

John William Carlin

MESSAGE OF GOVERNOR JOHN CARLIN TO THE KANSAS LEGISLATURE January 14, 1986

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

As we begin the 1986 session of the Kansas Legislature, we should recall with pride the many historical accomplishments of last year and, with that recollection, look forward to another opportunity to move our state ahead.

For today is the time to determine if we have answered the difficult questions confronting this state's future. And the future is closer than we often realize. In fourteen years we will enter a new century, and today we must ask ourselves if Kansas is ready.

As this state prepared for and entered the 20th century, the political, social and economic base our predecessors provided enabled us to compete during the industrial revolution, to survive the depression of the 30's and to capitalize on the post-war growth of the 50's. Further, our Kansas conservatism has seen us through many difficult economic times.

There is no doubt that earlier generations of Kansans served us well. And as we celebrate the State's 125th anniversary of statehood this year, it is appropriate that we applaud the legacy bestowed upon us.

But as I reminded you last year, times have changed, and we can no longer rely solely on what was built in the past to carry us through the future.

And it is our generations's legacy that I want to discuss with you today.

As we look at my legislative agenda, I want to ask you to fund the future. And that is not just a slogan but a challenge to do what is right for this state. For the simple fact is, we cannot expect others to invest in Kansas unless we are willing to invest in Kansas ourselves. As a state, we must be concerned with accumulating dividends for the future.

So, if I were to identify the overriding issue confronting this session of the Kansas legislature, it would have to be economic development.

Without an economy that is vital and growing, we cannot supply the basic services of government. We will not have jobs for our citizens. And we cannot expect to have a growing population that contributes to the state's livelihood.

Therefore, we must compete. And competing means providing quality education for Kansans young and old. And quality education does not exist without quality teachers in our public schools and faculty members at our institutions of higher education.

And finally, competing means that we attend to the basic services government provides. We must maintain our prisons. We must provide programs for the poor and aging in our population. State government is being asked to carry an ever-increasing share of the social programs, and as a state, we must be responsive.

But the fact is, as I look at the basic budget, I do not see it as one that allows us to compete in all the arenas that affect our future.

Kansans understand that growth will require some sacrifices and risk taking. They know that in a competitive world we must lead. They know we are going to have to run to get ahead or we will be run over.

And in order to keep pace, we must pay a price. Therefore, we must also recognize that competing means having a fair tax structure to provide adequate resources. But Kansans also demand that their tax dollars be spent responsibly. They want effective and efficient government. They expect us to be lean.

The investment budget and sales tax increase I have proposed meet Kansans' view of good government. I am not asking you to fund an expensive government but to fund government services that are critical to our ability to compete and to serve our citizens.

I want the legacy of this generation of Kansas legislators and of my administration to be one of viewing progress as a never-ending process. And in demonstrating what a tradition of progress means, I want us to be able to show that we recognized those things that must remain unchanged, and we preserved them and that we had the foresight to determine what needed to be altered, and we did it.

And finally, I want future generations of Kansans to look back on this period in our state's history and say that we built the foundations for the 21st century.

ECONOMIC DEVELOPMENT

There is no better reflection of a state's progress over time than the development of its economy. Likewise, the best measure of a government's performance is its ability to anticipate the changing economic times and provide a foundation of laws and basic services that allow the private sector to adapt to those changes.

When future generations of Kansans evaluate my administration, they will see that state government anticipated the changing needs of a turbulent economy. They will also see that I responded with initiatives that cleared away the barriers to progress and laid the foundation for economic growth. And, hopefully, they will point to 1986, the final year of my administration and the 125th anniversary of our state, as the year when Kansas recaptured the spirit of progress and innovation that is its heritage. I am optimistic that the legislature will, in this historic year, make the investments in economic growth that I have recommended--investments that maintain and build upon the solid foundation that has been laid during my administration.

REMOVING THE BARRIERS TO GROWTH

This year, we will celebrate Kansas' proud heritage of innovation and progressivism. It is this heritage that William Allen White captured when he described Kansas as, "hardly a state but a kind of prophecy." Our history provides numerous examples of this progressive legacy. Kansas led the nation in such important areas as compulsory education, women's suffrage, prohibition and banking regulation.

If there is a paradox in our heritage, it is that we have, at times, idealized and perpetuated the "products of the past" such as prohibition and unit banking, instead of preserving the process of innovation that produced them. One of the main goals of my administration has been to eliminate the obstacles created by these "products of the past" that stifle our prospects for future economic growth.

-- In 1985, I recommended, and the legislature adopted, a resolution that will repeal the state's constitutional prohibition on liquor-by-the-drink. Our economic development efforts suffer from a perception among out-of-state business interests that Kansas is backwards and remote. While we know this unflattering perception to be untrue, our hypocritical and confusing liquor laws contribute to the image of a state that is remote from the realities of modern society. To project an image that is attractive to businesses that consider locating in Kansas, I urge the voters to approve this amendment.

-- In 1985, I secured legislation that allowed the formation of multi-bank holding companies. This change eliminated our outdated unit banking system that was preventing our state from adapting to the rapidly changing national and international financial structure. With the enactment of multi-bank legislation, I am now confident that the Kansas banking community can keep pace with these changes and continue to meet its share of the credit needs of business, commerce and agriculture.

-- Recognizing that an equitable tax structure is key to a healthy business climate, I have worked throughout my administration to address the inequities in our current property tax system. The major obstacle to resolving these inequities through statewide reappraisal has been the constitutional requirement that all property be assessed on a "uniform and equal" basis. Reappraisal under these conditions would cause a \$200 million property tax increase for homeowners and farmers. To correct these inequities without a major disruption in our property tax system, I have consistently advocated that a "classification amendment" to our constitution be enacted in conjunction with reappraisal. In 1985, the legislature finally passed this important measure. Included in the amendment is an exemption for merchants' and manufacturers' inventories that will end a long-standing disincentive to business growth and expansion. I urge the voters to approve this measure in November.

-- Knowing that the state would need flexibility to respond to the changing economic times, I pushed a modification in the state's constitutional prohibition on "internal improvements"

through the legislature in 1980. This prohibition precluded the state from providing federal or state financial assistance to private enterprise. This change enabled the state to guarantee a federal loan that allowed services to be re-established on the northern line of the bankrupt Rock Island Railroad. This line is an important link in the economy of northern Kansas.

Each of these accomplishments has mitigated or eliminated a substantial barrier to economic progress. Perhaps it is a sign of the times that one of these accomplishments is already inadequate to address our rapidly changing economic situation. The modification to our constitutional prohibition on "internal improvements" that was adopted in 1980 only allows the state to provide financial assistance to businesses in conjunction with federal aid programs. It is likely that the federal economic development programs that Kansas uses will be severely restricted in the future. The President has proposed elimination of the federal Small Business Administration, Economic Development Administration, Export-Import Bank and the reduction of Community Development Block Grant funds. Many states are already implementing innovative initiatives that supplement the programs currently available through these federal agencies. They will gain a competitive advantage over Kansas if our economic development efforts continue to be tied to the availability of federal funds.

We need flexibility to implement economic development initiatives that will make us competitive with other states and which are tailored to Kansas' unique economic strengths and needs. Programs such as those recommended by the recent Interim Report on the Kansas Economic Development Study released by the Kansas University Institute for Public Policy and Business Research may not be possible without further modification of the state's constitution. I, therefore, recommend that the legislature approve a constitutional amendment that repeals the prohibition on internal improvements. This action, if approved by the voters in November, would remove one more of the "products of the past" that currently restricts our ability to adapt to the changing needs of a turbulent economy.

PROVIDING THE FOUNDATION FOR ECONOMIC GROWTH

Our forefathers left us a rich legacy of economic growth because of their ability to see adversity as the stimulus for creative changes, hard times as the opportunity for wise investments and the challenges of the present as the gateway to the future. They looked beyond the limitations of an austere pioneer lifestyle and made capital investments in a brighter vision of a more abundant tomorrow. They invested wisely in public education to develop our state's "human capital." They developed the state's "physical capital" by building roads and highways that provided the essential transportation links for commerce and industry. And, they encouraged the development of the state's "financial capital" with a sound and stable fiscal policy and a balanced and equitable tax structure. They, in essence, pursued the most fundamental form of economic development--capital investments that built the foundation for our economic future.

I have emulated our heritage of investments in human, physical and financial capital as I have pursued the further development of Kansas' economy. The record will show that during my tenure the state made solid capital investments in public education and highways within the context of a sound fiscal policy and an equitable tax structure. As a result, the economic

development recommendations that I make today seek to maintain this foundation of accomplishments and build upon it to create an economic legacy that we will all be proud to pass on to our children.

Perhaps my proudest accomplishments are in the development of "human capital" that have resulted from my initiatives in public education.

-- My administration has continuously sought to improve the quality of instruction in our elementary and secondary schools. In 1980, I recommended the development of a minimum competency test to assess elementary and secondary students' basic skills in reading and mathematics. The 1981 Legislature approved a two-year pilot program of testing, and the 1984 Legislature established a five-year state minimum competency testing program, administered non-public school children.

-- -My initiatives to improve the quality of the state's teachers have been focused in several mutually supportive areas: increasing salaries and benefits; providing inservice training and professional development; and improving entry qualifications for new teachers. These goals have been met: teachers' average salaries including benefits have increased from \$14,192 in 1979 to \$25,854 in 1985; the State Inservice Education Opportunities Act was enacted in 1984 and funded by \$750,000 in 1985; legislation requiring teacher certification testing was passed in 1984 with testing required after May 1, 1986; and the 1984 Legislature requested the State Board of Education to develop a one-year internship program by 1985.

-- I have continually approved legislation that allows our community colleges and Washburn University to keep pace with the rising cost of post-secondary education. In 1981, I signed legislation that eliminated general fund budget limits for community colleges. Since 1980, I have concurred with the legislature in raising per credit hour state aid for community colleges and Washburn from \$21.00 in FY 1980 to \$26.25 in FY 1986. I also signed legislation that increased the resident tuition range for community colleges from \$10 to \$15 in 1984 and \$14 to \$22 in 1985.

-- The state's economy is directly related to the quality of its higher education. Retaining outstanding faculty and sufficient other operating expenditures (OOE) are necessary to maintain program quality. Centers of Excellence were established at the University of Kansas, Kansas State University and Wichita State University in FY 1984 and have received \$1,374,000 of State General Fund revenues to date. Regents' faculty salaries have increased by an annual average of 7.1 percent and are 62 percent higher than when I took office. The cumulative increase in OOE at Regents' institutions totals 52 percent, since 1979.

More than ever, the expenditures we make today to develop our state's "human capital" will determine the kind of economy that Kansas will have tomorrow. The sectors of the economy with the greatest growth potential gain their relative economic advantage from an adaptable

workforce with knowledge-based skills. For this reason the Interim Report on the Kansas Economic Development Study strongly ". . . a continuation and expansion of the state's commitment to all levels of public education in Kansas." The report goes on to state that "Public education in general and higher education in particular are crucial elements for the future progress of Kansas."

The budget I have constructed utilizing current revenues does nothing to maintain, let alone build upon, our accomplishments in the area of education. As such, it represents an unacceptable approach to the continued economic development of the state.

I, therefore, recommend that we invest approximately \$65.6 million in new revenue to continue investment in our schools and to improve compensation for our teachers and faculty to retain our competitive edge in education.

The investments that are made by a state in its infrastructure, or "physical capital," determine its ability to accommodate economic development. Without an adequate system of streets and highways, rail transportation and water supply, we will not be able to maintain, much less attract, the business growth that we desire.

When I took office, I faced a major problem in the deterioration of the essential links of commerce--our state highways, city streets and county roads. It was obvious that the state needed to make a substantial capital investment to maintain and modernize this system. In response to this critical need, my administration has pursued a number of initiatives that have reestablished the integrity of this important component of our infrastructure.

-- In 1979 and 1980, \$35 million was transferred from the State Freeway Fund to the State Highway Fund. This funded important modernization projects such as the improvement on Highway 81 from Concordia south to US-24.

-- In addition to its regular distributions of federal interstate funds, the Kansas Department of Transportation (KDOT) received nearly \$110 million in Interstate Discretionary Funds. These additional funds will ensure that Interstate 435 will be completed ahead of schedule with resulting economic development benefits to the Kansas City metropolitan area.

-- During my administration, we have completed the last of the freeway projects. The freeway program, established during the 1970's provided for modern highway facilities to be constructed across the state. This program has allowed us to complete such important projects as improved access to Mid-Continent Airport in Wichita, Highways 69 and 169 in southwest Kansas, improvements to US-54 and K-96 in southern Kansas and providing an improved US-36 across the northern counties of the state.

