment needs of these programs at the earliest possible date.

The rapid progress and changes in the quality of life we have experienced have not been by accident. It has resulted from a commitment to learning and progress. It has been supported by improved education, both in exposure and substance. We must anticipate change, and we must equip ourselves to deal with changes through a progressive educational system.

The process takes the involvement of all. We all must commit ourselves to education. There will be additional costs to improving our system of education, but neglect of our educational system will ultimately cost more. As Governor, I have pledged to seize this opportunity to improve the public educational system in Kansas. If all of you will join me in this effort, I know we will share in the rewards.

### PUBLIC SAFETY

Government's primary function is to provide for the protection of its citizens. Though our criminal justice system has been providing effective protection to Kansans for many years, currently it is being challenged by relentlessly increasing prison populations. Problems arising out of our overcrowded prisons will undermine our criminal justice system's effectiveness if action is not taken immediately.

### Emergency Bed Space Expansion

There is a growing concern regarding the overcrowded conditions in our prison system. The latest figures indicate that the problem only worsens. At the end of November, 1983, the inmate population was only 200 less than the absolute maximum capacity of the entire system. There are 1100 more inmates in the system than is considered optimum. Currently, our population grows by 50 to 60 new inmates each month. The problem is real and must be addressed early this legislative session.

To expand our correctional facility capacity on an emergency basis, I urge the legislature to take all necessary action within the first four weeks of the legislative session to complete renovation work at Winfield State Hospital and Topeka State Hospital by the beginning of next summer. Existing facilities at these two institutions have been identified as ideal locations for minimum custody pre-release centers. In addition, I recommend the renovation of Outside Dormitory Two at the Kansas State Penitentiary (KSP). If the necessary legislation is on my desk by February 3, we will have 336 new beds on line by summer. By renovating existing facilities, we are able to address the immediate problem quickly and avoid the enormous costs of new prison construction. I trust the legislature will recognize the importance of the problem we face in our prison system and will join with me to act promptly.

The program to expand correctional capacity is complemented by an 80-bed expansion recommended for the State Security Hospital at Larned. Although not a part of the corrections system, this bed expansion will be on direct benefit to the Department in treating and caring for mentally-ill inmates. The Larned project will include renovation of existing buildings and reorganization of affected buildings.

All of these items are recommended for Fiscal Year (FY) 1984. In FY 1985, I recommend a number of additions to further enhance our ability to manage an enlarged inmate population.

#### Population Management Projects

I recommend funds be provided to begin the operation of two projects now under construction, the medium security complex at KSP and the minimum security unit at Kansas State Industrial Reformatory. This will provide 399 new beds by January of 1985.

Additionally, I recommend funding for an expansion at the Wichita Work Release Center. The center holds minimum security inmates and allows them to hold jobs during the day and return to the facility at night. Thus, it provides the control needed to ensure safety while allowing the inmates to pay court-ordered restitution and family support.

I also propose the building of an honor camp in FY 1985. This honor camp will house 64 minimum custody inmates. Kansas has had great success with our honor camps at El Dorado and Toronto.

Prison space is a very costly resource that should be reserved for those persons convicted of serious crimes and those who have shown through repeated convictions that they cannot function in society. Another portion of the population is made up of persons convicted of less serious crimes, many who are first time offenders.

In Kansas, we have had success with several programs which provide alternatives to prison for lesser offenders. I propose that funds be appropriated to expand Community Corrections, the most effective of these programs.

In 1978, the Kansas Legislature passed the Community Corrections Act in order to divert non-violent, non-habitual felony offenders from our prisons to community based programs.

Currently, we have effective Community Corrections programs operating in three of our four major counties. In order to further expand the program, I propose that funds be appropriated to permit Montgomery County to actively participate in Community Corrections in FY 1985. I also propose that funds be appropriated to provide planning money to three other counties so that they may prepare to participate in the program.

If enacted, the proposals I have outlined will allow us to manage our institutions in the short term. They do not, however, address the root causes of an increasing prison population which threatens to grow to an unmanageable proportion if left unchecked. It is imperative that the Legislature and the Executive Branch work together this session to arrive at a consensus as to what the state's goals for the future should be.

### Efficiency Measures

In order to ensure that our institutions can be effectively managed at record capacities, I recommend appropriations to provide priority improvements to existing facilities. These include renovation of locking systems at KSP's B and C cellhouses, and, beginning in January, 1985, further renovation of a cellhouse at KSIR.

I also recommend the creation of a facility maintenance fund to enable the Kansas Department of Corrections to respond to routine needs on a more timely basis.

In other areas of the criminal justice system, I recommend changes which I believe will make the system more effective and efficient.

The first of these changes is the reorganization of the Kansas Adult Authority. I propose that the Adult Authority be made up of three members rather than five as is currently the case. Additionally, I have directed the Authority to sit as a full body when decisions are made.

I also propose changes for the State Board of Indigents Defense Service. First, I propose a Public Defender's Office be created to serve Sedgwick County. Secondly, I propose that the payment for out-of-court costs for attorneys representing indigents be raised by \$10 per hour. This is a necessary increase which has been delayed for too long.

To achieve a more effective use of existing resources, I recommend that the motor vehicle inspection program currently operated by the Highway Patrol be terminated and that the resources be dedicated to regular patrol operations.

Though the task ahead of us is a formidable one, it is achievable if all parties are willing to work together. I pledge my support to the Legislature to realize this goal and ask for your cooperation.

### ENERGY AND ENVIRONMENT

For the past five years, the safeguarding of the Kansas environment has been a top priority of my Administration. It continues to be a top priority today because the people of Kansas remain

concerned about the environment around them. They expect and deserve a healthful place to live and work.

Initiatives taken by my Administration have made our State a leader in the environmental area. In 1981, I recommended, and the Legislature enacted, a comprehensive program for improved hazardous waste management. The legislation instituted tougher fines for waste law violations, required public input in hazardous waste site selection and established a trust to provide the State with a mechanism to deal with abandoned waste sites. Through my efforts, a separate Bureau was created in the Department of Health and Environment (H&E) that deals exclusively with hazardous waste. Moreover, Kansas has officially entered into the Central States Low-Level Radioactive Waste Compact. Until Congress approves the compact, there is a moratorium on the licensing of new sites in Kansas. The Kansas Compact is currently before Congress, awaiting their action.

### Kansas Environmental Plan

Though I feel that our State has made significant strides in up-dating our hazardous waste laws, this issue is so significant and has such far-reaching implications that we must remain diligent.

The protection of groundwater and our environment is an issue which the state must continually monitor. The State of Kansas learned an important lesson from the N. I. E. S. hazardous waste site at Furley, Kansas. The history of the monitoring wells there indicates that the site may have begun to release chemicals into the groundwater within a year after operations began. Once the groundwater is contaminated, it may remain so for a geologic age. In order to protect our resources now and in the future, I believe the time has come for Kansas to prohibit the land burial of hazardous wastes. I, therefore, recommend that the 1984 Legislature take the necessary action to enact such a prohibition.

New technology now makes it possible to dispose of hazardous wastes in ways much safer than land burial. As a State, I believe our policy should be to encourage the use of alternate forms of disposal such as reuse, recycling, treatment or incineration. In that regard, we will pursue ways to encourage waste generators to use alternate forms of disposal.

In addition to taking that preventive step, we must also be prepared to address the possibility that existing waste disposal sites could threaten our environment. There have been 201 potential problem sites identified within Kansas. It is very important to note that this does not mean these sites should be considered dangerous. It does mean that we must begin a review of each site to determine whether or not it could pose an environmental problem.

In order to investigate these sites for clean-up, I recommend to the legislature the creation of a state Superfund. The fund will provide for inspection, monitoring and clean-up of sites where necessary. When possible, we will pursue those who are responsible for the waste to help pay for the review and clean-up of the site.

I recommend that financing be provided from State General Fund revenues by appropriating \$500,000 each year for Fiscal Years 1985 and 1986, and \$1,000,000 each year for Fiscal Years

1987 through 1990. The Department, at my direction, is also increasing their efforts to test and monitor public drinking water supplies for pollutants. With this new emphasis, the State will purchase new testing equipment, so sensitive it will allow us to measure for contaminants which were previously undetectable. Additionally, six new positions will be added.

## Water Plan

Last year, in my Message to the Legislature, I announced that I was giving priority to the development of a water policy plan. I asked that the plan be submitted to the Legislature and me before the 1984 Legislative Session. Much work has been accomplished over the summer and fall. A first draft of the plan was prepared and presented to the public in a series of 11 public meetings.

At the conclusion of those meetings, it was apparent that, though there was wide spread interest in the plan, there was not yet wide spread consensus on the various elements of this important initiative. Consequently, after consultation with legislative advisors, I have decided to delay submission of the full plan until the 1985 Legislative Session.

State water policy is too important an issue for the State not to proceed in some key areas. I recommend that the Legislature adopt:

1. the minimum desirable stream flow standards section fo the State Water Plan; and
2. a concurrent resolution authorizing the State to begin negotiations with the Federal government to purchase water supply storage in reservoirs where we do not currently own storage.

Minimum streamflows allow us to protect a stream from over-appropriation, thereby preserving and maintaining instream uses such as water quality, fish, wildlife, aquatic life, recreation and general aesthetics. By negotiating with the Federal government for the purchase of water supply storage, the State will be able to provide water supply for communities from reservoirs where it currently is not available.