-- Funding from the 1983 Highway Finance Act permitted us to begin an accelerated resurfacing program. Since passage of the act, KDOT's highest priority has been the resurfacing of 1,000

miles of pavement each year. As a result of the 1983 Act, a five-year plan was developed that scheduled 100 miles of interstate highway for rehabilitation, 140 bridges for replacement or rehabilitation and 225 miles of highway system for modernization. This funding also allowed completion of the Garden City Bypass and the surfacing of K-10 connecting Lawrence and Johnson County.

Although the highway funding package enacted in 1983 enabled us to maintain the investment in our current highway system, it provided little flexibility to fund projects that pay additional returns in the form of economic growth.

In the last 20 to 30 years, the bulk of the real growth and development in Kansas has centered along the interstate highways and the Kansas Turnpike. This illustrates the fact that the improvement of the transportation system is key to the economic development of the state.

To address this need, I recommend that the state invest \$30 million in new revenue per year in the Kansas Economic Development Highway Improvement Program to further improve our highway system. This program will provide interest-free loans to local communities to finance the construction of highway projects that stimulate new economic growth. It will allow for the construction of projects that might otherwise not be built and for economic growth that would otherwise not occur.

The availability of a reliable supply of clean water is yet another key to the state's ability to attract new industry and accommodate economic growth. This means that our efforts to keep our water clean and assure its continued availability are also a part of our overall economic development efforts. In this regard, my administration has taken actions to protect and improve the quality of our state's waters and to anticipate the needs of a growing economy by planning for an adequate future water supply.

-- During my administration, I have emphasized the protection of both surface and groundwater. In 1984, I recommended, and the legislature approved, the establishment of the Hazardous Waste Cleanup Fund (State Superfund). This program authorized the Kansas Department of Health and Environment (KDHE) to initiate cleanup of contaminated sites resulting from the improper disposal or storage of hazardous waste. Since that time, \$200,000 has been expended to implement this program. An additional \$350,000 will be spent in FY 1986. In 1985, I obtained passage of legislation which prohibits the underground burial of hazardous waste, unless the Secretary of KDHE determines there is no other technologically feasible or economically reasonable method. These measures have been major steps in the restoration and protection of our water supply.

-- In 1981, I initiated an Executive Reorganization Order that resulted in the creation of the Kansas Water Office and the Kansas Water Authority. I concurrently supported amendments to the State Water Planning Act to require the Water Office and the Water Authority to implement a program of continuous planning for the management and conservation of our state's water resources.

-- In 1985, I endorsed the State Water Plan prepared by the Kansas Water Office and the Kansas Water Authority. The plan includes 65 major policy recommendations, but most remain for consideration during the 1986 Legislative Session.

The Water Plan contains an innovative new program that will assure municipal and commercial industrial users that water appropriations are reliable. To implement this program, however, Kansas must purchase the storage capacity in a number of our federal reservoirs that is now owned by the Army Corps of Engineers. This purchase can be initiated if the legislature will make the necessary investment in this important component of our state's "physical capital." I, therefore, recommend that the legislature appropriate \$2.8 million in new revenue, in conjunction with \$1.2 million from the State Conservation Storage Water Supply Fund, to initiate this purchase. I also recommend that an additional \$2,433,000 in new revenue be appropriated to implement other State Water Plan programs that will enhance our ability to conserve and increase our water supplies for the future.

To increase our ability to protect our groundwater supplies from contamination, I recommend the appropriation of \$790,000 in new revenue to improve the Department of Health and Environment's ability to detect and clean up sources of groundwater contamination.

Like the investments I propose in education and highway development, the expenditures in the area of water cannot be funded in the context of current fiscal resources. Neither can the State General Fund ending balance, depleted by revenue shortfalls in the current year, be restored to a prudent level.

As I constructed the basic budget, it became readily apparent that I could not construct a budget that maintained, much less built upon, the foundation of human and physical capital development. It also became apparent that such a budget would neglect investments in another one of the basic elements of a sound business climate--state fiscal stability.

State fiscal stability is integral to the development of a state's financial capital. When the financial statements of a business are evaluated by potential investors, it is certain that the investor will take his money elsewhere if there are wide fluctuations in the company's retained earnings or cash flow. Likewise, business investors are sure to take their capital investments elsewhere if the state has chronically low ending balances and persistent cash flow difficulties.

The budget that I have constructed using current resources provides a State General Fund ending balance of only \$73.9 million. At this level, it is almost certain that the state will encounter cash flow difficulties in fiscal year 1987 and will have to resort to certificates of indebtedness to cover operating expenses. In addition, such a marginal ending balance will provide no real buffer against further shortfalls in revenue collections.

For this reason, I recommend that the state invest \$46.1 million in new revenue to increase the State General Fund ending balance in FY 1987 to a level of \$120 million. This will avoid cash flow difficulties and provide an adequate reserve against unanticipated revenue shortfalls.

Kansans have long prided themselves on being fiscally conservative. This part of our heritage has served us well in the past and will continue to in the future. However, some who label themselves as fiscal conservatives today seem unwilling to build our balances, restore our economic base and prepare our state properly for the future. That brand of fiscal conservatism does not lead to fiscal stability and economic growth. It represents thinking that is neither consistent with our progressive past, nor wise for our future.

Fiscal conservatism is more than merely protecting the public pocketbook. It also requires the ability to use resources wisely for programs which pay dividends down the road. I believe that brand of fiscal conservatism represents the thinking of today's Kansans.

I recognize disagreements exist over how best to address the challenges we face. I am encouraged there is a growing consensus that we do not have adequate resources to address them. That consensus exists because of a better understanding of why our resources are no longer sufficient. For to sustain us. Hard times have hurt our three major industries. Each is undergoing tremendous change. It seems clear this is not the result of a temporary downturn in the business cycle. The Interim Report on the Kansas Economic Development Study supports this conclusion. The report states, "The current weakness of the Kansas economy is not a temporary phenomenon." Unabated, a continuation of existing trends will result in a relative erosion of the state's economic base and its ability to provide quality services for Kansans."

With our economy in transition, a "business as usual" approach is no longer acceptable. Those who are unwilling to risk their own political capital must recognize the risks of letting the economy do their work for them. We do have a choice. "The state can influence these trends in a positive direction," according to the Economic Development Study. "This will involve providing support for adaptation and change and the application of science and technology to the existing economic base as well as building upon strengths to develop new industry," the study concludes.

The conclusion is clear. We must make substantial investments in this state's human, physical and financial capital, or the economic foundation they constitute will crumble.

But in choosing the proper source of additional revenue, we must be cautious. We must not discourage the development of private business with a tax increase that will stifle the formation of private capital. As the Interim Report on the Kansas Economic Development Study says, ". . . Kansas will lose its attractiveness relative to competing states if its tax structure and levels contain significant anomalies or fails to send the right 'signals' about business climate."

Selecting the proper source of revenue for investment requires careful study. The source must be able to produce sufficient revenue to meet the critical needs we face. The impact on our economy and overall tax structure must be measured. And we must weigh the effect it has on our ability to remain competitive with respect to other states. When those factors are considered, there is a clear choice for Kansas--the sales tax.

I propose an increase in the state sales tax of one percent to tap our most broadly based source of revenue. With appropriate exemptions already in place, it will not adversely affect any one segment of our economy. Even with the increase, the Kansas sales tax would not exceed those in

surrounding states. Most importantly, this recommendation will enable us to invest in the areas critical to future economic growth and development. In addition, it would preserve the progress we have made in the pursuit of a balanced tax policy during my administration.

-- In 1981, I vowed to veto legislation that would increase the corporate tax rate. The increase would have put Kansas at a competitive disadvantage with surrounding states.

-- After two years of debate, the severance tax I proposed on the production of crude oil, natural gas, coal and salt was enacted in 1983. Until it was passed, Kansas was the sole remaining major oil and gas producing state without a severance tax. The tax generates approximately \$100 million annually. It is structured in a fashion that integrates with the local property tax and exempts low producing and high cost wells to ensure that it does not place an unreasonable burden on the oil and gas industry.

-- My administration maintained conformity with recent federal income tax changes. The general effect of these is to increase significantly the depreciation rate allowed on most capital assets under both state and federal law, as well as provide tax benefits for families earning two incomes and Individual Retirement Accounts identical to those allowed at the federal level. The accelerated depreciation changes alone provide over \$30 million annually in tax benefits to corporations and individual businesses.

-- In 1982, amendments to the Job Expansion and Investment Credit Act increased the income tax credit to businesses from \$50 to \$100 for each person employed at a new business facility and the same credit amount for each \$100,000 in new business facility investment.

-- Also in 1982, I signed legislation creating Enterprise Zones to aid economically distressed areas by providing incentives for business and industrial development. An enhanced income tax credit was available under the Job Expansion and Investment Credit Act. A \$350 credit is allowed for each employee hired and for each \$100,000 in new business facility investment. In addition, a sales tax refund was granted for materials used in constructing, equipping, maintaining, repairing, enlarging or remodeling of a new business facility. These tax benefits accrue to businesses that locate in a designated Enterprise Zone.

These accomplishments have created a tax climate in Kansas that is equitable and, at the same time, encourages business growth. We must, however, consider additional changes that will allow our businesses to take full advantage of the tax benefits available through the Enterprise Zone Act. I propose several amendments, including changing from a sales tax deduction to a sales tax exemption and a new definition of business expansion, that will make this a more effective tool to encourage new jobs and economic activity. These changes will allow us to begin to implement the recommendation of the Interim Report on the Kansas Economic Development Study that the sales tax on all machinery and equipment used in manufacturing be removed.

Although the \$16 million fiscal note associated with this recommendation from the report does not allow its full and immediate implementation, the amendments I suggest will take us an important first step.

The choice before this state is clear. We have the opportunity to secure the future of Kansas through sensible investments or we can simply rest on the accomplishments of the past and ignore the consequences that will follow. If we choose to invest now, we must be prepared to provide leadership and take unselfish stands for the benefit of everyone.

Past generations of Kansans did not fail us. They seized the opportunities presented to them and built an economic foundation which serves us today. If we take the opportunity to invest today, we will be proud of the educational system that will teach the next generation of Kansans, of the roads and highways that will carry the lifeblood of a growing economy and of the clean, abundant supply of water that is vital to a growing Kansas. We must seize the current opportunity to ensure the legacy of innovation and progress that is our heritage as well as our vision for the future.

KDED: BUILDING OUR ECONOMIC FUTURE

In 1936, when the State of Mississippi passed the Balance Agriculture with Industry Program a new era of interstate competition for economic development dawned. This program, which became the prototype of state economic development efforts, used glossy ads offering outside business interests financial incentives to entice them to locate new factories in Mississippi. Kansas was not far behind. In 1939, Kansas established the Industrial Development Commission to promote the state as a favorable site for industrial location. This allowed our state to compete for its share of industrial growth and development.

Since that time, the competition between states for economic growth has evolved and intensified, and as a result, so have the economic development efforts of our state. The Industrial Development Commission evolved into our current Kansas Department of Economic Development and its programs have expanded to meet the challenges of the fierce competition we face.

I am proud of the accomplishments of my administration in strengthening the efforts of the Kansas Department of Economic Development (KDED) to foster internal economic growth and attract outside investment. During my tenure in office, KDED's budget increased three-fold. These funds have been invested in all phases of economic development. The Interim Report on the Kansas Economic Development Study makes it clear that "The basic strategy for development should emphasize a balanced approach of supporting the existing economic foundation, including the traditional sectors, as well as fostering growth through the expansion of current and the attraction of new industry. It should involve an integrated state-local community effort."

I am confident the general direction I have taken embodies this "balanced approach" to economic development. Even at that, I am not satisfied, that in this increasingly competitive environment, we can afford to stand still. The Interim Report concludes that: "At present, KDED is

underfunded and understaffed. In particular, KDED needs adequate resources to: 1) continue industrial recruiting of out-of-state firms; 2) expand efforts to assist small businesses; 3) initiate an existing industry program; and 4) foster Kansas international trade." A brief review of my accomplishments and recommendations reveal that this is the course I've taken and intend to pursue.

During my administration, I have taken steps that have significantly enhanced our ability to attract new industry from outside our borders and to develop and expand existing businesses. We have intensified our efforts to market Kansas products to other countries and attract foreign investment. My administration has worked vigorously to develop trade opportunities in China, Japan, Taiwan and Europe. While new relationships expand opportunities for long-term investments, Kansas is already reaping the benefits.

-- In 1979, I made my first trip to the People's Republic of China which led to the signing of a sister-state agreement with the Henan Province in 1981. Through the sister-state relationship, the Chinese brought the first international exhibits to the Kansas State Fair in 1984 and 1985.