While these issues are important, we must also ensure that our state agencies, which are charged with the responsibilities of developing the plan, have the necessary tools. I have received regular reports on the strengths and weaknesses within the Kansas Water Office. Based on this year's experience and the monumental task which faces the Office, a new organizational plan has been developed. In order to implement that plan, I submit for your approval legislation to exempt the professional staff of the office from the classified services. I also ask the legislature to give top priority to the bill and that it be effective upon publication.

Additionally, my budget provides the necessary resources for the Water Office to develop a computerized water abstract data base which will act as a retrieval system for water publications and water resource data.

## State Energy Programs

Last year, in my Message to the Legislature, I recommended the establishment of a Kansas Office of Federal Energy Grants Management to take the place of the Kansas Energy Office which was due to be terminated July 1, 1983, according to the provisions of the Kansas Sunset Law. Instead, the energy responsibilities were transferred to the Kansas Corporation Commission (KCC). Over the last six months, the KCC has been adjusting to their new responsibilities and working to develop a direction for the State's energy programs. The direction which has emerged for the State is one of programs geared to the needs of the most vulnerable Kansans and a greater emphasis on energy assistance for small businesses. I believe that the KCC has set appropriate priorities and that our energy programs are on track.

### Natural Gas

For the last two years, Kansans have been concerned about the skyrocketing costs of natural gas to heat their homes. The price increases being imposed on Kansas consumers are the result of Congressional action taken in 1978 which phased in the deregulation of natural gas.

In Kansas, we have taken a number of actions to minimize the serious impact of natural gas prices. The Kansas Natural Gas Pricing Act which was passed in 1979 helps hold down the price of natural gas produced and sold in Kansas. Over the lifetime of the Act, it will save Kansans more than \$134 million. That act was later strengthened by the Natural Gas Price Control Act which will save Kansans millions more. Yet none of our actions has been sufficient to protect Kansans from the price shock of rising utility bills.

Ninety-five percent of the increase in the cost of natural gas has been caused by Federal action. If our consumers are to realize relief from their natural gas bills, measures must come from Congress.

I am proud that I was one of our nation's first leaders to call upon Congress to take action. Since that time, I have been instrumental in organizing our nation's Governors through the National Governors' Association to take a position urging Congress to enact restrictions on industry practices which tend to inflate prices artificially by undermining market forces. Though Congress has still failed to act, when they return to Washington in January, natural gas will be on the agenda, and I will continue to advocate for changes which will provide relief to consumers.

### Wolf Creek

In February of 1977, construction of the Wolf Creek Nuclear Generating Plant was begun. Originally estimated to cost approximately \$780 million, the plant, at only 90 percent completion, has already cost almost \$2.5 billion. Clearly, the enormous cost of this plant presents a dilemma for our State and its citizens.

The plant which was originally scheduled to be operational by June of 1982 is now scheduled to be on line by February of 1985. In order for the Kansas Corporation Commission to have the necessary tools to deal with the complex issues presented by Wolf Creek, I recommend a significant supplemental appropriation for the Corporation Commission which will allow them to

begin the process of investigation the ramifications of these cost increases. Only with the necessary information can we hope to develop an appropriate response.

Protection of our environment is critical to ensuring our future. Provisions of affordable energy is another critical need, as we look ahead. A reasoned approach to addressing our environmental concerns will yield a better Kansas for all.

## PUBLIC EMPLOYEES

In our system of government, the public charges elected officials with the responsibility of deciding how government can best serve the needs of the citizenry. Public employees are those we appoint to deliver the services we choose to provide. In a sense, they are our agents. We want them to be competent and dedicated to the values all of us share. I am proud of the quality public work force which serves the State of Kansas so well.

### Compensation and Health Benefits

My recommendations to you today emphasize competitive base pay for state employees. Both major components of the employee compensation package--salaries and health insurance--increase "take home" pay.

In recent years, the increased cost of the state employee group health plan has reduced the fiscal resources available for salary increases. Increased costs for optional family coverage have further reduced "take home" pay. To deal with this problem, I recommend the following:

- 1) A revised form of Senate Bill No. 12 from the 1983 Legislative Session should be enacted to allow the State more flexibility in procuring a group health plan.
- 2) The commission established by Senate Bill No. 12 should negotiate a group health plan with a premium of not more than \$85 per employee each month. Preliminary analysis indicates that this amount could fund a plan which does not expose the state employee to significantly more out-of-pocket expense than the current plan. My 1985 Budget Report contains an amount sufficient to cover such a plan.
- 3) The Legislature should pass the bill I have submitted to allow employees who purchase family coverage to do so with pretax income. This innovative approach has been adopted by several private sector organizations for the benefit of their employees. This modification would save these employees, depending upon their particular tax bracket, from 12 to 35 percent of their net costs for family coverage.

In total, these recommendations will deliver a health plan that provides comprehensive health care coverage. In addition, it allows a salary increase which puts more money in state employees' pockets and less in insurance premiums.

For Fiscal Year (FY) 1985, I recommend a five percent cost-of-living increase plus \$204, for an average pay increase of six percent for state employees. This will generate a larger percentage

increase for employees in the lower wage scales than a uniform six percent. Funding is not included for merit pay. This reflects my decision to fund increases in base pay at a level somewhat higher than the rate of inflation. In a year following a six-month delay in the basic salary adjustment, this approach creates a more equitable distribution of salary increases.

There is another issue regarding compensation which has concerned me greatly--that of holiday pay for employees at our state institutions. These dedicated individuals sacrifice holidays with their families to fulfill their work responsibilities. For FY 1985, I recommend monies in the Social and Rehabilitation Services Department budget which will permit full funding of holiday pay at our state hospitals.

### Comparable Pay

During the 1983 Session, several members of this body called for an evaluation of state employment practices in regard to comparable pay for comparable work. My Administration strongly supports the principle of compensation in accordance with the value of work performed, regardless of sex. I, therefore, have issued an Executive Order directing the Secretary of Administration to evaluate the basic upon which state employees are compensated and, if necessary, to recommend to me, not later than December 31, 1984, mechanisms to provide equal compensation for positions of comparable worth.

### Programs for State Employees

During my Administration, I have sought to develop programs for state employees which will provide them with a better work environment. The Department of Social and Rehabilitation Services has developed a model program, the Employee Assistance Program, to provide support and offer referral options to those employees whose personal problems interfere with their job responsibilities.

This program, and others of a preventive nature, such as Project VOTE and Project PLUS, are important to providing a healthful work experience. I recommend that support for these programs be continued in FY 1985.

I believe that if we are to maintain a quality public workforce, we must validate our support through fair and adequate increases in compensation and benefits. We must also remain aware of our responsibility to provide, to the best of our ability, an overall positive employment experience for our state workforce.

### SOCIAL SERVICES

In any budget year, the critical decisions to provide balance among programs relating to our citizens who are most at risk because of age, unemployment, mischance or infirmity are especially difficult. While any civilized society worthy of the name prioritizes providing services to its young, old, ill and disabled, the need to assure that the programs which protect these segments of our population are efficient and fair is overriding. While we must always strive to

provide protection against threats to life or welfare, we must also address the challenge of containing costs in these increasingly expensive programs.

Circumstances beyond the control of government have placed a greater strain than is usual upon the resources of the Department of Social and Rehabilitation Services (SRS) during the intervening year since last I addressed this body. The loss of substantial sums in Federal dollars has shifted a burden to the State of Kansas and to local entities for funding of programs which cannot be discarded or substantially reduced. In addition, an unusually severe early winter has placed a serious stress upon the individuals who are traditionally and necessarily dependent upon the Department for aid of various kinds. Unemployment statistics, while they are improving, caused a sharp upturn in the need for dollars and services in the earlier part of the Fiscal Year.

#### General Assistance and Aid to Dependent Children

Individuals and families at all income levels have experienced increasing hardships due to the severe national recession. There is no question that the least advantaged among us have suffered the most in meeting basic needs during these difficult times.

Inflation and other conditions beyond the State's control demand an adjustment of benefit levels provided General Assistance and Aid for Dependent Children clients. I, therefore, recommend a 3 percent increase in these aid payments. This will require approximately \$2.8 million of additional General Fund support in Fiscal Year (FY) 1985.

#### Adult Services

The Alternate Care Services Program enables elderly and disabled people to live in adult family homes and congregate living homes in their communities. These programs are important in that they enhance a feeling of self-worth and independence less possible in an institutional setting. Over 200 clients received these services in 1983, thus avoiding premature placement in more costly medical facilities. I request continued support for this program in my FY 1985 budget.

In a further attempt to contain medical costs, I have directed the Secretary of SRS to work closely with the Kansas Hospital Association and the Kansas Medical Society to implement a prospective payment system and continuous review of hospital admissions and stays. In 1984, a Primary Care Network Program will be initiated in Sedgwick, Saline and Ottawa Counties. This network is designed to enroll recipients with a primary care physician who will act as a manager of recipients' medical referrals. I ask your support for this program which is designed to control unnecessary utilization of medical services, while at the same time maintaining quality care.