-- In 1984, I returned to China and visited the Henan Province. Six letters were signed dealing with sales of Kansas products. In 1985, as a result of the sister-state relationship \$10 million of Kansas products were sold to China.

-- In 1984 and 1985, I traveled to Germany and France promoting Kansas and its products. The 1984 trip with the Kansas Cavalry led to the establishment of a joint manufacturing operation between a Kansas firm and a French firm. In 1985, the trip was culminated in the signing of a special agreement of cooperation with the Champagne-Ardenne region of France.

-- During the past year, I led the recruitment efforts to attract Toyota and other Japanese manufacturing operations to the State. Even though Kansas was not selected for the manufacturing facility, our efforts were not unrewarded. The state established cooperative agreements with several Japanese banks and gained greater international visibility.

-- In 1985, I supported and signed the appropriation that led to the establishment of contractual representation for Kansas in Japan.

-- I have personally led the Kansas Cavalry on major development missions to Chicago, Los Angeles, and New York. In May, I will be leading an mission to Japan.

-- In the 1985 program year, the Kansas Industrial Training Program trained a record number of employees for new and expanding companies in the state.

-- During my administration, industrial development promotion has increased from a level of \$10,000 when I took office to its current level of \$250,000 as we strive to compete with our peer states.

Kansas is increasingly a part of the international economy. Many of our major industries rely on international markets for their success. Kansas must expand its international marketing efforts. To complement the current Kansas presence in the Far East, I recommend \$250,000 for the establishment of a Europe office. The Interim Report on the Kansas Economic Development Study highlighted the need for overseas offices.

The availability of a well-trained workforce is an important factor in business location decisions. I recommend a \$250,000 increase for the Kansas Industrial Training Program (KIT). Kit is a valuable marketing tool when encouraging businesses to locate in Kansas.

Recognizing the importance of the state's image in attracting new businesses, I recommend an increase of \$900,000 to enhance KDED's advertising and marketing activities. One of the major problems identified by Kansas' leaders is that the state has a poor image as a place to do business. I believe that is a misconception. We must work aggressively to dispel this myth. This nearly four-fold increase in advertising appropriations represents a commitment commensurate with efforts undertaken by our surrounding states.

I further recommend \$80,000 be appropriated for two additional industrial development specialists in KDED. This new staff will be responsible for follow-up with prospects attracted through our increased advertising efforts.

All these recommendations are funded through revenues generated by my proposed increase in the sales tax.

During my administration, I have promoted Kansas as a state with unique travel opportunities and potential for outstanding film production sites. Travel, tourism and film production are important to Kansas because they bring additional revenues and provide new job opportunities. The state-owned tourist information centers guide thousands of visitors each year to historic landmarks, recreational areas and other interesting places.

-- By this summer, we will see the completion of the fourth state Tourist Information Center near South Haven on Interstate 35. This center is the final component of our state system that, in conjunction with other subsidized centers across the state, serve nearly 200,000 visitors each year.

-- In July, 1985, I unveiled the new logo and marketing campaign "Ah! Kansas--Coming Alive!" This promotional effort builds on our successful "Ah. . .Kansas" campaign and also commemorates Kansas' 125th year of statehood. These efforts have had a positive impact on the image of Kansas.

-- Under my administration, we created the Kansas Film Commission which has proven to be another source for economic development. The commission has actively assisted in the filming of seven major motion pictures and 10 commercials during the past three years. These activities have had a combined economic impact of \$6 million on the Kansas economy.

Community development must be an integral component of a successful economic development program. As the Interim Report on the Kansas Economic Development Study points out "Firms choose to locate or expand in Kansas based on attributes of the state and the attractiveness of a specific community. If Kansas is viewed positively by business but local communities are not competitive with those in other states, then economic development will lag." We must make our cities and towns more attractive places to live and more desirable places for businesses to locate and grow.

Kansas utilizes a variety of community development tools. The Small Cities Community Development Block Grant Program, the Kansas PRIDE Program, the Kansas Main Street Program and the Enterprise Zone Program provide technical assistance to local communities and businesses and funding for community infrastructure. I have used these tools to improve the basic economic environment of our state.

-- In 1983, I authorized the state to assume the Small Cities Community Development Block Grant Program from the U. S. Department of Housing and Urban Development. In the two years of program operation, the Kansas Department of Economic Development has provided grant funding through the economic development set-aside of \$9.6 million to 33 economic development projects. The grant funds have generated over \$47 million in other public and private funds to create or retain over 3,200 employment opportunities in Kansas.

-- Since the inception of the Kansas Main Street Program in 1980, five Kansas communities have participated in extensive Main Street downtown revitalization studies, seven have participated in abbreviated Main Street studies and five have been selected for participation in the Kansas Main Street Project with the National Main Street Center (a division of the National Trust for Historic Preservation). Twelve Kansas communities are scheduled for participation in abbreviated studies in calendar year 1986 and five additional communities will be selected for participation in the Kansas Main Street Project.

-- In 1982, the Kansas Enterprise Zone program was initiated. As one of the first states to utilize this economic development tool, Kansas now has over 115 communities with designated enterprise zones. This program provides substantial tax incentives for businesses that locate or expand in economically distressed areas.

-- Since 1984, the enrollment in the Kansas PRIDE Program has grown from 72 to 110 cities. The program provides technical assistance to local communities in areas of economic and

community development. In 1985 alone, enrolled communities provided over \$1.2 million in volunteer labor to help make their cities better places to live, work and raise families. This program is truly an example of the public sector helping people help themselves.

-- In 1986, a new program entitled "Certified Development Cities" is being initiated by the Kansas Department of Economic Development (KDED). This program is designed to publicly acknowledge those communities which demonstrate their readiness for industrial growth. Those communities desiring to achieve this status will receive technical assistance through this program.

The Minority Business Office assists qualified businesses in securing capital and participating in the procurement opportunities in the public and private sector. As governor, I have initiated and supported programs that assist to enhance the mission of the office.

In an effort to increase the state's focus on minority business issues, I recommend the appropriation of \$70,000 in FY 1987 to enable the Department of Administration to include in the annual report on small business procurement the actual total dollar value expended during the preceding fiscal year on contracts with minority and women-owned businesses and the actual number of transactions this dollar value represents. Because of the importance of this program, I have included this recommendation in my basic budget.

Achieving the edge in these competitive times requires innovative thinking. As governor, I initiated and continually supported the merging of industry and university expertise to encourage the growth of high technology in Kansas. The greatest possibility for growth in jobs, income generation and diversification lies in the pursuit of technology-oriented industry.

-- In 1983, the Kansas Advanced Technology Commission was established and its associated high technology programs, the Centers of Excellence and the Research Matching Grant Program, began to invest in academic research directed to economic development benefits.

-- Centers of Excellence were established at three of the state's leading universities at a total cost of \$1.37 million over the past three fiscal years. These Centers have attracted \$1.26 million in additional industrial matching funds, plus in excess of \$5 million in private equity capital for high tech start-ups during the same period. The technical accomplishments in these Centers have enhanced the national recognition of Kansas universities, and serve as a base for future growth in technology-oriented industry.

-- Research Matching Grants awarded since 1983 by the Kansas Advanced Technology Commission have funded 50 research projects, with approximately \$1.8 million in state funds matched by over \$2.2 million in industrial funds. The program has led to the creation of several hundred jobs, while building a long-term base through the establishment of strong ties between the state's industries and its research institutions. Job creation is foreseen in the areas of

pharmaceuticals, biotechnology, aircraft technology, computer software, energy extraction, and materials fabrication.

-- Two statewide expositions of advanced technology in Kansas have been sponsored. These have been instrumental in bringing academic, industrial, and financial interests together for interaction toward high technology development. Each of these expositions have been widely supported by industry, and are largely self-sustained by sponsorship and attendance.

To further enhance our research capability in high-technology fields, I recommend \$800,000 for the Research Matching Grant Program (RMGP) and the establishment of a state fund to match federal Small Business Innovation Research (SBIR) grants to small businesses. The enhancement of RMGP is recommended by the Kansas Advisory Technology Committee and in the Interim Report on the Kansas Economic Development Study. A Kansas SBIR program would encourage small businesses to compete for research funds and convince such firms to stay in Kansas. Funding for this state SBIR program is needed to keep Kansas competitive with other states which operate such programs.

In addition, I recommend \$60,000 for the establishment of an Industry Liaison program at Kansas State University. The present liaison between higher education and the business sector is somewhat limited, therefore, this program will develop and coordinate extensive joint research programs between the university and industry in the area of high technology.

These expenditures are funded through revenues generated by the recommended sales tax increase.

The major needs of small businesses are financial and technical. The availability of long-term capital is necessary to help stimulate small business growth. Small businesses need assistance in such areas as marketing, accounting, and personnel operations as well as financing. Current federal funding for these services are provided through the federal Small Business Administration (SBA). However, such funding is not sufficient to serve these current needs. Furthermore, the SBA has been targeted for potential elimination as part of federal deficit reduction efforts.

The reorganization of KDED, approved by the 1985 Legislature, established a separate Division of Small Business Development within the department to focus attention on the needs of Kansas small business. This division is providing managerial assistance, one-stop permitting and technical assistance as well as marketing training and loan-packaging assistance to small businesses and local communities to develop their economic potential.

-- In 1984, I signed legislation which created a "one-stop" clearinghouse in the Department of Economic Development. This legislation requires all state agencies which license, regulate, or tax businesses to keep on file in the department copies of all state applications and other forms necessary for establishing and operating a business in the state. During the last year, the "one-stop" clearinghouse in the Division of Small Business Development responded to nearly 400

requests from businesses, individuals, and other organizations demonstrating the need for a centralized point of contact.

-- During the last legislative session, I signed an appropriation which provided partial funding for two of the state's Certified Development Companies. The purpose of these local organizations, certified by the U. S. Small Business Administration, is to provide long-term low, down-payment financing to small businesses. The twelve Certified Development Companies in Kansas have been and continue to be a major impetus in local development. Since they began operation, these organizations have generated \$31 million in business assistance resulting in the creation or retention of over 2,000 jobs in local areas.

The Kansas economy is heavily dependent on small businesses. Financing represents a special problem for these small firms. To increase capital availability, I recommend \$200,000 for grants to certified development companies (CDC). CDC's are designed to create jobs and investments in local areas. Grants to CDC's are matched on a dollar for dollar basis.

To provide needed technical assistance to Kansas small business, I recommend \$350,000 to establish three new small business field offices located in areas of the state not currently served. The two existing field offices would be expanded. The Interim Report on the Kansas Economic Development Study supported the need for expansion of KDED's activity into areas not currently served.

These two enhancements are funded from revenues generated by the recommended increase in the sales tax.

The Interim Report on the Kansas Economic Development Study, upon which these economic development recommendations are based, is a classic example of a public-private partnership designed to foster economic growth. State concerns over our economic future coupled with commitments from the private sector resulted in development of a needed planning document for this state.

The major theme underlying the Report is the need for sustained investment to build the economic future of Kansas. This Report truly represents an economic blueprint for tomorrow.

One of the findings of the Report is that key business and political leaders throughout the state agree that the time has come for a "bold, new approach" to economic development in Kansas. I am providing the means for a down payment on this new investment with the sales tax increase I am recommending. This money will be used to reinforce the foundation upon which all development must be based. It will provide the building blocks for future expansions of state development activities. Even with this additional revenue, the state is not equipped to undertake the magnitude of effort required to meet needs and expectations.

Sources of state funding are inherently limited. These natural limitations are compounded by the need to maintain tax rates that are competitive with other states. Throughout my administration I

have tried to protect the fairness of our tax system by not relying on any one source too heavily. I believe we have achieved a balance that prohibits us from further reliance on existing sources.

The 1986 Legislature is faced with a unique opportunity. Two pending proposals, implementation of a state lottery and establishment of pari-mutuel wagering, provide previously unavailable sources of funding. Although the revenue generating potential of these proposals is significant, if they are not earmarked for a special purpose, they will be rapidly subsumed in the State General Fund. We must take this opportunity to link resources with needs. We must designate the revenues generated by the state lottery and pari-mutuel wagering to fund the recommendations contained in the Interim Report on the Kansas Economic Development Study that cannot be funded in my investment budget. These additional recommendations will enhance the capital availability and research and development activities of the state tied to economic development. Many of the proposals, however, will require additional research and development before implementation. I, therefore, recommend that the legislature appropriate \$350,000 of the proceeds from my proposed sales tax increase to fund these additional studies.