The Department has done a commendable job in providing protective services for institutional as well as non-institutional elderly. Over 1300 reports of adult abuse were investigated in 1983. Those Kansans who require institutionalized care must be assured that the care provided is neither abusive, neglectful nor exploitive. For this reason, I recommend legislation be passed that expands compulsory reporting of abuse in nursing homes to include all employees in such institutions. Further, I recommend that persons required to report such information who knowingly fail to do so be guilty of a Class B misdemeanor.

The Homemaker Service Program which in 1983 provided trained homemakers for elderly persons unable to manage a home alone made it possible for nearly 10,000 Kansans to remain independent. I recommend that the current level of funding for this program be maintained for FY 1985.

#### Children and Youth

In addition to providing programs to meet the basic needs of children, the State is responsible for ensuring them protection against abuse. I recommend legislation be passed that more carefully screens those individuals who maintain homes for children and expands the definition of age limits for sexual abuse of children.

Under my guidance, in 1982 Kansas initiated a program of preventive services for families with children in need of care when problems of child abuse, neglect, poor school attendance or other interfamily difficulties exist. Now recognized nationally as a program model, this service has helped significantly reduce the number of children in the custody of the State, as well as reducing the number of tax dollars Kansans spend for foster care.

The Advisory Commission on Juvenile Offender Programs has, during the past year, undertaken the task of making recommendations concerning vocational-education programs at the Youth Centers. In addition, the Commission supervises the administration of Federal Juvenile Justice and Delinquency Prevention Funds. The Commission is also much concerned about the problems involving juveniles in adult jails. I request that the Advisory Commission's life be extended until July 1, 1986, in order to give the Commission time to bring its recommendations into focus.

#### Mental Health and Retardation Services

Some 350,000 Kansans suffer from some level of mental illness. Nearly 54,000 have some degree of mental retardation. I commend SRS's efforts to establish a partnership between state institutions, community-based agencies, consumers and their advocates through the establishment of the Mental Health Action Committee. This Committee is charged to assure no duplication of effort, while working toward providing an array of community-based treatment and support services to prevent unnecessary institutionalization.

The goals of preventing institutionalization and reducing the use of our institutions cannot be accomplished until a comprehensive range of programs, including inpatient and outpatient community services, is available statewide. I proposed \$6.9 million in state formula-aid in FY 1985 to provide mental health services to unserved and underserved individuals in the community. This funding will provide a 37 percent match of the centers' eligible income.

Under my direction, the Kansas psychiatric institutions are developing rehabilitation programs to train chronic mentally ill clients to function independently. Completing the development of comprehensive psychiatric rehabilitation and community support programs remains a primary goal of my Administration.

In Kansas, services for the mentally retarded are provided through two major systems--state institutions for the mentally retarded and community-based agencies. The institutions offer inpatient care and training for the severely and profoundly mentally retarded, whereas local agencies offer a variety of services in the community.

Community programs, as well as an expanded emphasis on special education programs in the public schools, has helped stabilize annual admissions and average resident populations in the four institutions. This, however, has resulted in a change in the average age of the institutional population. More residents are adults no longer eligible for special education services who require more vocationally-oriented training. SRS, under my direction, is working to develop programs to serve these individuals.

I recognize that the greatest single need facing community-based agencies serving the mentally retarded is for additional residential and day care services. I, therefore, propose \$4.5 million in state formula aid in FY 1985 to provide services to mentally retarded/developmentally disabled individuals. This funding will provide a 37 percent match of the centers' eligible income.

#### Rehabilitation Services

Through SRS's vocational rehabilitation services, approximately 11,000 disabled adults re-entered the Kansas employment market during 1983. Beginning in 1982 and continuing into 1983, Congress initiated changes in the Social Security Disability Program with the intent of removing non-disabled beneficiaries from the disability rolls. Stories of terminations of truly disabled and deserving individuals were reported nationwide. Under my direction, the SRS Disability Determination Unit advised the Social Security Administration that Kansas intended to ensure that all of its citizens who satisfied the intent of the law would begin, or continue to receive, benefits. We refused to make an arbitrary application of a rigid disability policy without regard for human needs. Twenty-eight other states have joined Kansas in returning equity to the disability determination process.

SRS's Independent Living Program was created with my backing during the 1978 Kansas Legislature. During FY 1983 I recommended, and the Legislature approved, supplementing reduced Federal funds with state dollars. A record 5,689 persons received independent living services. This program has made it possible for over 8,000 individuals with a wide range of disabling conditions to live and participate in a community setting through their own volition and initiative. I recommend that the current level of support for this important program continue for FY 1985.

I proposed the establishment of the Kansas Commission for the Hearing Impaired in 1983 to better serve the needs of deaf and hearing impaired persons. To further enable the Commission to meet the needs of this population, I propose the following:

1. Legislation which would extend the Kansas Commission for the Hearing Impaired for eight years beyond its current abolition date of July 1, 1984;
2. Authority for the Commission to offer interpreter services, funded from user fees;

3. Authority for the Commission to expand its message relay services by implementing a statewide toll free line;
4. Authority for the Commission to conduct fee supported sign language classes in various communities across the State; and
5. Amendments to clarify terminology and establish uniformity for delivery of appropriate interpreter services.

### Energy Programs

This winter has, in its early stages, been characterized by long periods of extreme cold. Kansans with low incomes are of special concern during periods when weather conditions may be life-threatening. The Kansas Weatherization Assistance Program has taken a nationally-recognized leadership role in combating rising energy costs. Due to the priority my Administration places on this program, we targeted the majority of Kansas' share of Federal oil overcharge funds to this area. Consequently, 6500 homes of low income families were weatherized in 1983.

Since Federal funding has become available for a Low Income Energy Assistance Program (LIEAP), Kansas has developed an energy program specific to our own needs. Through SRS, 228,671 households have been provided winter heating and summer cooling fuel assistance.

### Fraud Control

The Department has made outstanding progress in the area of fraud control and Child Support Enforcement. The latter program illustrates graphically that vigilance and humane concern for people are not inimical. The Child Support Enforcement program has saved Kansas taxpayers significant sums. In 1979, collections were \$3,893,572; in 1983, they rose to \$9,564,048. By 1985, collections are expected to reach nearly \$12,000,000.

While effective efforts are being made to prevent misuse of our aid programs, my Administration believes that the primary purpose of the SRS programs continues to be assistance to the needy and disadvantaged. I recommend the modification of penalties for welfare fraud from the present, overly-stringent policy. Currently, clients found guilty of welfare fraud are barred forever from receiving General Assistance. I propose that only upon a second conviction will the client be disqualified. A first offense will require a 12 month disqualification.

### Alcohol and Drug Abuse

As we work to reinforce productivity and an adequate quality of life for all of our citizens, we must be attuned to the threats presented by reliance upon alcohol and other drugs. Last year, I directed the Secretary of SRS to establish an Interdepartmental Coordinating Committee to promote coordination in this area by our state agencies. This committee began meeting this summer, and I am confident that the group will forge new working relationships which will benefit our total effort in dealing with substance abuse. In addressing this issue, we must be

aware that solutions require a two-tiered approach. We must provide adequate treatment for those currently suffering from the problem, and we must also continue efforts toward prevention.

The tough drinking and driving laws passed by the 1982 Legislature have contributed to a steady decrease in the number of Kansans who have died on highways in alcohol-related accidents. Although significant gains have been made, I again recommend the creation of a new offense of Operating While Impaired (OWI). This would be a lesser offense than Operating While Influence (OUI), applying to persons whose blood alcohol content is .05 percent or above, but less than .10 percent. Currently, reckless driving is the charge that may be applied in such cases, although it does not reflect alcohol involvement. All violations which involve alcohol impairment should be designated as alcohol-related on the offender's record. This information could assist judges in making appropriate determinations within a range of penalties for OUI offenses. I further recommend that the sanctions for the new offense remain the same as those for reckless driving under current law, until the Coordinating Committee has ample opportunity to make specific penalty recommendations.

#### Caseload

I recommend 23 additional Income Maintenance staff positions in SRS to reduce the extremely high caseloads of employees. A savings of millions of dollars can be assured if the error rate is kept below the three percent level required by Federal guidelines. Further, I recommend 17 additional Social Workers in an effort to meet the threat of court action which will occur unless we move toward meeting the maximum caseload of 25 cases per worker imposed by the courts. The current caseload level is 38 in Kansas. Finally, I instruct the Secretary of SRS to proceed with the development of an automated eligibility system to free caseworkers from excessive paper work. While this project will require three years for completion, I request five additional data processing staff to initiate preliminary technical aspects of this program.

The citizens of Kansas continue to exhibit their sensitivity to the plight of the helpless. There can be not higher purpose in government than to give aid and comfort to those least able to survive alone.

#### ECONOMIC DEVELOPMENT

There should be no more important goal for a state than that of maximizing its potential for economic growth. The individual and collective well-being of our citizenry is dependent upon the availability of sufficient opportunities for job training and employment. Even during recent times of extreme fiscal austerity, the policies and programs of my Administration have been directed toward maintaining a firm economic base and investing in programs which will enhance growth. Over the past five years, General Fund support for the Kansas Department of Economic Development (KDED) has more than doubled.

While Kansas has not been recession-proof, we have been fortunate when compared to most other states. Our economy has remained relatively stable as reflected in an unemployment rate which has remained well below the national average over the past few years.

As economic recovery ensues, we must be in the best possible position to compete for new jobs and investment opportunities. We must be aware that agriculture has been and will continue to be the backbone of Kansas' economic base. It is also true, however, that our state's overall economy is fairly diversified, and this diversification has contributed significantly to our economic well-being. It is important that we continue to identify and take advantage of opportunities for economic growth in new and expanding areas. At the same time, however, we must protect the sound base we have established in our traditional industries and businesses. In order to attain a proper balance in the overall economic base, we must be prepared to devote resources which influence economic growth--education and training being among the most important.

## Education and Training

The emergence of a vital industrial sector is heavily dependent upon the availability of a well-trained work force. The State's ability to train and retrain workers will determine whether Kansas will be able to generate the types of labor skills necessary to meet the needs of the growing industrial sector, particularly those of high technology industries.

The Task Force on High Technology Development, at my direction, has offered recommendations to stimulate the development of high technology industries. They concluded that the major tool in producing an adequate workforce lies in becoming a leader in public education. The Task Force specifically addressed the need to: a) strengthen our elementary and secondary school curriculum, b) attract and retain quality teachers through increased salaries, c) support research and development at our universities and d) put increased emphasis on student achievement in our State.

We are fortunate in Kansas to have a very good educational system. Research done by my Administration and combined with studies at both the state and national level indicates, however, that there are some critical areas of concern and numerous opportunities for improvements. In order to maintain a competitive edge in the market for new economic investment and jobs in the future, we all must be willing to make the pursuit of quality education a top priority. My proposals which are outlined in the education section of this message reflect such a commitment.

Programs designed to train and retrain workers already in the field represent another vital component of our overall plan to ensure that the workforce is armed with appropriate skills. The Job Training Partnership Act (JTPA) provides Federal funds to establish a wide array of services designed to prepare disadvantaged Kansans for jobs and to retrain laid-off workers who have little hope of returning to their original jobs. I am very optimistic that the JTPA program being implemented by the Department of Human Resources will provide much improved job training and retraining across the State.

The Kansas Industrial Training (KIT) Program also assists firms by equipping workers with skills companies will be able to employ. In Fiscal Year (FY) 1984, I recommended and the Legislature approved doubling the level of funding for KIT from \$75,000 to \$150,000. The Legislature, however, placed a proviso in the budget requiring that the additional \$75,000 for FY 1984 be transferred from JTPA funds to KDED. Information received last Session supported this option. In the interim, however, the agencies involved have more thoroughly researched the

feasibility of this transfer, and have found it to be unmanageable. I therefore request a \$125,000 supplemental appropriation to fulfill the amount of spending authority granted KDED in FY 1984. Further, I recommend that the current level of funding, \$150,000, for this program be made available with State General Fund monies for FY 1985.

## Business Climate

Kansas has a very attractive business climate and is consistently rated in the top ten among the 48 contiguous states, according to the Alexander Grant and Company Study.

One of the primary concerns of relocating or existing industry is a fair and equitable tax system. My Administration has continually sought to equitably diversify and stabilize our State's tax base. The enactment of the severance tax has enabled us to maintain a moderate property tax level and retain conformity to the federal schedules for depreciation on industrial machinery for the state corporate income tax. Given recent fiscal constraints, some states have chosen to repeal such statutes. Remaining consistent with the current depreciation schedule will allow Kansas businesses to retain the \$20,000,000 income tax advantage they now enjoy.

It is important that we continue to review and make appropriate modifications in our overall tax structure. I have formed the Kansas Tax Review Commission, chaired by Lt. Governor Thomas Docking, and charged it with the responsibility of reviewing the state's tax structure. We must be prepared to identify possible inequities in our present tax structure in order to further promote a climate which is conducive to economic growth.

In recognition of the problems faced by small businesses, I recommended in 1983 the initiation of a Small Business Program designed to provide direct management and technical assistance, particularly in the area of debt and equity financing. The program has been particularly successful by assisting in the formation of ten 503 Certified Development Companies which have secured over \$8,000,000 in loan approvals for more than thirty small businesses, thus creating or retaining over 500 jobs. This program is providing a vital service, and I recommend that the current level of funding for this program be maintained in FY 1985.

The Minority Business Program continues to assist minority businesses to secure capital and to participate in procurement opportunities in the public and private sector. In order to further enhance procurement opportunities, I recommend two additional positions in the Minority Business Program.

In order to comply with state procedures and guidelines, businesses and industries are frequently confronted with time-consuming and restrictive procedural compliance. To alleviate unnecessary delays, I recommend the development of a One-Step Permitting Office in KDED for companies seeking to establish, expand or relocate a facility within the State. This office would serve as a single contact point providing assistance and necessary permit information for all types of industry.

Another essential factor in the effective development and expansion of businesses in Kansas is the availability of capital. A number of financial incentives has been submitted by the Task Force

on High Technology Development for my review. I recommend, as a starting point, revision of the State Banking Code (K. S. A. 9-110). First, I recommend that this code be revised to allow state chartered banks to take equity positions in more than one Small Business Investment Corporation (SBIC). Secondly, I recommend that State Chartered Banks be permitted to increase their investment potential in SBIC's from one percent to three percent of their total assets and surplus.

Another banking issue which will again receive much attention during the session is whether or not to permit multi-bank holding companies in Kansas. I am interested in participating in the dialogue surrounding this issue, primarily due to the concern I have for balancing the interests of all parties involved to the greatest extent possible.

### Industrial Development

Kansas has many assets--a central location, a favorable tax climate, outstanding universities and many other positive features. Last year, I recommended and the legislature approved an increase of almost \$200,000 to the KDED budget for domestic advertising and recruitment activities. These enhancements have already brought tangible results to our State. In 1983 alone, 3,817 new jobs were added to the Kansas economy by newly locating or expanding companies. To continue the growth in this area, I recommend that the current level of funding be maintained for FY 1985.

Due to changing trends and the overall diversity of economic development, we can no longer think of ourselves as a strictly national entity. As we move toward a global economy, we must ensure that Kansas maintains an aggressive posture in competing in the international marketplace. A growing number of states have sought to enhance their international contacts by developing foreign offices. To maintain a competitive posture in the international area, I recommend that an additional \$40,444 be appropriated for a position in KDED's International Trade Division. This position would serve to carry out foreign prospecting missions, allowing Kansas to remain competitive with the efforts of other states vying for foreign economic commitments.

My Administration continues to support enthusiastically the recruitment activities of the Kansas Cavalry, and I will continue to lend my personal support and involvement in future missions. I am pleased to report that the activities of KDED and the Kansas Cavalry have resulted in 13 new businesses relocating in Kansas, in 1983.

### High Technology

We have learned, through the work of many groups in the State, that Kansas' greatest possibility for growth in jobs, income generation and diversification lies in the pursuit of high technology applications. We have identified several areas of competitive advantage. They include aviation, bio-technology, pharmaceutical chemistry and robotic engineering. My Task Force on High Technology Development has made excellent recommendations to carry on the high technology initiatives begun during the past year. I am working to implement these recommendations and I hope the Legislature joins me in this effort.

Program initiatives begun during this year include \$1 million of funding to support high technology research at our major state universities. To date, the research matching grant program has yielded a contribution of almost \$700,000 by 17 private business sponsors of 13 research projects--all in areas of technological applications which hold the promise of short term economic returns. I recommend that we maintain the current level of funding for this initiative in FY 1985.

In April, 1984, my Administration will sponsor a technology transfer conference in an effort to bring together the developers and users of technological applications. I recommend that the same level of funding be available to conduct a similar conference in FY 1985.

### Travel and Tourism

I am proud to report that our marketing efforts to promote the Kansas Travel and Tourism Industry were recently judged to be the best state sponsored campaign by the Travel Industry Association of America. We have made significant progress in this area during the past several years, and I remain committed to an aggressive campaign to better inform the world about the "Land of AH's." As part of that commitment, I recommend the funding necessary to open and staff the second state-owned and operated Travel Information Center located near Bonner Springs.

The Film Services Program has received significant attention during the past year. Although our Film Service Program has been successful in attracting film productions to the state, competition with other states in our region remains intense. In an effort to maintain a competitive edge, I recommend that legislation be enacted to provide an exemption from income withholding tax for up to 120 days for non-Kansans working in the State on motion pictures, television productions, or commercials. In light of the expanded activity and expected growth in this area, I recommend an appropriation for an additional position in FY 1985.

### Community Development

It is important that the State assist communities in enhancing their potential for economic growth. I have notified the United States Department of Housing and Urban Development of our intention to administer the Small Cities Community Development Block Grant Program for Kansas. The major objectives of the \$17.5 million state program focus on economic development projects which will benefit moderate and low income populations.

The PRIDE Program and the Mainstreet Downtown Revitalization Program will continue to be a significant part of the State's efforts to assist local communities. For FY 1985, I recommend the financing of an additional position for the Mainstreet Program.

I also recommend funding for KDED to establish a second Western Kansas field office to serve the southwest part of the State. This will make the technical and professional capacity of the Department more accessible to Western Kansas communities.