Kansas has a rich heritage of innovation. We must not allow the changes in our economy to prevent us from passing on a legacy that will serve future Kansans as well as our forefathers foresight has served us. Our legacy must be a strong and growing economy. Achieving that goal requires commitment. As the Interim Reports states, "the erosion of the state's economic base will continue unless Kansas makes a large and sustained investment over the next decade to support a well designed package of economic development incentives."

Kansans of the 21st century will look back to this unique moment in history when this generation of Kansans faced opportunities to again move forward. We can follow in the footsteps of our forefathers, and leave future generations a Kansas alive with growth and opportunity.

REVENUE AND TAXATION

When generations of future Kansans review the actions of my administration in the area of state and local government taxation and finance, they will soon recognize that there was a strong, continuous commitment to improving the equity and fairness of the Kansas tax structure. No action was ever taken or recommended without a careful consideration of the effects it might have on the fairness of the tax system. I have not avoided my responsibility to raise the revenues necessary to meet the needs of all Kansans, even if it has meant the enactment of new and increased taxes.

In 1982-1983, my administration was confronted with the most serious fiscal crisis to grip this state since the Great Depression. The effects of that national economic recession of the early 1980's linger with us today. It would have been easy in 1983, and it would be easy today, to ignore our responsibilities to provide adequate public services and to ignore our commitment to a fair and equitable state and local tax structure. I did not shirk those responsibilities then, and I will not do it now.

Instead, in 1983, I developed a comprehensive program of reasonable expenditure reductions, major cash flow modifications, and equitable revenue raising measures. This enabled us to

manage our way through that fiscal crisis without drastic disruptions in governmental services. I believe the same sort of careful and prudent management is necessary to meet the challenge we face today.

IMPROVING TAX FAIRNESS AND EQUITY

Among the major steps I have taken to improve the fairness and equity of the Kansas state and local government tax structure are:

-- In 1979, I proposed and signed legislation increasing the personal income tax exemption from \$750 to \$1,000. Since its passage, this measure has provided over \$100 million in tax relief, primarily to low and modest income taxpayers in Kansas.

-- I recommended and signed legislation in 1979 exempting residential electric, gas, water and telephone services from the retail sales tax. At present, this measure provides over \$50 million in tax reductions annually. Since its enactment, this exemption has provided over \$175 million in tax benefits to all Kansans.

-- Also in 1979, I supported and signed legislation to expand the Homestead Property Tax Refund program. This measure increased the qualifying household income limit and rental equivalency rate for eligible low-income Kansans.

-- In 1982, I supported and signed legislation making permanent a retail sales tax exemption for sales of used farm machinery and equipment. This action provides an annual tax benefit of \$10 million to one of the most important segments of our economy.

-- I signed legislation in 1982 to exempt from the state inheritance tax all property transferred to a surviving spouse. In addition, it provided special inheritance tax benefits for farm property transferred upon death.

-- I signed legislation in 1983 to provide a local and valorem property tax exemption for farm machinery and business aircraft. This measure provides in excess of \$25 million in tax relief annually to farmers and business people.

-- After my repeated proposal, the legislature adopted, in 1983, a severance tax on the production of crude oil, natural gas, coal and salt. Until its enactment, Kansas was the sole remaining major oil and gas producing state without a severance tax. This tax generates approximately \$100 million annually. It is structured in a fashion to integrate with the local property tax and exempts low producing and high cost wells to insure that it does not place an unreasonable burden on the oil and gas industry.

-- At my direction, the Kansas Tax Review Commission was formed in 1983 to perform a comprehensive review and analysis of the state and local tax structure. This commission, chaired by Lieutenant Governor Thomas R. Docking, contributed significantly to the philosophical underpinnings for the property tax classification amendment subsequently adopted by the 1985 Legislature.

A major goal of my administration has been the adoption of a constitutional amendment providing for the classification of property for ad valorem tax purposes. That action, coupled with the passage of legislation requiring the reappraisal of all real property, will correct the inherent inequities in the administration of the property tax in Kansas. Reappraisal is necessary not only to eliminate serious tax inequities, but also to ensure compliance with the mandate of our Constitution. Without the classification amendment, however, reappraisal would shift over \$200 million of the property tax burden from state assessed utilities, oil and gas and other income-producing property to homeowners and farmers. The proposed classification amendment adopted in 1985, if approved by the voters this November, will mitigate these shifts. The amendment's exemption for merchant's and manufacturers' inventories and livestock, a reduced rate of taxation for business and manufacturing machinery and equipment and the adoption of use valuation techniques for agricultural land are particularly important to our continued economic growth.

During my administration, I have supported and signed several legislative measures to create or expand tax incentives for business and economic development, including the Business and Job Development Credit Act and the Enterprise Zone Act. The Enterprise Zone Act, while exemplary in purpose, needs amendment if it is to fulfill its original intent and stimulate economic growth. I propose several amendments, including changing from a sales tax deduction to a sales tax exemption and a new definition of business expansion, that will make this a more effective tool to encourage new jobs and economic activity.

In addition, my administration has attempted to maintain conformity with recent changes in federal income tax laws. The general effect of these measures is to increase the depreciation rate allowed on most capital assets under both federal and state law. Under state law, the accelerated depreciation changes provide over \$30 million annually in tax benefits to corporations and individual businesses.

IMPROVED TAX ADMINISTRATION

Fundamental to equitable taxation is the requirement that state government be both effective and efficient in administering compliance with its taxes. During my administration, significant strides have been made in the Department of Revenue to augment the effectiveness of its collection and compliance efforts, to improve operational efficiency and to install systems that will enable it to respond to the future challenges the department will face. Steps taken in these areas during my administration include:

-- The initial implementation of the Kansas Business Integrated Tax System (K-BITS) is being completed by the Department of Revenue. K-BITS is a multi-purpose systems development effort that constitutes a complete overhaul of the procedures used to process business tax returns and transactions. Two taxes, the retail sales tax and the transient guest tax, will be operated under K-BITS by the close of FY 1986. When fully implemented, the system will provide better service to business taxpayers, streamline departmental processing operations and provide faster, more accurate tax information.

-- Significant additional resources have been devoted to the field audit area, particularly for corporate income tax. In FY 1985 alone, cash collections of field audit assessments of all types exceed \$30 million. Expenditures in the field audit area consistently return revenues to the state treasury at a ratio of more than 15.1.

-- In FY 1984, the Department of Revenue instituted Project Fair Share in the individual income tax area. This program is an intensive effort to identify persons who should have, but have not, filed a Kansas income tax return and to identify and assess those persons who rightfully owe additional income tax liability to the state. Since its inception, the program has generated approximately \$5 million in cash collections on an investment of less than \$400,000. In FY 1986, the Project Fair Share concept was expanded to the withholding tax area.

-- Without additional personnel, the Department of Revenue has instituted procedures to reduce the cash float on taxes remitted to the department from an average of three days in 1979 to a maximum of 24 hours and a minimum of six hours for high liability accounts. These procedures have increased the interest earnings of the State General Fund by at least \$1 million annually.

-- Due to the large volume of mailing done by the Department of Revenue, every effort is made to use the most advantageous postal rates. Through such procedures as carrier route pre-sort, zip code pre-sort and contract mailing, it is estimated that actual mailing costs are \$700,000 per year less than they would be at normal first class mailing rates.

-- To ensure that income tax refunds are not made to those who owe delinquent taxes or other debts to the state, all income tax refunds are matched against the Department of Revenue's individual income tax accounts receivable and the Department of Administration's debtor set-off listing. This program saves the state an average of \$1.5 million annually.

The budget I recommend for the Department of Revenue will continue these advancements in improved tax administration and compliance. In particular, the current level of field audits will be continued and the Project Fair Share efforts in the individual income tax and the withholding tax areas will continue. Funding is also included for further implementation of the K-BITS.

I also recommend enactment of legislation to simplify procedures for certain taxpayers. First, I recommend legislation to combine the filing and payment of the oil and gas conservation fees imposed by the Kansas Corporation Commission and the Department of Health and Environment with the mineral severance tax paid by oil and gas producers to the Department of Revenue. This will reduce the number of forms required of producers from three to one, standardize the time at which monthly reports must be filed and streamline the manner in which state government deals with the oil and gas industry.

Second, I propose legislation be enacted to conform the Kansas Interstate Motor Fuel Use Tax with the recommendations for uniform fuel use tax reporting developed by the National Governors' Association Working Group on Interstate Motor Carrier Issues. This group has worked for eighteen months to develop recommendations that would standardize and simplify the manner in which states tax and regulate interstate motor carriers. This effort is designed to ease the regulatory and administrative burden on such entities and to forestall federal intervention. The changes I recommend will bring Kansas into conformity with recommended practices and are largely administrative in nature.

In addition, I propose legislation to enable the Department of Revenue to enter into multi-state agreements to administer fuel use tax on a base state system much like the International Registration Plan. I have also instructed the Department of Revenue to investigate thoroughly the possible entry of Kansas in the Interstate Fuel Tax Agreement.

The Department of Revenue has under development the Vehicle Information Processing System (VIPS) which is a complete overhaul of the computer systems supporting its motor vehicle title and registration functions. This system will operate through a network of computer facilities in each county treasurer's office and will provide improve service to vehicle owners as well as increased efficiency at both the county and state level. VIPS is currently in the program development and testing phase. Actual implementation is scheduled to begin in late FY 1987. The budget I recommend includes expenditures to provide consultant assistance in the installation of the system and in training county treasurers and their staffs during implementation. In addition, it will be necessary to acquire nearly \$6 million worth of computer hardware for county and state offices between FY 1987 and FY 1989. To finance these extraordinary expenditures, I recommend that the annual vehicle registration fee for all motor vehicles be increased by \$1.50. This increase will be necessary for two years and would become effective January 1, 1987.

I also recommend an increase in the fee charged for a Kansas driver's license. These fees have not been changed since 1973; they no longer cover the cost of operating the driver examining and control components of the Department of Revenue. FY 1985 receipts from all sources were \$1 million less than the actual 1985 expenditures to operate the Driver License Examining and Control Bureau. This difference constitutes a net drain on the State Highway Fund in excess of \$1 million annually. The proposed fee increase will be sufficient to offset this drain on the State Highway Fund.

I further recommend that legislation be enacted to update our conformity to changes in the U. S. Internal Revenue Code definition of itemized income tax deductions made from 1977 to 1985.

This update will eliminate our current itemized deductions for gasoline taxes and political contributions and will limit casualty loss deductions to those in excess of 10 percent of adjusted gross income. It will allow a deduction for adoption expenses for special needs children that is currently allowed at the federal level but not in Kansas. This legislation will increase individual income tax liabilities by approximately \$2.5 million and simplify the filing of Kansas tax returns. It will not, however, affect our current itemized deductions for medical costs or social security and related employment taxes.

FISCAL OVERVIEW

While once considered to be relatively immune to national economic downturns, the national economic recession of 1982-83 took a dramatic toll on the Kansas economy. Significant numbers of jobs were lost, unemployment rates reached levels not seen since the 1930's and public assistance caseloads skyrocketed. Certain sectors of the economy have not yet reached the levels of activity they enjoyed in 1981.

Moreover, the recession wreaked havoc with the financial fortunes of state government. Actual State General Fund revenues in each of fiscal years 1983 and 1984 were more than \$200 million less than the preliminary figures on which the budgets for those years were planned. Without any intervening legislative and administrative action, actual FY 1983 State General Fund revenues would have fallen well below their 1982 levels, and Kansas would have closed FY 1983 with a State General Fund deficit in excess of \$80 million which is prohibited by the Kansas Constitution.

The onset of that fiscal crisis, however, did not lead us to start massive layoffs of state employees nor to resort to severe disruptions in public services available to Kansans. Neither did it cause us to enact unnecessary tax increases simply to avoid our obligations to manage state government effectively nor to review our program expenditure carefully. Instead, my administration fashioned a comprehensive fiscal rescue program using every tool available to us to improve significantly the fiscal condition of the state and to avoid disruptive service reductions and employee layoffs. Among the steps that I took or secured legislative approval for were:

-- At the outset of FY 1983, I sought and received from state agencies a voluntary reduction of four percent in the state operations component of their budgets. I also deferred the granting of merit salary increases to state employees for FY 1983. These actions offset a revenue/expenditure imbalance in the FY 1983 budget. These expenditure reductions were later made mandatory and extended to programs of state aid to local governmental units by the application, for the first time in the history of the state, of the allotment system to State General Fund accounts. In total, approved FY 1983 expenditures were reduced by over \$50 million.

-- I recommended and the legislature approved an acceleration of the remittance schedules for withholding taxes and retail sales and use taxes. The net effect of these changes was to generate a one-time revenue windfall in excess of \$100 million and to improve the immediate cash flow of the state.

-- I also sought and obtained legislative approval for changes in the distribution dates of the local Ad Valorem Tax Reduction Fund and the County and City Revenue Sharing Fund. These changes shifted roughly \$20 million in expenditures from FY 1983 to FY 1984. Yet, all state aid funds were received by local governmental units within the local fiscal year in which they were originally planned.

-- Despite these actions, it was still necessary to utilize, for the first time in the state's history, the certificate of indebtedness procedures for meeting cash flow deficiencies in the State General Fund. Subsequent legislative changes made this procedure a more workable cash flow tool in future years.

-- Finally, to ensure a FY 1984 budget that met the real public service needs of Kansas it was necessary to increase the excise taxes on alcohol and cigarettes and the motor fuel tax, to enact the mineral severance tax that I had sought for the previous two years and to adopt a temporary limitation on the amount of federal income tax deduction allowed higher income tax payers. Raising these new revenues not only averted a potentially catastrophic fiscal crisis, but also served to improve the equity and fairness of our state tax structure.

The past two years have continued to place considerable stress on the Kansas economy. The agriculture industry, our economic bulwark, remains mired in a depression that rivals that of the 1930's. Long-term conditions of low commodity prices, high real interest rates and suppressed exports have caused an unprecedented number of foreclosures and farmers leaving the business. In addition, many retail and service businesses that rely on agriculture are suffering the effects of this depression.

Other principal sectors of the Kansas economy, such as oil and gas and aircraft manufacturing, have also been far from robust in the past two years. In 1985, total employment in the Kansas civilian labor force was only 4.1 percent greater than in 1979. Moreover, there has been a significant shift among employment sectors. Employment in manufacturing and construction has declined by over 30,000 jobs since 1979, while the number of jobs in trade and service industries has increased by 47,000.

These economic conditions caused the growth in state government revenues to be extremely sluggish in FY 1985, a situation that is expected to persist for FY 1986 and FY 1987. Actual FY 1985 State General Fund revenues were \$21.3 million, 1.3 percent below the revised forecast established in November, 1984.

Such sluggish economic performance is expected to continue in the coming budget cycle. The Consensus Revenue Estimating Group expects that personal income in Kansas will rise only six percent in 1985 and by 5.7 percent in 1986 compared to an actual increase of 10.4 percent in 1984. Unemployment is expected to remain stable at five percent in FY 1986 and to increase to

5.3 percent in 1987. Total employment is projected to increase less than two percent over the next two years.

In November 1985, the Consensus Revenue Estimating Group revised the estimate of FY 1986 State General Fund revenues upon which the budget passed by the 1985 Legislature had been based downward by \$55.1 million or 3.2 percent. The revised State General Fund estimate of \$1.671 billion is only \$12 million or 0.8 percent greater than the actual FY 1985 revenues. In addition, the group's FY 1987 State General Fund revenues forecast projects only a 3.8 percent increase to \$1.734 billion. After adjusting for changes, including the expiration of the limitation on the federal income tax deduction and the cigarette rate increase, this results in a 3.4 percent increase in receipts.

The overall effect of these less-than-expected revenues and downward revision of estimated revenues will again create an extremely serious fiscal picture for state government. The ending State General Fund balance, once expected to exceed \$120 million at the close of FY 1986, will drop to an unacceptable level of \$50 million. It is highly probable that certificates of indebtedness will be required to meet the cash flow needs in the next fiscal year. More significantly, a balance of this level provides very little protection against further revenue shortfalls.

Moreover, we are confronted again with a revenue/expenditure imbalance that must be corrected. Projected FY 1986 expenditures exceed FY 1987 revenues by \$10 million. Thus to propose a responsible FY 1987 budget that does not include new revenue sources, current expenditure levels must be reduced significantly so that the imbalance is eliminated and the State General Fund balance is restored to a minimum acceptable level.

The basic budget that I have presented today meets these criteria. It does not include new revenue sources. It does not include general salary increases for state employees except for matrix movement for classified employees. It does not increase school district equalization aid nor provide adequate funding for school transportation aid. It does not address state aid to counties for the cost of reappraisal. It does not provide necessary funding for the water assurance program that is critical to our future. Instead, the basic budget reduces FY 1987 expenditures by \$35 million, an overall decrease of two percent compared to FY 1986 expenditures. It restores an ending balance in the State General Fund to \$75 million which makes borrowing less likely.

Although we could live with the basic budget if forced to do so, it is a budget that I find unacceptable for the future of Kansas. While the basic budget would allow us to maintain needed services at minimum essential levels, it will not enable state government to continue to make progress toward meeting the needs of all Kansans at the level they desire or deserve. In an increasingly competitive environment, this budget will not allow us to make necessary investments in education, economic development, water, transportation and local governmental programs that provide continued, long-term growth and development in Kansas.

The basic budget will not secure our financial future and will serve only to intensify the fiscal pressure that will face a new governor and a new legislature in 1987. The impact on state government of recent congressional action to deal with the burgeoning federal deficit, while yet

unspecified strongly indicates a significant loss of federal funds. The effect of deficit reduction measures on the national and state economies is equally obscure. Our best protection against the uncertainties of the economy and its effect on state revenues is an adequate State General Fund balance capable of responding to unanticipated revenue shortfalls through several fiscal years.

Therefore, I recommend an investment budget that utilizes the proceeds of an increase in the state retail sales and compensating use tax rate from 3.0 to 4.0 percent to finance needed investments and to restore the ending State General Fund balance to an acceptable level. This proposed increase will generate an estimated \$190 million in new revenue in FY 1987. I propose to invest this money in programs that assure the future growth of our economy and not to merely restore basic budget cuts.

I recommend that a substantial portion of the increased revenue be utilized to restore the State General Fund ending balance to \$120 million. Such a balance is necessary to offset shortfalls in revenue caused by changing economic conditions and to provide a sufficient cash flow for the State General Fund without continually resorting to emergency measures.

Further, I recommend that the state intensify its efforts in the field of economic development through an appropriation of \$3.2 million for the Kansas Department of Economic Development and a \$30 million annual investment in the Kansas Economic Development Highway Improvement Program. Our experience, particularly in the past year, in competing with other states for major businesses and industry has shown that investments in highways bring tangible results in attracting and expanding business and industry in the state.

The quality of a state's educational system from primary through post-secondary levels is often a decisive factor in attracting new business. Kansas has traditionally had a well-trained, productive work force. We cannot allow this valuable asset to erode through inadequate funding. Therefore, I recommend \$65.6 million in new revenue be appropriated to continue our investment in our schools and to improve compensation for our teachers, faculty and staff to retain our competitive edge in education.

During the past year, Kansas has embarked on a long overdue reappraisal of property. The successful continuation of the reappraisal process requires the state to carry through on its commitment to assist counties with the financing of the program. I recommend that \$8 million be appropriated in FY 1987 for this purpose. If continued at this level for three years, the state would finance approximately 50 percent of the local cost for reappraisal. I believe that 50 percent is the minimum acceptable level.

My decision to seek an increase in the sales tax rate was not reached without thorough review and study. Expenditure reductions and all potential revenue sources were considered in terms of: the critical needs of the state, their ability to produce sufficient revenue to meet targeted needs, their impact on our economy and our tax structure and our competitive position with respect to other states. My conclusions were that a one percent increase in the sales and use tax was a broadly based measure that would not adversely affect any particular segment of our economy nor deter development in Kansas. Even with such an increase, the Kansas sales tax would not exceed those of surrounding states; and the total state and local tax rates in Kansas would remain

competitive with other states. In addition, this increase will restore the historic patterns of contributions to the State General Fund from the various revenue sources.

To alleviate the impact of the tax increase on low-income Kansans, I recommend an expansion of the Food Sales Tax Refund program. I propose that the eligibility criteria for the program be changed to conform with that required of the Homestead Property Tax Refund program. This will increase the qualifying household income limit from \$10,000 to \$13,000. It will also include households with a dependent child under 18 in addition to those households which include the elderly, blind and disabled. These changes will make the Food Sales Tax Refund program available to approximately an additional 40,000 households and increase the benefits paid from \$1.2 million to \$6 million annually.

My administration has been and is still committed to the principles of tax equity and fairness, improving the quality of public services and ensuring the quality of life Kansans expect. The judicious application of state resources I have outlined for you today is consistent with those principles. Your decisions will determine whether Kansas advances toward its economic future with confidence and vigor, or falls well behind its competitors through complacency and fiscal instability. I urge you to join with me in investing in the future of Kansas to enable us to reap the dividends of a stronger economy.

EDUCATION

In 1961, Nobel Laureate Theodore Schultz in his book *Investing in Ourselves* first defined "human capital" as "the knowledge and skills that people accumulate through education, training or experience that enables them to supply valuable productive services to others." Although Schultz may have been one of the first to put this concept into words, Kansans have been putting the principle of "investing in human capital" into practice for years. Recognizing that a skilled and highly trained workforce is the key to the jobs of the future, our Kansas forefathers were among the first to institute compulsory public education.

Now, as then, it is clear that the money we spend in education is an "investment in ourselves"--an investment in our future and our children's future. More than ever, the expenditures we make now in the development of our "human capital" will determine the kind of economic legacy we pass on to future generations of Kansans. The sectors of the economy with the greatest potential for growth gain their relative economic advantage from an adaptable workforce with knowledge-based skills. Moving from agriculture to manufacturing to a service-oriented economy, we stand on the brink of an economic and technological revolution in this country that will rival the industrial revolution of the 1800's.

For Kansans to share in the fruits of this economic revolution, we must be prepared to make the same kind of investment in our stock of "human capital" that the visionaries of the past were willing to make in the industrial revolution. If we fail to make these investments, the economic legacy that we pass on to our children will be one of competitive disadvantage.

For these reasons, education has consistently been the number one priority of my administration since I took office in 1979. To advise me on the needs of our educational system, I created, in

1983, the first permanent Governor's Education Cabinet. This prestigious group is made up of educational leaders representing kindergarten through higher education.

TEACHER QUALITY INITIATIVES

There is no group of citizens which contributes more to developing our state's "human capital" than teachers in our primary and secondary schools. They assume great responsibility in our society for instilling in each and every future Kansan the skills, work ethics, social attitudes and knowledge that will enable them, and thus our state, to grow and prosper.

The difficulty in accomplishing these ends is increasing as the body of knowledge in the world continues to multiply rapidly. Moreover, in Kansas, the challenge is intensified as our state struggles through the transition from a predominantly agricultural and industrial economic base to a more information-based, service-oriented economy.

Kansas can be proud of the dedicated and well-trained teachers who have entered the profession over the years. Current trends, however, reveal fewer and fewer numbers of students each year entering our teacher training programs. As the salaries paid to teachers in Kansas continue to be below average, young people are gravitating to occupations where the rewards, both monetarily and professionally, are greater. There is no question that, allowed to continue unchecked, these factors will result in lesser-qualified instructors in our classrooms. The answer is not to lower standards as an enticement simply to attract greater numbers. The importance of having quality teachers to meet the knowledge explosion shaping the world today requires that we take a comprehensive approach. Salaries, college training programs continuing professional development opportunities--all must be addressed if we are to maintain excellent classroom instruction and a quality educational system. These are the fundamental building blocks upon which the future growth and prosperity of our state depend. During my term as governor, I have strived to employ a balanced approach in accomplishing these goals.

-- Kansas' national ranking of "average teacher salary," excluding fringe benefits, has increased from 37th among the 50 states to 29th during my administration.

-- Over the same period, the average salary for teachers, including fringe benefits and related costs, has increased in Kansas from \$14,192 in 1979-80 to \$25,854 in 1985-86.

For fiscal year (FY) 1987, I recommend that the Kansas Public Employees Retirement System (KPERs) for school employees be made non-contributory, with the state paying the entire employee contribution of four percent of salary. The cost of such a measure is \$24.7 million and would, after tax considerations, provide more than a four percent increase in take-home pay for teachers and other school employees, with no increase in local property taxes. This recommendation is funded through the proposed increase in the sales tax. Coupled with my school finance recommendations for FY 1987, which would provide 102-104 percent budget limits and a \$14.6 million increase in general aid and income tax rebate, the potential increase in take-home pay for teachers in the 1986-87 school year is approximately eight percent. Of the

\$14.6 million recommended, \$10 million is funded through the proposed increase in the sales tax. The property tax increase under my plan is held to approximately \$34.2 million. If my plan for increasing teachers' pay is rejected, 105-108 percent budget limits and a \$52 million increase in general state aid and income tax rebate will be required to accomplish the same eight percent increase and hold property taxes to the same \$34.2 million increase.