As Kansas enters an era fraught with economic and technological change, we must be prepared to maintain a progressive economic posture--one that will carry us into the future with confidence. If Kansans are to realize a progressively healthy and productive economic environment, then we must be prepared to play a major role in stimulating entrepreneurship throughout the State. Continued support of our State's agricultural sector, combined with the removal of technical, institutional and economic barriers to business expansion, and the establishment of an exemplary education system will continue to be the focus of this Administration to ensure economic prosperity in our State.

## REVENUE

To deal successfully with the issue of state government taxation and revenue requires a firm commitment to a few basic principles. While we must always strive for ways to more efficiently utilize existing resources, we must not shrink from the challenge of raising sufficient revenues when necessary to meet the pressing public needs of all Kansans. We must also be continually mindful of the need to ensure fairness and equity in our state and local government tax structure. Kansas has fared well in this regard. Our public services rank among the best in the nation, and our overall tax burden is not excessive. We have also weathered the storm of the national recession in a manner which I consider to be exemplary. There are, however, areas which remain to be addressed. As we do so, my Administration will remain committed to tax fairness and equity.

### Fiscal Overview

Kansas, along with most other states, is slowly recovering from the devastating effects of the national economic recession. That recession caused Fiscal Year (FY) 1983 revenue receipts to fall more than \$260 million below originally projected levels and FY 1984 estimated revenues to decline by roughly \$195 million from the original budgetary planning levels.

This Administration and the Legislature, however, moved quickly to enact a combination of modest expenditure reductions and prudent revenue increases which not only prevented a serious fiscal crisis from becoming a catastrophe but also improved the equity and fairness of our state tax structure. In particular, the components of the package adopted last year include:

- 1) reductions of approximately \$70 million in authorized FY 1983 expenditures;
- 2) the acceleration of retail sales and withholding tax collections to provide over \$100 million in immediate cash to meet FY 1983 needs;
- 3) enactment of a modest and reasonable severance tax on the production of oil, natural gas, coal and salt;
- 4) adoption of a limitation on the amount of federal income tax deduction accorded higher income taxpayers which not only increases our revenues by approximately \$42 million but also improves the progressivity of our individual income tax; and

5) enactment of reasonable increases in selected excise taxes on alcohol and cigarettes.

These actions were appropriate and necessary to avoid disruptive reductions in service and to enable state government to continue making progress in meeting the needs of all Kansans.

The remainder of FY 1984 and FY 1985 bode to be better years for the Kansas revenue picture. The improving state and national employment picture and economic outlook have added stability to our revenue projections. The November 1983 reestimate of FY 1984 revenues revised the earlier projections downward by only \$17 million, or 1.1 percent, largely due to shortfalls in corporate income taxes. Moreover, the FY 1985 estimates were only \$11 million below the preliminary budget planning figures prepared in May, 1983. If these revenue estimates are realized, the budget I present today can make real progress toward meeting the needs of Kansans without a tax increase.

We must still be cautious, however, about our fiscal future. The absence of a national response to looming federal deficits could easily abort the moderate recovery now underway and send the nation reeling through another recession. Kansas' best protection against the vagaries of the economy and its effects on state revenues is an adequate State General Fund ending balance. Such a balance is necessary to offset revenue shortfalls caused by changing economic conditions and to provide a sufficient working balance in the State General Fund so that the cash flow needs of the State can be met without the issuance of a certificate of indebtedness as has been required in the last two years.

Kansas closed FY 1983 with an unappropriated State General Fund balance of \$44 million, the lowest level in recent history. In the absence of further revisions of revenue estimates, our ending FY 1984 balance should approximate \$70 million. We must take steps to increase this projected balance. I, therefore, recommend that state law governing the remittance of insurance premium taxes be revised to require the remittance of estimated payments in June and December each year. Each estimated payment would be equal to 50 percent of a company's prior year liability, and an annual reconciliation would occur at the time of filing the annual report as required by law. Based on current estimates, this change should result in a one-time revenue gain of approximately \$22 million in FY 1984, thus increasing the ending balance to more than \$90 million. It will also improve our cash flow position in FY 1985.

I also recommend a package of changes in statutory disbursement dates that will improve our cash flow position in FY 1984 and future years. These recommendations rearrange dates for disbursement to unified school districts of general state aid, transportation aid and income tax rebates. These adjustments in outlays better synchronize the state's expenditure pattern and will restore a balance adequate to protect against the disruptive impact of a minor revenue shortfall.

#### Kansas Tax Review Commission

The principle of fair taxation and tax equity cannot continuously be addressed in a piecemeal, year-by-year manner. Rather, we must periodically make a comprehensive assessment of our state and local tax structure and view all pieces as a part of the whole. For this purpose, I have, by Executive Order, formed the Kansas Tax Review Commission under the Chairmanship of Lt.

Governor Thomas Docking. This Commission, which is broadly representative of all Kansans, will conduct a thorough review of our state and local tax structure and will recommend possible changes to me. I look forward to the recommendations of the Commission and urge you to lend your support to its work.

### Severance Tax

After a three-year struggle to win enactment of a severance tax, I am pleased to report to you that the implementation of the tax enacted by the 1983 Legislature is proceeding smoothly and without the drastic effects on the oil and gas industry that some predicted. With the cooperative attitude of the industry and the diligence of the Department of Revenue, the severance tax has been implemented efficiently and, above all, fairly. Moreover, actual revenues have exceeded estimates for each month of collections. Through its early history, the severance tax has taken its place as an integral and appropriate component of the Kansas tax structure--one that ensures that the oil and gas industry is paying its fair share of taxes and one that improves the overall equity of our tax system.

### Tax Administration

Fundamental to the concept of fairness in taxation is that state government must provide for the effective administration of its taxes and provide the resources necessary to ensure compliance with its tax laws. The budget I am recommending for the Department of Revenue will further our efforts in this regard.

In particular, I recommend that additional positions be dedicated to administration and enforcement of the severance tax. Two field investigators would be dedicated to monitoring and investigating the propriety of exemptions requested from the Department. To date, over 8,000 leases accounting for over 15.0 percent of total oil production have been granted exemptions. The potential for substantial revenue losses due to abuse is large. For each 1.0 percent of total production which is improperly exempted, approximately \$800,000 in revenue is lost. In addition, I recommend two additional field auditors to improve our audit coverage and compliance.

I also recommend continuation of Project Fair Share, begun last year. This project is a concerted effort to identify individuals who are responsible for Kansas income taxes, but are not now filing returns. In the first six months of activity, these efforts resulted in the collection of approximately \$605,000 in state income tax liability which would have gone largely uncollected in previous years. The investment to date in Project Fair Share is roughly \$45,000. I further recommend additional resources to enable the Revenue Department to audit effectively the sales tax remittances on isolated and occasional motor vehicle sales. It is estimated that as much as \$500,000 in revenue is lost annually due to under-reporting of the sales price on such transactions.

Finally, I recommend an appropriation of approximately \$60,000 to complete final programming and testing for implementation of the Kansas Business Integrated Tax System (K-BITS). This program has been a major, multi-year systems development effort to integrate and enhance the

revenue collection systems for business taxes. In FY 1985, at least two taxes will be implemented under the K-BITS processing system without the use of further consultant assistance. Implementation of K-BITS will produce tangible results for Kansas business taxpayers and will improve the processing, collections, compliance and audit functions of the Department.

## Local Taxation

The general property tax continues to account for over 80 percent of all local government tax revenue. It is the largest and often the most inequitable tax paid by Kansans. Pending legal actions seeking reappraisal of all property, federal intervention on behalf of certain industries and continuing legislative efforts to grant special tax exemptions and alter appraisal methods for certain classes of property in piecemeal fashion all underscore dissatisfaction with the present system. They highlight the urgent need for comprehensive measures to correct the current property tax situation.

In recent sessions, there have been legislative efforts to begin the reappraisal process for real property. This action is to be commended as necessary to cure many of the present inequities in our property tax structure. The application of reappraised values, however, without classification, would create a far larger problem than it would remedy. A constitutional classification amendment would allow us to assess different classes of property at different rates. To do nothing but reappraise would result in a massive shift of property taxes to homeowners and farmers. The consequences for these property owners, as well as for local governments, including our elementary and secondary schools, would in many instances be devastating.

The principle of tax fairness demands that we act aggressively to equalize assessment values within classes of property. As a matter of policy, this Administration will redouble its efforts to achieve intra-class equalization.

The principle of tax fairness also demands that we address the issue of class exemptions and differing class assessment values in a comprehensive way. Only through a constitutional amendment permitting classification can we achieve a rational, comprehensive adjustment of our property tax system that will enhance the equalization process, that will protect homeowners and farmers from massive property tax increases, that will permit other essential assessment changes to be made and that will avoid placing a basic, fundamental policy decision squarely in the hands of the courts.

As a matter of high priority, I ask that the Legislature adopt early in the session a concurrent resolution for a constitutional amendment to establish certain limited property classes for purposes of property taxation and, in certain instances, to phase-out or exempt selected property from taxation.

In conjunction with the constitutional amendment, I also urge that the machinery be set in motion to begin the process of updating real property values. As I have previously indicated, however, the reappraisal process should not begin until action has been taken to place a classification amendment on the ballot.

The past two years have been ones of fiscal trauma for Kansas and other states. Through the cooperation of the Executive and Legislative Branches, we have survived that crisis in an exemplary manner. If we can approach the issues I have outlined today in the same cooperative manner, we will indeed improve the fairness of our tax system and enable continued quality service to all Kansans.