The KPERS option I am proposing will allow maximum benefits to teachers within the resources that can be made available in FY 1987. For example, a school teacher earning the Kansas average monthly salary of \$1,897.33 will receive a 4.8 percent increase in take-home pay if the state assumes the employee's four percent KPERS contribution. If a four percent cost-of-living adjustment (COLA) were enacted salary improvement, the same teacher's take-home pay would only increase by 3.8 percent. In order to achieve the same approximate take-home pay advantage under the COLA alternative, the base salary for the teacher would have to be increased by five percent first.

The following summarizes additional measures, other than salary improvements, undertaken during my term as governor to ensure high quality teachers in Kansas:

-- I secured legislation to implement a Pre-Certification Testing Program for new teachers. This measure is scheduled to begin May 1, 1986.

-- With the support of the 1985 Legislature, \$750,000 was provided for Teacher Inservice Training Programs in local school districts which have state-approved inservice plans in place.

-- I recommended and secured funding for an Internship Program for new teachers which is being implemented in the 1985-86 school year.

-- In 1983, I proposed and gained support for the establishment of academic standards for entry into schools of education at our Regents' institutions. This will ensure that those choosing teaching as a profession have the academic proficiencies required to provide quality instruction.

Programs such as these, in conjunction with higher teachers' salaries, are fundamental to efforts to strengthen the quality of instruction in Kansas classrooms. For FY 1987, I recommend funding for the Intern Program of \$239,000, an increase of approximately \$66,000, and funding for the Inservice Program of \$1 million. The Inservice Program is funded for the current year in the amount of \$750,000. The additional \$250,000 should be made available for FY 1987 from revenues generated by the proposed sales tax increase. My budget also contains the funds needed to continue administration of the Pre-Certification Testing Program for new teachers in Kansas.

In supporting these programs, we must remember that measures which enhance quality translate into increased requirements for those deciding whether to choose teaching as a profession.

Without corresponding increases in teacher salaries, we will compound the problems of fewer and lower-quality teacher applicants in the future.

SCHOOL DISTRICT AID

Over the years of my tenure as governor, education has emerged as the number one priority of my administration. These years have been marked by a struggling, if not depressed, national economy which has challenged the strength of our commitment in Kansas to maintaining a high-quality, competitive system of education. Although all of our goals have not been met, the level of support the state has provided school districts over the years of my term demonstrates a significant commitment during difficult times.

-- To secure much-needed funding for education, I attained enactment of a severance tax on the production of oil, natural gas, coal and salt in Kansas. Since its inception in 1982, the severance tax has generated \$207 million in additional revenues for the State General Fund. The level of our initiative.

-- Since the 1979-80 school year, State General Fund appropriations to school districts have grown from \$436,410,000 to \$715,165,000 in the 1985-86 school year.

-- Budget limitations have varied during that time period, but the cumulative outcome has allowed a 70 percent increase in the statewide school districts' budget since 1979 when I took office.

The following outlines my recommendation for school finance in FY 1987:

In addition to recommending that the school employees' retirement system, KPERS, be made non-contributory, I recommend that budget limits be set at 102-104 percent and that general aid and income tax rebate support from the state be increased by \$14.6 million. Ten million dollars of this amount is funded from the proceeds of the recommended increase in the state sales tax. As stated before, the combined effect of these proposals, if implemented, would provide for an approximate eight percent increase in teachers' salaries and hold the statewide property tax increase to \$34.2 million. This property tax increase is approximately \$15 million less than the increase Kansas homeowners will experience in the current school year.

I further recommend that transportation aid to school districts be funded at 95 percent of costs. Current resources allow for only a 90 percent level of support in FY 1987. The additional resources necessary to accomplish the 95 percent funding level would be available from the recommended increase in the state sales tax.

Any cost for public education which is not met by state aid must be carried by local property taxes. Since the property tax in Kansas is already overburdened, the state faces the challenge in FY 1987 of providing a level of support which will ensure the maintenance of a quality system

and will minimize property tax increases. This is a doubly difficult task given the limited resources available, even with additional revenues from the proposed sales tax increase. My recommendations for state support to school districts, which build upon the KPERS option discussed earlier, maximize pay increases to teachers, hold the statewide property tax to a realistic increase and allow budgets to keep pace with the anticipated inflation rate.

EDUCATIONAL SERVICES FOR SPECIAL POPULATIONS

My administration has sought to ensure a range of educational programs that develop the individual abilities of every Kansas child in need of specialized services. We have implemented new programs and expanded others over the years of my tenure as governor to serve this population of exceptional children which includes the handicapped and the gifted. The expansion of our Special Education programs, despite their high costs, and other initiatives for special school populations demonstrate the commitment we have made to these children.

-- The Kansas mandate to provide special education services preceded the federal mandate.

-- During the 1979-80 school year, the first school year following my election as governor, the amount of state funds distributed to school districts for Special Education services was \$32,112,044. In the 1985-86 school year, I approved Special Education aid in the amount of \$76,385,821.

-- Reimbursable Special Education Teacher Units numbered 4,103 in 1979-80; in 1985-86, the number has increased to 5,561.

-- During my administration, at least 95 percent of the excess cost for Special Education has been funded each year from state resources.

-- In 1983, I appointed a Governor's Task Force on Pre-School Handicapped Children to study and advise me on the early educational needs of these children.

For FY 1987, I recommend that the state continue its commitment to fund 95 percent of the excess cost of Special Education. While current revenues will allow only a 90 percent level of state funding, the 95 percent goal is achievable with revenues from the proposed sales tax increase.

I further recommend an additional \$900,000 of Special Education funding be provided in FY 1987 to serve four-year-old handicapped children. This expansion will be funded from an increase in the sales tax.

The establishment of the Kansas State School for the Visually Handicapped (KSSVH) and the Kansas State School for the Deaf (KSSD) in the 1860's is a further example of Kansans' historical commitment to serving children with special educational needs. A more fundamental need for services does not exist anywhere in our educational system than at these schools which serve the severely or profoundly deaf, the blind and the multiple handicapped.

Since becoming governor in 1979, I have supported measures to continue quality services in these institutions.

-- At periodic intervals, I have recommended and approved special "catch-up" funding for improvements in instructor salaries at the two schools. Quality instructors are critical if the needs of these exceptional children are to be met. Kansas must continue efforts to keep teacher salaries at the school for the Visually Handicapped and the School for the Deaf competitive with teacher salaries in the public schools.

-- In 1980, I approved state funds to support the addition of speech, occupational and physical therapy programs at the School for the Visually Handicapped (KSSVH).

-- During recent years, I have supported the addition of a new braille reading program and the first computer literacy class for blind students at KSSVH. I further approved an interagency braille library to provide statewide services to the blind.

-- At the School for the Deaf (KSSD), courses for gifted multi-handicapped children have been designed and added to the curriculum during my tenure in office.

-- My administration has also upgraded vocational programs significantly at KSSD in the areas of word processing, office equipment, graphic arts, welding and drafting. These program enhancements account in large measure for the fact that of the 208 graduates from KSSD between 1979 and 1985, 37 percent have gone on to colleges and 63 percent have joined the workforce.

For FY 1987, I recommend that state support for KSSVH and KSSD be maintained at current levels of funding.

Gifted children comprise yet another segment of the school population which requires specialized educational opportunities. Again, Kansas demonstrated an early recognition of the educational needs of exceptional children and included the gifted in its mandate for Special Education services, although federal law does not require it.

I have consistently supported specialized programming for gifted students which has been funded each year from the state Special Education allocation to school districts. Although great

strides have been made in providing advanced opportunities to gifted students in Kansas, the modern-day knowledge explosion requires that we do more. To better develop and stimulate the learning climate for high-achieving youth in our state, I again recommend that a Kansas Summer Honors Academy be established and propose that \$150,000 be approved to begin the program in FY 1987. This funding would be available from the recommended increase in the sales tax.

Over the years, Kansas schools have experienced an increasing influx of students whose native languages are other than English. These students also require special training which will afford them equal educational opportunities.

While it is not a part of the Special Education program, bilingual education teaches necessary language skills to students who need them. I have long appreciated the cultural wealth these youngsters and their families bring to our public schools, and I have supported the maintenance of the Bilingual Education Program during my administration. Since I took office in 1979, funding for bilingual education has increased from \$235,125 to approximately \$645,000 in the current year. For FY 1987, I recommend that the current level of state support for this important program be maintained.

In addition, I again recommend replacing "Educationally Deprived Pupils" in the bilingual statute with "Limited English Proficient (L. E. P.) Students." The term "Educationally Deprived," as it now appears, carries a negative connotation for the students served under the state Bilingual Education Act.

Further, I recommend that the title of the "Kansas Advisory Committee on Mexican-American Affairs" be statutorily changed to the "Kansas Advisory Committee on Hispanic Affairs." The Committee has proposed this change in an effort to better represent the entire Kansas Hispanic population.

STUDENT PERFORMANCE INITIATIVES

To ensure that our public educational system is achieving desired outcomes, we must provide courses of study in our schools which keep pace with rapidly increasing labor market demands. We must also monitor the progress of our students to see that they are performing at minimum levels of achievement which will prepare them to attain and compete for jobs.

I support the establishment of Competency Based Education (CBE) Testing in Kansas, and the 1985 Legislature adopted the pilot-tested program for a five-year period. This program is designed to monitor the skills of students at various education levels and includes testing of basic skills in reading and mathematics for students in grades two, four, six, eight and ten. Continuing improvements in students' math and reading scores since early pilot projects were begun indicate that the program is effective. I recommend that funding necessary to continue the program be provided for FY 1987. I further recommend that at the end of the five-year cycle, an interim committee reexamine the current program and determine if modification should be made.

In an additional effort to ensure that Kansas students are well-prepared to meet the challenges of today's more knowledge-intensive, technological marketplace, I recommended, in 1984, that the

State Board of Education mandate increased high school graduation requirements. The Board supported this proposal, and the graduating class of 1988 will be the first to have met the additional standards imposed.

A solid understanding of "the basics" is no longer simply the "desirable" end result, but the "minimum" necessary to succeed. The two student performance initiatives discussed here will help to prepare young Kansans for success.

COMMUNITY AND PARENTAL INVOLVEMENT

Community involvement continues to be one of the key components needed to improve the quality of education in our schools. I feel strongly that individual school boards must increase their efforts to form Community Education Councils and Citizen Advisory Committees.

In the spring of 1984, I designated a Kansas Task Force on Partnership in Education. That group has now formed the Kansas Foundation for Partnership in Education, a non-profit corporation with a 14-member board of directors. Seven of those directors are from business and seven from education. The Foundation will help model programs which involve the private sector sharing resources with schools.

Parents, as well as business, must be viewed in schools as partners in the educational process. Schools can best facilitate parental involvement through community education. Support for development of this important educational process can come from the State Board of Education's Advisory Council for Community Education. I recommend all schools initiate the community education process that will involve parents, business and professional groups, agricultural interests, labor groups, educators, elected officials and other community members.

AREA VOCATIONAL TECHNICAL SCHOOLS (AVTS)

Area Vocational Technical Schools (AVTS) comprise an integral part of our educational system in Kansas. These schools work closely with the business community to assure that vocational training programs remain market sensitive and attuned to the increasing complexities of a highly technological economy. Kansas' ability to attract new businesses and jobs depends greatly on the capacity of the state's AVTS system to respond to industry training needs. Our record of support for these schools, over the period of my administration, demonstrates to prospective businesses, I believe, an on-going commitment despite the difficult fiscal constraints during that time span.

-- Since I took office in 1979, funding for categorical aid for AVTS has grown from \$4,310,621 to the present sum of \$7,062,000.

-- During that same period, post-secondary vocational aid has doubled from \$6,242,503 to approximately \$12,287,000.

-- State aid for capital outlay over the years of my administration has ranged from zero to

\$2,000,000 per year. The total amount of aid for AVTS equipment needs I have approved to date, however, is \$6,775,000.

For FY 1987, I recommend that AVTS categorical aid be funded in the amount of \$7,274,000. Of this amount, \$200,000 represents an increase which can be accomplished from additional revenues generated by the proposed sales tax adjustment. \$12.3 million is proposed for FY 1987 post-secondary aid to AVTS, \$400,000 of which would come from the sales tax increase. I further recommend vocational education capital outlay expenditures of \$1,000,000. These monies, also, can be provided from the proceeds of an increase in the state's sales tax. In addition, I propose for FY 1987 \$250,000 from the sales tax increase for a mobile training program which would enhance the ability of AVTS and community colleges to provide custom training needed by prospective businesses and industry.

In the near future, an increased level of state support will be required by the AVTS to compensate for the loss of federal funds now available under the Carl Perkins Act. The state must address this need if AVTS are to continue their outstanding contribution to Kansas' economic development goals.