## AGRICULTURE

Kansas, as a major farm state, is uniquely affected by agriculture. Grain farmers, cattlemen and dairy farmers alike contribute greatly to our economic well being and our cultural heritage. Current wisdom extolls the importance of high technology industries, and agriculture is the premiere high technology industry in our state. Although agriculture is primarily a Federal issue, the State plays a vital role in the agriculture sector.

### State Issues

The business of agriculture in Kansas is an important contributor to our economic welfare. The Board of Agriculture, charged with regulation, promotion and development of Kansas agriculture, has recently undertaken a reorganization that I fully support. This reorganization is designed to coordinate like activities which were previously spread among different programs within the Board. The reorganization should increase the efficiency of the management of the Board of Agriculture. My budget recommendations reflect the program changes resulting from this structural adjustment.

An important part of the function of the Board of Agriculture is the development and promotion of exports of Kansas' commodities. The marketing of agricultural products is dramatically different today than it was thirty years ago. More and more, farmers are producing for the international market. Recognizing Market Development Division within the Board of Agriculture. This increased commitment acknowledges the importance of effective marketing of Kansas' agricultural products. Although I am increasing my recommendation for Fiscal Year (FY 1985), this in no way marks the end of efforts to promote these activities. I suggest continual emphasis in this area to ensure the integrity of our agricultural sector.

Another important function of the Board of Agriculture is inspection and regulation of agricultural products. Last year, I proposed discontinuation of state funding of the Meat and Poultry Inspection Program within the Board of Agriculture. Responsibility for regulation of intrastate plants would have rested with the Federal government. The Legislature decided to continue state funding of this program and to finance the operations in 1984 from a mix of State General Fund dollars and Board of Agriculture fee fund balances. As a result of this action, these fee balances were significantly reduced. Continuation of this program will require a significant contribution from the State General Fund. My 1985 budget recommendation reflects full funding of the Meat and Poultry Inspection Program.

The use of environmentally sound agricultural practices is of great concern to me. As farming becomes more sophisticated, new techniques are developed and utilized without the benefits of extensive environmental testing. One such technique, known as chemigation, has been the focus

of significant inquiry by farmers and environmentalists alike. Since adequate testing has not been done to determine all the ramifications of the use of this technique, I recommend an appropriation of \$10,000 to the Board of Agriculture to conduct a study to test the effects of chemigation.

The interrelationship between agricultural production and the environment is one obviously in need of recognition. The most serious environmental impact of advanced agricultural techniques is manifested in the area of water supply. Cognizant of these strains, as well as others, I have directed the Kansas Water Office to continue the development of a comprehensive State Water Plan to be presented to the 1985 Kansas Legislature. Much of the research for the development of the plan has been completed. Two specific areas which should be pursued this year are 1) minimum stream flow standards and 2) negotiations on the purchase of federal water storage.

As a part of our efforts in the water policy area, I recommend the funding of new positions in the Water Resources Division of the Board of Agriculture. This staff would supplement existing resources to assist in the reduction of the backlog of water rights application processing.

Also, I recommend an increase in funding to the Conservation Commission. These new dollars will be used for Water Resource Cost Share Programs and Watershed Construction Projects. I also recommend new dollars for the Kansas Water Office for the compilation of a computerized Water Abstract Data Base to be used to better understand and analyze our water situation.

Kansas is privileged to have one of the nation's most respected land grant universities. Research efforts undertaken at Kansas State University benefit agriculture throughout the world. I am committed to improving and maintaining these research efforts. As part of an improvement program, renovation of Weber Hall and the eventual construction of a new Meats Laboratory are contained in my five-year capital improvements plan for the Regents' institutions.

The other important issue facing Kansas agriculture involves the urgent need for enactment of a constitutional classification amendment. Reliance by local governments on the property tax as the most important source of revenue often results in inequities. Legislative, judicial and federal actions designed to address these inequities in an ad hoc fashion simply increase the unfairness and dissatisfaction with the system. Such approaches highlight the urgent need for comprehensive measures to correct the current tax situation.

In recent sessions, there have been legislative efforts to begin the reappraisal process for real property. This action is to be commended, as it is necessary to cure many of the present inequities in our property tax structure. However, the application of reappraised values without the concomitant ability to assess different classes of property at differing rates would create a far larger problem than it would remedy. To do nothing but reappraise would result in a massive shift of property taxes to homeowners and farmers.

As a matter of high priority, I ask that the Legislature adopt early in this session a resolution for a constitutional amendment to establish certain limited property classes for purposes of property taxation and, in certain instances, to phase-out or exempt selected property from taxation.

## National Policy

American farmers are beset with economic hardship. Farm debt throughout the country is on the increase, and farm income, although it recovered slightly this last year, has been declining in the late 70's and early 80's. Also, the business of farming is changing. It has literally become a worldwide industry with increasing amounts of our agricultural products being sent to overseas markets. Concurrent with this market change is the shift from reliance on labor input to increased capital investments. This increased reliance upon external factors coupled with falling income has created an untenable situation for our farmers.

We must not forget the importance of agriculture to our everyday lives. Not only do we Americans enjoy the highest quality food in the world at the least cost, but agricultural exports contribute positively to our balance of trade ratios.

Some people contend that farmers who are unable to make a profit should simply get out of farming. This statement reflects a naive approach to our agricultural problems. In order for Americans to continue to enjoy high quality food at a low cost, we must preserve an ample number of agricultural producers.

In September 1982, I appointed a bipartisan Agricultural Working Group to study farm policy. This group extensively studied these policies and came to a rather simple conclusion--farmers lack a dependable national policy.

Dependability in policy is critical for farmers so that they can adequately plan their investment strategies. Currently, it is not the programs themselves that are inadequate but the process through which they are made. Farm programs have been designed which may have adequately addressed the problems of farmers, but they are only allowed to operate for a very short time.

The time has come, as we approach the development of a new farm bill, for us to reconsider our agricultural policy development process. My Agricultural Working Group, representing many agricultural interests, recommended the adoption of a new institutional mechanism at the federal level to assist in development of national farm policy.

The Midwestern Governors' Conference unanimously passed a resolution calling for the creation of a federal mechanism for agricultural policy. I have also introduced a similar proposal to the Agriculture Committee of the National Governors' Association. I plan to introduce this policy at the midwinter meeting of the National Governors' Association.

I sincerely appreciate the efforts of my Working Group, their support staff and various farm organizations that have worked together so effectively on this new approach to agricultural policy making. A number of farm organizations have passed resolutions supporting this idea. I am encouraged by this support, because I sincerely believe that this new mechanism will benefit all of the industry, our farmers and the consuming public.

Kansas, situated in the heart of the grain belt, must continue to be a leader in agriculture. We must preserve the integrity of our agricultural sector if we are to continue to enjoy our current

standard of living. Whether programs are operated through our state Board of Agriculture or through the Federal framework, we must work together to ensure that these programs assist our efforts in maintaining American agriculture as the most productive agricultural system in the world.

## TRANSPORTATION

As the connecting link between our communities, our State's transportation system is of vital importance to each of us. Consequently, one of my proudest achievements last legislative session was signing into law a piece of legislation which will provide our State with much needed resources to begin the process of rebuilding our roads, highways and bridges. The passage of this significant piece of legislation averted what was surely developing into a crisis.

As a consequence of the State's new highway improvement program, \$450 million dollars will be spent statewide during Fiscal Year (FY) 1984 and 1985 on highway projects. Additionally, we have tentatively identified projects for FY 1986, 1987 and 1988. Over the five year period 286 bridges will be rehabilitated, five thousand miles will be surfaced, 89 miles of new construction and 527 miles of reconstruction will be completed.

### Efficiency Measures

In Kansas, we have taken measures not only to provide adequate funding for our highway program, but we have also sought to ensure that our dollars were being well spent. To that end, the Department of Transportation (DOT) has been reorganized and streamlined. We now have fewer people accomplishing the necessary work. Additionally, the Department has begun a number of studies, all geared toward developing more efficient ways to operate. In 1982, the Department initiated a Roadside Park Study to analyze the use of non-interstate roadside parks. The study recommends that DOT reduce the level of service on 20 roadside parks, transfer 57 parks to local units of government and close 38 parks throughout the State. The parks are all either obsolete, infrequently utilized by travelers, in need of major repairs and maintenance or are in close proximity to communities.

This action will allow the State of Kansas to shift approximately \$497,500 in rest area maintenance to other areas of need in the State highway maintenance program.

The Department of Transportation is also working on a Highway Cost Allocation Study to determine the relationship between the amounts of revenues contributed by the various categories of highway users and the costs to the system by the same users. When completed, the study will allow us to allocate more equitably to the end user the cost of maintaining our roads and highways.

The methodology to be used to conduct the study has been developed and circulated to various interested groups for review and comment. The study itself should be completed in calendar year 1985.

The Department is also engaged in a Project Priority/Project Optimization Study and a Pavement Management Study. The Project Priority/Project Optimization Study will develop a computerized system designed to deliver a set of highway projects which will maximize available funding. The Pavement Management Study will identify projects most in need of maintenance and rehabilitation action. Arizona has been a lead state in the area of pavement management and has reported saving multiple millions of dollars.

These projects, when completed and operational, should assist the State of Kansas in maximizing the effectiveness of the dollars which we invest in our State's highway program.

#### Federal Dollars

In no area is the federal/state cooperative relationship more apparent than in our transportation program. The Federal government supplies significant dollars to the State of Kansas for road and bridge improvement. Additionally, the Federal government sets aside \$300 million annually in Federal discretionary funds for which states may apply. The process is extremely competitive. I am very proud of the ability of my Administration to obtain these funds for our State. The State of Kansas has received over \$100 million in discretionary funds over the last four years of my Administration. We were recently notified of receipt of \$18.2 million in bridge rehabilitation and replacement discretionary funds for the Kansas River Bridge in Kansas City. Further, the Department received \$9.9 million in interstate discretionary funds in Federal Fiscal Year 1983 and is applying for approximately \$70 million in 1984.

#### Minority Business Contracts

The Surface Transportation Assistance act of 1982 requires that not less than ten percent of amounts authorized by the act be expended with small business concerns owned and controlled by socially and economically disadvantaged individuals. The Department of Transportation has received national recognition for their efforts and the gains which they have made in this area. To further ensure that the State of Kansas will fulfill its goal, I recommend the establishment of a State set-aside program for minority businesses.

#### Railroads

Last year in my Legislative Message I cited a number of major railroad accomplishments. However, as an outgrowth of the Rock Island Railroad bankruptcy, one major project remained. The Midstates Port Authority in Northern Kansas did not yet have a permanent solution to serve that area of the State. We are very close to a solution, but to ensure that solution, the State may have to become a guarantor to fifty percent of the Federal Railroad Administration's loan of \$18 million to the Midstates Port Authority for purchase and rehabilitation of the old northern line of the Rock Island Railroad. The State will only guarantee the loan based upon the recommendation of DOT and upon final approval by the Kansas State Legislature. Though a final agreement has not been reached, Department of Transportation attorneys have been actively involved in assisting in the negotiations. When reached, an agreement will go far in fulfilling the needs of Northern Kansas shippers.

Another significant development in the area of railroads deserves the attention of the State. The Santa Fe and the Southern Pacific Railroads are proposing that they merge. The merger of two such important railroads in the State of Kansas is a significant public policy issue. Consequently, I have directed the Department of Transportation to appoint special counsel to represent the State in these proceedings and recommend additional funds to provide the support services necessary to develop a position for the State of Kansas on this merger.

The importance of our transportation system cannot be underestimated. This State can be proud that we made the difficult decisions and have averted what would surely have become a crisis of immense proportions. It is equally important that for now and the future we maintain our commitment to a high quality transportation program.

## AGING

Ensuring an adequate quality of life for older Kansans has been, and will continue to be, one of the primary goals of my Administration. The demographic picture of our aging community is changing. Today, the life expectancy after the age of 65 is 15 to 21 years. We, in Kansas, must work to see that these years are productive, that the talents of older Kansans are utilized, that an acceptable quality of life is achieved and that those who most need assistance receive adequate care and protection.

### Citizen Involvement

In 1983, the first Silver-Haired Legislature convened. The broad range of issues discussed by the senior legislators exemplifies their inter-generational concern. I commend those representatives for their productive sessions as well as the thousands of Kansans involved in the selection and election processes. The participation in this exercise proves the commitment of our senior population to the success of Kansas. I will continue to work with the Silver-Haired Legislature in developing recommendations which benefits all Kansans.

Another new program to enhance citizen involvement is the Citizen Participation Program developed through the cooperation of the American Association of Retired Persons the Kansas Department on Aging (KDOA) and the Area Agencies on Aging. This program focuses on providing opportunities for seniors to serve on various state and local boards and commissions.

Increased involvement by our aging community will serve the best interests of all Kansans, but there are specific areas which have been and must continue to be addressed if we are to utilize fully the capabilities of our mature citizenry.

### Employment Issues

In 1983, I recommended and signed into law the Age Discrimination in Employment Act. This legislation, for the first time, includes age as a class protected from discrimination. In order to investigate adequately the claims of age discrimination, I recommend the addition of new staff at the Kansas Commission Civil Rights. Proper staffing is essential if the rights under this act are to be protected fully.

My Administration has always supported removing the barriers to work opportunities. I strongly support the Older Kansans Employment Programs. Over 800 older Kansans have been placed in non-subsidized work, either in private industry or in the provision of services to needy Kansans. I urge the continuation of these programs. I also direct the Secretary of Aging to continue support for Older Workers Councils, which provide coordination of aging employment programs. I further recommend the development of a strong cooperative relationship between the Departments of Human Resources and Aging in the administration of all aging employment funds received as part of the Federal Jobs Training Partnership Act.

### Community Based Long Term Care Services

Community based services are an essential component in our long term care system. These services foster independence and community involvement while avoiding costly and unnecessary institutionalization. As the number of Kansans over the age of 75 grows, these services become even more essential.

Some of the most successful community based alternatives for older Kansans are the meals programs administered by the KDOA. These critical services promote physical and mental well-being by providing elderly participants with positive social experiences and improved diets while reaching those who are the neediest. The majority of participants live alone, are over age 75 and have low incomes.

The Congregate and Home-Delivered Meals Programs promote independent lifestyles. As the need for the nutrition services grows, considerable initiative has been made to improve the productivity in these programs by increasing cost-effectiveness and local participation. In 95 counties at 263 nutrition sites across the State, 3.2 million meals will be served to 57,670 older Kansans.

The Home Delivered Meals Program is one of the most critical components to the well-being of the most vulnerable group of elderly, the homebound. Income guidelines screen those vulnerable older persons most in need of service. For many, that is the difference between staying in their own home and being institutionalized. During FY 1984, this program will serve 162,000 meals to approximately 1,000 needy people. I therefore recommend that the State maintain the support for these service levels.

Another important part of the community based network is the Home and Community Based Medicaid Waiver Program for those eligible for nursing home care. This program is administered by the Department of Social and Rehabilitation Services (SRS). Our Kansas Pre-Admission Screening Program also offers alternatives to institutional care.

Moreover, I charge my Long Term Care Subcommittee of the Cabinet to support coordination of existing community programs. Elimination of costly duplication of these services facilitates the provision of alternatives to institutional care. I further support the continuation of services such as the LIVELY Program, Home Health Care Programs, Homemaker Services Programs and Adult Family Home Development Programs. The provision of these and similar services is crucial to the maintenance of a viable alternative care network.

The Department on Aging recently announced the availability of grant money for the development of case management through the Area Agencies on Aging. These projects will serve non-Medicaid clients by offering preadmission screening, case planning, advocacy and follow-up services. These pilot programs will offer substantial evidence of the efficacy of case management projects.

### Adult Care Homes

Although I am committed to providing alternatives to institutionalization whenever possible, some segments of our aging population need care that can only be provided in an institutional setting. As we divert more persons from nursing homes we find that those in these homes are typically older and require more extensive care.

We have made major efforts to assure that older Kansans and disabled Kansans in adult care homes are provided with quality services designed to meet the specific needs of each resident. In order to move nearer to this objective, I propose changes which will both directly and indirectly affect the care received by residents. I direct the Departments of Health and Environment, Aging and SRS to study the effects of 24-hour licensed nursing care in nursing homes. The study should address the quality of care provided and the cost of this care.

Additionally, I recommend legislation to provide authority for KDHE to assess immediate civil penalties for certain violations of licensing requirements. This will provide a deterrent to reoccurrence of violations and will encourage more timely corrective measures.

Another area of concern in nursing home operations is the issue of liability in cases of court ordered receivership. Currently, the State lacks the ability to recover costs resulting from receivership from the licensee of an adult care home. I recommend legislation to allow the State to recover the costs of receivership from the licensee, thereby saving the State thousands of dollars in temporary nursing home administration costs.

Community involvement in the operations of nursing homes tends to improve the quality of care provided. To enable county health departments to provide oversight of nursing homes in their areas. I recommend continuation of the Nursing Home Visits Program at current levels.

I also recommend legislation be passed that expands compulsory reporting of abuse in adult care homes and medical facilities to include all employees of such institutions. Further, I recommend that persons required to report such information, who knowingly fail to do so, be guilty of a Class B misdemeanor.

### Health Care Costs

Another serious issue facing all Kansans, especially our older citizens, is the high cost of health care. Since 1979, I have continued to work for ways to address health care cost containment. Attempts to address the problems of health care costs involve the examination of a series of very complex issues. Cost savings methods must be encouraged, but the quality of the care provided must also be maintained. Recognizing the complexity of developing appropriate responses for

containing health care costs, I direct the Statewide Health Coordinating Council to conduct an extensive study of alternative approaches to health care delivery and innovative ways of dealing with the rising costs. Further, I direct the Long Term Care Cabinet Subcommittee to examine the effects of recent Medicaid and Medicare payment schemes on the community based services network.

In November, by directive of the Federal government, lists of physicians accepting Medicare assignment were compiled and published. I have directed the Secretary on Aging to publicize the availability of this information and to use the toll-free ASK line to provide specific physician information to interested Kansans. With this information, older Kansans should be able to make more informed choices on physician selection, thereby having a role in keeping personal health care costs under control.