COMMUNITY COLLEGES

During my administration, the credit hours generated by community colleges have increased more than those of any other educational institution in Kansas. This demonstrates that a much wider variety of courses is being offered and that increasing numbers of young people seeking a post-secondary education are choosing community colleges.

The role of Kansas community colleges has been broadened to include not only preparatory programs for students attending universities, but vocational programs to serve student and business needs in their respective regions.

While state aid has not increased at the rate this administration would desire, on-going support has been maintained.

-- In 1981, I signed legislation that eliminated general funds budget limits for community colleges.

-- State credit hour aid during 1979-80 totaled \$12,272,450. That figure has grown to the present year amount that I am recommending of \$20,434,000.

-- Out-district state aid has grown at a much slower rate. My proposal for this year stands at \$5.4 million.

-- The number of vocational credit hours enrolled in statewide has increased 50 percent over the 1979-80 school year to the present.

For FY 1987, I recommend, as outlined previously in this message, that the faculty pay at community colleges be enhanced by the non-contributory KPERS program. I further propose that the 64-72 hour limitation on out-district tuition be eliminated for the 1988 Fiscal Year. This proposal, if enacted, will generate an additional \$1.2 million in support to community colleges in the first year, \$600,000 of which is state aid. In the meantime, I recommend that state credit hour aid in the amount of \$20.4 million be maintained for this fiscal year and FY 1987. State out-district aid of \$5.4 million is proposed, as well, for fiscal years 1986 and 1987.

WASHBURN UNIVERSITY

Washburn University is one of the oldest universities in Kansas and the only remaining municipal university. Despite funding difficulties which are beginning to beset the programming and planning ability of the Board and school officials, Washburn has continued to provide quality programs to Kansas students.

During my term as governor, I have attempted to provide adequate levels of assistance for Washburn until the debate regarding its potential inclusion in the state's Regents system is resolved.

-- During my administration, I have approved credit hour state aid which has grown from \$2,230,245 in 1979 to \$3,646,000 which is what I recommend in current fiscal year.

-- In 1982, I supported the enactment of an out-district state aid program for Washburn. Over the past three fiscal years, this new program has provided approximately \$1.8 million in additional resources for the school. For the current fiscal year, I am supporting approximately \$641,000 from this source.

-- In 1985, I recommended and the legislature supported a measure which provided increased state support for the Washburn Law School. This initiative will provide over \$500,000 for the school in the current fiscal year.

For FY 1987, I recommend that all state aid programs for Washburn be continued at current levels of support. I further propose that the 64-72 hour limitation on out-district tuition be eliminated for FY 1988. If enacted, increased state support made available by this initiative will be matched by townships and counties sending students to Washburn.

While I have expressed opposition to bringing Washburn into the state's already large Regents system, the parents, students, Board and faculty of Washburn need decisions from the legislature in the near future so that a stable funding method for the school can be established.

INDEPENDENT COLLEGES

Our system of independent colleges provides excellent educational opportunities to thousands of Kansas youth. These schools are privately financed, and the only funding they receive from the state is through the State Scholarship and Tuition Grant programs. Since I took office, I have approved total funding for these two programs of approximately \$28,825,000 to date. The state should make every effort to continue adequate levels of scholarship assistance, as many of our young people are finding it increasingly difficult to secure the resources needed for a college education.

For FY 1987, I recommend that the combined level of state funding for the State Scholarship and Tuition Grant programs be set at \$4,625,000--an increase of \$125,000 over the current year total.

REGENTS' INSTITUTIONS

Our state boasts an excellent system of universities that addresses the economic, social, cultural and intellectual needs of Kansans in a variety of ways. We have reason to be proud; we also have much to do.

While enrollment at the Regents' institutions grew by approximately four percent from fall, 1977 to fall, 1985, enrollment has actually been declining since 1982 as the number of high school graduates available for enrollment also declines. The challenge facing higher education, though, are not merely tied to fluctuations in enrollment figures. The financial constraints faced by our state challenge us to invest in higher education wisely. The state's economy is directly related to the quality of its higher education programs and the availability of faculty resources, academic libraries and research equipment.

We must think of investments in our higher education system as fundamental improvements to our economy. The Interim Kansas Economic Development Study recognized the need to develop further the potential of our universities in supporting and attracting economic development activity. The partnership between business and education must be strengthened if the state is to continue to grow. The report summarized our task well: "The objective of an economic strategy is to foster timely adaptation to change and transition. The harsh reality is that those industries which develop and apply new knowledge and technologies the most rapidly and efficiently will be the ones with the competitive edge. For Kansas, this will involve providing support for innovation and the application of science and technology to the existing economic base as well as building upon existing strengths to develop new industry."

I wholeheartedly agree with this principle. The budget I submitted to the legislature, constructed with current available revenues, does not adequately address the enormous needs in our economy. The necessary enhancements for the Regents' institutions as well as other structural requirements lead me to conclude that we must increase state revenues. I have devoted a

significant portion of the revenue raised through the recommended sales tax increase to fund these vital investments at our Regents' institutions.

SYSTEMWIDE IMPROVEMENTS

Compensation/Other Operating Expenditures

Additions to the operating budgets of the Regents' institutions serve to maintain the quality of current programs, to improve existing programs through enhancements and to add new programs that meet the needs of Kansans. Program maintenance is accomplished by increases in salaries, fringe benefits and other operating expenditures (OOE) that preserve the quality of current programs. These increases are intended to offset inflation and keep our universities on par with similar institutions in other states. Despite fiscal constraints, my administration has endeavored to provide competitive parity in higher education and to provide increases that have maintained the quality of basic programs.

-- During my administration, faculty salaries at the Regents' institutions increased at an average annual rate of 7.1 percent. The cumulative effect of these salary increases is that Regents faculty salaries are, on the average, 62 percent higher than when I took office.

-- In 1985, the state's contribution to the retirement program for unclassified employees was increased from five percent to six percent. This additional one percent increase represents the first time the program has been altered since its inception in the early 1960's.

-- During my administration, allocations to the student wage base increased at an average annual rate of approximately six percent. These funds provided increased student salaries as well as additional jobs to assist more students who need employment to support their educational costs.

-- In 1985, the fee waiver for graduate teaching assistants at the Regents' institutions was increased from 60 to 75 percent.

-- Other operating expenditures at the Regents' institutions increased at an average annual rate of 6.1 percent during my administration. The cumulative increase in OOE allocated to the Regents' schools totals 52 percent since 1979.

In a few instances, certain institutions received larger maintenance increases in order to address specific circumstances. These additional increases are included in the individual institution sections that follow.

In this year of fiscal constraints, funding my commitment to improved salaries for faculty requires an innovative plan. Our current compensation program requires faculty members to

contribute five percent of their gross salary to a retirement program. The employer also contributes toward employee retirement. In recent years, 12 states and many major private sector employers have changed from contributory to non-contributory retirement systems.

For FY 1987, I recommend the state assume the five percent faculty retirement contribution at a State General Fund (SGF) cost of \$9.1 million. This recommendation is funded from the proceeds of the proposed sales tax increase. This increased benefit approach will allow maximization of available resources for the advantage of our faculty. For example, a faculty member earning an annual salary of \$25,000 will receive a 5.7 percent increase in take-home pay if the state assumes the five percent retirement contribution. If a five percent cost-of-living salary adjustment were enacted, the same employee's take-home pay would only increase by 4.3 percent. Expressed another way, in order to receive the equivalent take-home pay advantage, this employee would have to get a 6.6 percent cost-of-living increase. If the legislature chooses to use the \$9.1 million for a cost-of-living adjustment, the increase will be slightly less than four percent.

General services offered by universities are funded by other operating expenditure appropriations. These expenditures constitute the life-blood of our universities. Recognizing the importance of these appropriations, I funded increases for OOE in the budget prepared from existing revenues. The constraints represented by that budget scenario did not allow me to recommend sufficient increases. Therefore, I funded an additional 2 percent increase in OOE from expenditures raised through the recommended sales tax increase. My total FY 1987 OOE recommendation is \$3.3 million to fund a four percent increase.

Additionally, I recommend that \$410,000 be appropriated in FY 1987 to address the personnel needs for the telecommunications system at the Regents' institutions due to divestiture of the Bell System. This recommendation is funded by revenue generated from the proposed sales tax increase.

Program Improvements

In addition to budget increases targeted to the maintenance of quality programs, several very significant systemwide program improvements were initiated during my tenure in office.

-- In 1981, the Board of Regents introduced academic program review to ensure that available resources are expended as efficiently as possible to enhance the quality of education within the Regents' system. Following review, duplicative bachelors, masters and doctoral degrees were discontinued to enhance the efficient use of resources. In 1983, 34 degrees were discontinued, and in 1984, 50 degrees were deleted. I was supportive of this review process but stressed the importance of reallocating, within the individual institutions, any savings accomplished.

-- In 1982, the Board of Regents supported my position and passed a resolution to monitor the reallocation of resources within each institution. In FY 1984 alone, \$7,642,324 was reallocated from specific budgetary units to other budgetary units within the same institution. Those

disciplines receiving the largest net increases through internal reallocation include engineering, library science, mathematics, business and computer science.

-- In 1982, a systemwide program improvement of \$900,000 was appropriated to enhance faculty salaries in business, computer science and engineering programs. The enhancement has allowed the Regents' universities to be more competitive in attracting senior professors in those three disciplines.

-- In 1983, I secured passage of legislation that encouraged development of stronger ties between the universities and local private businesses. This special off-campus work-study program provides a state match of student salaries paid by private employers. Regents' institutions have received \$1,039,380 to fund this program of student assistance.

-- In 1984, I signed legislation that instituted early retirement for faculty between the ages of 60 and 65. This proposal requires no additional state revenues, yet allow faculty the opportunity to teach on a reduced basis and retain benefits. Institutions have the flexibility to plan for the future by retaining the savings realized through this program, and universities are allowed to maintain a competitive advantage in recruiting new, emerging talent.

-- In 1983, the Centers of Excellence were established at the University of Kansas (KU), Kansas State University (KSU) and Wichita State University (WSU) with a State General Fund appropriation of \$130,000 to each institution and \$195,000 matching funds from private sources. A total of \$1,374,000 of SGF revenues has been appropriated for these programs since their inception. The following Centers of Excellence were established: the Bioanalytical Research Center at KU, the Center of Excellence in Computer Controlled Automation and Advanced Computer Systems at KSU and the Center for Productivity Enhancement at WSU.

-- Since 1983, a total of \$1,830,000 has been appropriated to the Kansas Department of Economic Development to provide funding for advanced technology research grants. The money was allocated to KU, KSU, WSU, and Pittsburg State University (PSU) and made contingent on 150 percent private matching funds. The combined impact of state and private funds has made \$4,575,000 available for advanced technology research. The program builds a partnership between local private industry and the Regents' institutions to further enhance economic research and development in the state.

-- In 1984, the appropriation for the Regents' Distinguished Professor program was increased from \$57,500 to \$125,000 to support salary enhancements for the five distinguished professors. The institutions were also given more flexibility in the use of these funds that support a partnership between private industry and the universities.

-- In 1985, I secured special funds to address inadequacies in the state university library network.

-- In 1985, academic programs were enhanced by a \$202,037 appropriation that increased instructional equipment budgets at the Regents' institutions.

I am proud of these systemwide program improvements. We must continue to look for new and innovative ways to make our programs more efficient and effective and more responsive to the needs of all Kansans.

Building Maintenance and Construction

The physical inventory at the Regents' institutions includes 600 buildings and has a value of more than \$2 billion. During my administration, I have supported a major building program totaling approximately \$150 million. Maximizing our investment involves upgrading old facilities to allow more economical operation and to maintain their structural integrity.

An increasingly important category of capital improvements at the Regents' schools has been that of energy efficiency. Fifteen years ago, the cost of utilities and power plant operation was about two percent of the total budget of individual Regents' institutions. In 1980, the cost was about five percent of the total university budget and was expected to continue to grow to 10 percent of the total operating budget in 1990. In 1976, the utility bills at Regents' institutions totaled about \$8 million. This figure grew to \$12 million by 1979--a 50 percent increase in three years.

In order to better maintain this investment, I recommended appropriations from the State General Fund for major repairs, special maintenance and remodeling.

-- I recommend more than \$5 million for attic and roof insulation, steam pipe insulation and other energy conservation projects at the Regents' institutions. This expenditure includes matching dollars from a federal Department of Energy grant program.

-- I recommend major building projects at the University of Kansas Medical Center and at Kansas State University to add central chilling capacity to the energy plants that resulted in substantial savings of electrical energy.