### Utility Costs

Utility costs are particularly important to older Kansans as they are primarily a fixed-income population. Unfortunately, a vast majority of utility cost increases are a result of Federal actions which are not directly controllable by the State. Typically, utility cost increases have been related to energy costs, this year, the AT&T divestiture has created upward pressures on telephone rates.

The Kansas Corporation Commission (KCC) has taken a pro consumer stance on the Southwestern Bell rate case. This decision reflects a commitment by the State to provide necessary utility services to citizens at a reasonable cost. The future of telecommunications services and related costs, however, are issues which must be influenced at the Federal level. I therefore support efforts by the National Governors' Association to become actively involved in the national dialogue on telecommunication issues.

Another issue of national impact is the deregulation of natural gas. Of the more than 200 percent increase in natural gas prices customers have seen in the last four years, 95 percent has been due to Federal action. I am proud of the role of my Administration in addressing the problems of deregulation. The National Governors' Association will continue to be a vehicle I will use to persuade Congress and the Administration to address the artificially inflationary impact of take-or-pay and indefinite price escalator clauses in natural gas contracts as well as other energy issues.

Several specific proposals have been implemented to address rising utility costs and related issues in Kansas. The Natural Gas Protection Act, the establishment of the Consumer Information Board by the KCC and Project Winter Warmth are examples of such initiatives. The Winter Watch program provides education on efforts to survive winter weather. This education program accompanies Federal funds available through the Low Income Energy Assistance Program (LIEAP). I expect an increase in the Federal dollars available for LIEAP in FY 1985. Over 225,000 Kansas households have received assistance through the LIEAP program; 40 percent of which contained elderly inhabitants. Such programs should increase the ability of all Kansans to better afford their utility bills.

In addition to assistance in paying utility bills, Kansas has been a leader in conservation efforts. Through SRS, the State has assisted in the weatherization of over 6500 homes of low income Kansans. Due to the priority my Administration placed on this program, I devoted some \$1.7 million of oil overcharge refund money from the Federal government to weatherization. I support the continued finding of this program which will reap significant benefits in years to come.

Another component part of my conservation package is a recommendation to the KCC to conduct a study of the ramifications of establishing conservation utility rates. As with many of the utility issues, proposals for conservation rates involve complex questions. We should be fully aware of the potential impact of this a proposal before we implement such an effort.

We have made major efforts in the last few years to assure that older Kansans are provided with services of high quality, designed to meet their specific needs. Our work is not yet done.

## HEALTH

In Kansas, we have long recognized the importance of a healthy citizenry. We have witnessed successes in dealing with many, once common diseases. We continue to face emerging threats to our health. These are partly a consequence of poor lifestyle habits. At the same time, the cost of health care is increasing. There is a need for us to achieve a better balance between health promotion and illness care. There must be improved planning, development and implementation of programs based on knowledge of health behaviors.

### Health Promotion

As our knowledge of ways to prevent diseases develops, we must focus on programs which promote good health. The effects on health of stress, excessive alcohol consumption and tobacco usage are well known. I have directed the Kansas Department of Health and Environment (KDHE) to expand its PLUS health promotion program to the entire State, wherever feasible. This program already has proven successful in a number of state agencies. Once established on a statewide basis, we will realize significant decreases in absenteeism, accidents and loss of productivity. Through Project PLUS, we can increase the overall health and fitness of our state employees, thereby decreasing the demands on the health care system.

In conjunction with this effort, KDHE will concentrate significant resources to increase the public awareness of the dangers and consequences of the use of tobacco products. Through Project VOTE and other specific programs, every effort will be made to help both public agencies and private industries establish smoking policies and practices that provide the maximum protection of the rights of the nonsmoker in the work place and in public areas.

### Health Care

The issue of rising health care costs is one of significant concern to all Kansans. Consumers of health services have important roles to play in containing costs in the future, and must take more active roles in determining service utilization by developing partnerships with physicians for

decision making. The greatest potential for controlling future costs may be realized as people examine their life-styles and modify the negative health habits mentioned earlier.

Attempts to address the problems of health care cost increases involve the examination of a series of very complex issues. The specific proposals to treat the symptoms of the problems invoke serious disagreement among experts. Such program discussions typically generate conflict of opinion; but in the health care area, the debate over the selection of the proper guiding principles for developing public approaches is the first major stumbling block. One thing that everyone agrees upon, is that we must address these rising costs.

There are measures that the state can take to help contain health care costs. In order to assure that we continue to provide for quality and reasonably priced health care. I direct the Statewide Health Coordinating Council (SHCC) to monitor carefully developments in the health care area. Specifically, I direct the SHCC to carry out the following:

- 1) Study the proposals in other states, specifically those dealing with the issues of cost shifting resulting from prospective reimbursement; further study the use of utilization review and preadmission screening and incentives for development of alternative structures for health care delivery;
- 2) Analyze methods currently being used by private employers for dealing with increased health care costs;
- 3) Compile an accurate and up-to-date health facilities assessment for Kansas;
- 4) Investigate our ability to obtain accurate cost information from providers and insurers; and
- 5) Develop strategies for Kansas to best meet the challenges of escalating health care costs.

In our efforts to address the significant issues in health care cost containment, I am pleased to report the success of our Health Planning Review Commission. This group has just completed a study of health planning in Kansas and has developed the following recommendations:

- 1) Extend the sunset date of health planning and certificate of need programs to July 1, 1987;
- 2) Improve coordination of the SHCC by expanding that body to include the Secretary of Social and Rehabilitation Services, the Secretary of the Department on Aging and a member of the Governor's staff; and
- 3) Promote health planning program collaboration among providers, hospitals, consumers and other groups.

I hope you will join me in endorsing these recommendations.

Aid to Local Units

The health of Kansans has been enhanced by the partnership between the State and local health departments. Accordingly, I recommend that additional monies be allocated to local health departments using the formula authorized during the 1982 Legislative Session. Past levels of State support for local health departments have not been sufficient to fund state-mandated programs. Additional funding could help alleviate this problem. I support the addition of \$271,000 for local health departments. This funding will ensure that no county would receive less in FY 1985 than they received in FY 1984, moreover, each county will receive at least \$1,500. Program funding which will be combined under the formula funding umbrella is Home Health, LIVELY, Home Visitor/Healthy Start, Mother and Infants and General Health Program.

By providing these monies in block grant form, local communities will be able to develop those programs that best address the specific needs in their areas. KDHE will develop broad guidelines for expenditure of these funds.

Public health problems frequently accompany times of rapid population growth and community change. This is occurring in Southwest Kansas with the movement of Indochinese refugees and other migrants to the area. To help this community meet the special needs of its population, I direct the Secretary of KDHE to target additional resources to that area and to broaden the activities of its district health offices to address these emerging health issues. Furthermore, I recommend that other Federal monies available to the State be spent to reinforce services in Southwest Kansas. Finally, a community advisory board will be formed to assist us in identifying the solutions to meet the needs of the population in this area.

#### Emergency Medical Services

Another critical element of our health system is Emergency Medical Services (EMS). State government and local entities have cooperated over the past few years to make significant improvements in the quality and availability of emergency services throughout Kansas--especially in the rural areas. I recommend continuation of the funding of EMS at current levels. This funding, although not an increased amount, reflects a state commitment to the maintenance of the EMS program we have worked so hard to develop.

#### Adult Care Homes

We have made major efforts to assure that older Kansans and disabled Kansans in adult care homes are provided with quality services designed to meet the specific needs of each resident. Our work is not yet done. In order to move nearer to this objective, I propose changes which will both directly and indirectly affect the care received by residents. I direct the Departments of Health and Environment, Aging and SRS to study the effects of 24-hour licensed nursing care in nursing homes. The study should address the quality of care provided and the cost of this care.

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I also recommend legislation be passed that expands compulsory reporting of abuse in adult care homes and medical facilities to include all employees of such institutions. Further, I recommend that persons required to report such information, who knowingly fail to do so, be guilty of a Class B misdemeanor.

### Crippled and Chronically Ill Children

My administration has made great strides in addressing health needs of crippled and chronically ill children in our State. The Special Child Project which began three years ago continues as a useful link between the Department of Health and Environment and the Department of Education in coordinating health and educational services for handicapped children. We should continue these positive efforts by encouraging earlier identification of children in need of health services. I recommend the establishment of a council for Early Childhood Developmental Services. This council will plan and coordinate a comprehensive statewide system of services for preschool handicapped children. I also recommend the addition of a staff coordinator in KDHE to establish a High Risk Registry of pre-school handicapped children.

### Maternal and Child Health Care

We must be particularly aware of health risks which affect pregnant women and infants. Appropriate prenatal and neonatal care can significantly affect mortality rates and long term medical costs. KDHE has received an increase in Federal Grant monies available through the Women, Infants and Childrens (WIC) program. This money will be used to increase enrollment in this program which is designed to assist low income families. KDHE anticipates a 25 percent increase in participation as well as an expansion into previously unserved areas of the State.

KDHE has also received a Federal Genetic Diseases Program grant. This money will be used to provide counseling for expectant parents and additional staff to assist in ongoing counseling programs. The State will receive at least \$170,000 through this grant.

Efforts to provide a network of public health programs deserve our special consideration. We must work to continue to provide the opportunity for quality health care at a reasonable cost.

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