-- Investments in efficiency have paid off. Energy use decreased 16 percent from 1981 to 1983. These energy savings ranged from seven percent at Pittsburg State University to 33 percent at Kansas State University. Even if utility rates remain the same for the next 10 years, our past efforts in conservation would net an additional \$62,548,000 savings during the next 10 year period.

-- My administration was the first to set aside a special fund for systemwide maintenance of Regents' facilities. The legislature appropriated \$2.8 million in FY 1985 and \$4 million in FY 1986 in response to my recommendations.

-- To assure that the building program and all capital improvements are carried out in a rational manner, my administration, in cooperation with the Board of Regents, developed a five-year capital improvement plan. This improvement provides a framework for plan. This improvement provides a framework for planning major construction projects at the Regents' institutions. This planning tool is reviewed and updated on an annual basis.

My recommendations for expenditures in FY 1987 from the Educational Building Fund total \$14,004,000. These recommendations are described in the individual institution sections that follow. For FY 1987, I recommend that \$4 million be appropriated to continue the major repairs, special maintenance and remodeling fund. The constraints of the current resource budget only allowed me to recommend \$2.5 million for the major maintenance and repair fund. I believe that this funding level is inadequate to finance the maintenance of this \$2 billion investments; therefore, I recommend an additional \$1.5 million from the revenues generated by the recommended sales tax increase.

UNIVERSITY OF KANSAS

The University of Kansas (KU) is a major, comprehensive higher education and research institution, maintaining a wide variety of colleges and schools. During my administration, program improvements at KU have been wide-ranging in nature and have affected many areas of the university.

-- In 1979, a masters degree program in health services administration was begun. This program is designed to meet the increasing demand for hospital administrators and health service workers at the state and local levels.

-- In 1979, KU received a special appropriation to enhance its audio-reader program. This program expands the availability of special services for the visually-impaired citizens of our state.

-- In 1982, I supported appropriations to enhance the university's programs in applied remote sensing to assist in the exploration for natural resources throughout the state. Although it has applications in many areas, the remote sensing laboratory has concentrated heavily in the area of oil and natural gas exploration.

-- In 1985, KU received an appropriation to establish an equipment matching fund which

provides a readily available source of funding to participate in grants from private foundations and federal agencies that require state matching funds.

-- In 1985, KU received an appropriation to implement a Bachelor of Science program in computer engineering.

-- Capital improvements at KU during my administration have been extensive. Since 1979, Haworth Hall has been enlarged; Moore Hall has been expanded; Snow Hall additions have been planned; and a new science library has been designed. Major renovations were made to the following four buildings: Marvin Hall, Lindley Hall, Flint Hall and Watson Library.

In order to allow the State of Kansas to make more informed economic policy decisions, I recommend \$180,262 and four positions in FY 1987 for the University of Kansas to develop an economic model for the state. The Institute of Economic and Business Research at the university would coordinate the project. The model would enable the institute to forecast both short-term economic trends and long-term structural changes. This capability would allow the state to analyze major policy alternatives wisely.

In addition, I recommend that \$157,346 in state funds and 4.5 positions be provided to finance the second phase of implementation of a Bachelor of Science in Computer Engineering degree program.

I also recommend that \$100,528 be appropriated and two positions be provided in FY 1987 to develop an instrumentation laboratory. The laboratory will serve as a central repair and service facility.

I recommend \$125,000 and three positions for program improvement of the Anthropology Museum and the National History Museum. My request represents the first of a five-year program of museum enhancements that also include resources from the federal government and private sector. The program is intended to make the collections more accessible to the public and more valuable to students for research.

Finally, I recommend that \$288,020 be appropriated in FY 1987 to fund distinguished professorships. The university has established approximately 50 chaired professorships over the last 20 years for scholars and teachers with national and international reputations. These state funds would provide base salaries for five positions. Privately-funded endowment would be added to these base salaries to make them nationally competitive.

All the above recommended program improvements are funded by revenue generated by the proposed sales tax increase.

Continued funding for two major building projects at KU are included in my FY 1987 capital improvement budget recommendations. I recommend that \$800,000 be appropriated in FY 1987

for continuing work on the science library. My five-year capital improvement plan also calls for an additional appropriation of \$12,800,000 through the 1990 fiscal year for completion of this project. I further recommend that \$800,000 be appropriated in FY 1987 for continued renovation of Snow Hall. Appropriations of \$6,010,000 will be needed through FY 1990 in order to complete this important renovation project. The following capital improvement recommendations are included in the five-year plan but are to be initiated after FY 1987: \$560,000 for remodeling Fowler Hall; \$800,000 for remodeling Haworth Hall; \$184,000 for utility analysis and \$750,000 for renovation of Spooner Hall.

Several of these improvements reveal the impact that programs within the Regents system can have on economic development in the state. Research in the area of oil and natural gas exploration has a positive impact on an important and struggling sector of our economy. The new academic program in computer engineering will train students in a high demand area which is directly related to the future economy of Kansas.

KANSAS STATE UNIVERSITY

Kansas State University (KSU), as a land grant institution, has a broad mission. Its impact on the agricultural sector of the Kansas economy is vital to the well-being of our entire state. Significant development has taken place in agricultural commodities research and marketing as well as in other academic areas.

-- In 1979, Kansas State received a special appropriation for a program to improve swine production.

-- In 1982, I supported establishment of an International Trade Institute at KSU. This program seeks to improve international markets for Kansas agricultural products.

-- In 1984, Kansas State received an appropriation of \$225,000 for wheat research. This program improvement has allowed the university to conduct research on expanding the markets for Kansas wheats and on the development of ARKAN wheat.

-- Kansas State received an appropriation of \$54,000 in 1985 to fund a series of research projects on ways to prevent respiratory diseases in meat animals. This project is designed to reduce significantly weight loss in meat animals due to respiratory conditions and thereby enhance the profitability of the state's meat industry.

-- In 1985, KSU received an appropriation to establish an International Livestock Program. This program was created to improve international marketing of livestock products from Kansas.

-- Important improvements have been made to Farrell Library during my years as governor. In

1980, KSU received an appropriation of \$115,000 for a computerized circulation system, and in 1984, \$200,000 was appropriation for five classified positions to improve services and for library acquisitions at Farrell library.

-- In 1985, KSU received a \$62,500 appropriation to improve academic advising of undergraduate students.

-- Significant capital improvements have been made on the KSU campus during my administration. These include: the restoration of Nichols Hall to provide a facility for speech and drama, computer science offices and library book storage; the addition to Durland Hall that was the second phase of engineering improvements; the addition of a third floor to Shellenburger Hall for milling science research; the renovation and addition to Weber Hall for teaching and research in meats production; and the construction of the J. R. McDonald Ion-Atom Collision Laboratory for physics research in Cardwell Hall. Planning and construction funding for a new chemistry-biochemistry building to replace antiquated facilities was also appropriated.

For Kansas State University, I am making three recommendations which attempt to address problems currently being faced by our state's agricultural economy. First, I recommend that \$205,000 in state funds and six positions be provided in FY 1987 to expand education programs in financial management for farm families. Three faculty positions (farm management specialists), two assistant extension positions and nine clerk stenographer positions would allow the Cooperative Extension Service to expand its capability to provide intensive financial planning assistance to Kansas farm families. I further recommend that \$100,000 be appropriated in FY 1987 to enhance farm management research at KSU. My recommendations includes one full-time farm management research scientist, a computer systems analyst and a part-time graduate research assistant. The additional staff and other support will provide a broader pool of farm management expertise in the areas of livestock and grain production and financial management of livestock and grain operations. Finally, I recommend that \$42,667 be appropriated to continue the International Livestock Program.

I also recommend \$499, 671 for a five percent salary increase for KSU extension workers. These employees are not currently members of the Kansas Public Employees Retirement System and, as a result, would not benefit from the proposed shift from a contributory to a non-contributory retirement system.

Two additional recommendations for FY 1987 will have important impact on the instruction and research capabilities of the university. I recommend that \$200,000 be appropriated for the acquisition of books and periodicals for Farrell Library. This additional funding will allow the university to take the final step toward its goal of meeting the minimum standards of the Association of Research Libraries. I also recommend that \$160,000 be appropriated for additional television broadcast equipment to be utilized for both instruction and extension purposes.

All the above recommended program improvements are funded by revenue generated from the proposed sales tax increase.

My FY 1987 capital improvement budget recommendation includes \$4,200,000 previously appropriated by the 1985 Legislature to continue construction of the chemistry-biochemistry building. My FY 1987 capital improvement recommendations also include \$2,877,000 previously appropriated to continue the renovation of Weber Hall. I support the \$1,503,123 previously appropriated for FY 1988 for continuation of the Weber Hall project and recommend a supplemental appropriation of \$421,877 in FY 1988 for the completion of this project. Finally, I recommend the appropriation of \$50,000 in FY 1987 to finance improvement of the campus chilled water distribution system. The following capital improvement recommendations are included in the five-year plan but are to be initiated after FY 1987: \$500,000 for renovation of Seaton Hall; \$5,570,000 for the second phase of the plant science project and \$636,400 for the renovation of Burt Hall.

These recommendations strike an appropriate balance between instruction, research and public service which are all important goals of a land-grant institution. Upgrading the library to meet minimum standards is fundamental to instruction and research. Quality instruction must also be supported with an adequate supply of modern equipment. Increased support for education programs which target struggling Kansas farm families and continued support for the International Livestock Program will have direct impact on the economic well-being of our state.

WICHITA STATE UNIVERSITY

Wichita State University (WSU) serves the state's largest urban area and has a unique mission to provide educational opportunities to a variety of traditional and non-traditional students. Special program improvements at WSU have focused on serving the needs of Wichita.

-- Because of the needs of local industry, Wichita State has a unique mission in the field of engineering. In order to provide a more comprehensive program in engineering and to improve the overall quality of existing engineering programs, WSU received a special appropriation of \$173,028 in FY 1985 for additional faculty and equipment for the College of Engineering.

-- In 1984, I supported consolidation of undergraduate nursing education programs at Wichita State University's School of Nursing and Wesley Medical Center. This program improvement will reduce the overall cost of nurse education in Kansas and provide a more comprehensive program for the students.

-- During my administration, several steps were taken to improve the facilities at the university. A \$10 million physical education complex was constructed. The remodeling of and addition to the Ablah Library was begun. An organ recital hall was also built.

For FY 1987, I recommend that \$300,928 be appropriated to enhance capabilities in the physical

sciences, mathematics, computer science and industrial psychology. This program improvement includes three faculty positions and two graduate assistant positions together with other operating support. The creation of the Center for Productivity Enhancement and recent increases in the funding of the College of Engineering have already enhanced the university's ability to respond to industrial needs of the aircraft industry as well as other manufacturers. The additional appropriation would build similar and complementary strengths in the allied fields of science, mathematics and industrial psychology.

Secondly, I recommend \$175,000 and three positions to enhance research capabilities at WSU in FY 1987. A portion of the additional money would finance the position of associate vice-president who would assist the vice-president of research to build the university's research capabilities and improve linkages between the research function of the university, the graduate school and the community. My recommendation would also add equipment to a research equipment pool designed to serve the entire university.

Finally, I recommend \$118,280 and 4.5 positions in FY 1987 to strengthen the entrepreneurship program in the College of Business Administration. This program is designed to assist entrepreneurs, prospective small businesses and existing businesses in Kansas.

All the above recommended program improvements are funded by revenue generated from the proposed sales tax increase.

My FY 1987 capital improvements budget recommendations include \$4,600,000 previously appropriated by the 1985 Legislature to continue construction of the addition to Ablah Library. I further recommend that \$171,000 be appropriated in FY 1987 to begin planning for a new science building.

Improved capabilities in the physical sciences, mathematics, computer science and industrial psychology, in addition to enhanced research capabilities, will contribute to the symbiotic relationship between the Wichita business community and the university. These recommendations will have an important and positive impact on the state's aviation industry. Strengthening the entrepreneurship program in the College of Business will assist in developing leadership training for the business community of the state.

PITTSBURG STATE UNIVERSITY

Pittsburg State University (PSU) serves the higher education needs of Kansans in the southeast portion of the state. Two major program improvements have greatly enhanced PSU's ability to serve these residents as well as students from throughout the state.

-- In 1980, I recommended a special appropriation of \$150,000 to purchase a two-color printing press to permit Pittsburg State's School of Technology to have state-of-the-art instructional equipment. PSU has one of the few four-year programs in printing technology, and my recommendation greatly strengthened this important program.

-- In 1985, PSU received a special appropriation to establish academic service centers at selected community colleges in southeast Kansas. This program was designed to improve the articulation between PSU and the colleges in its geographic area and to improve the availability of programs to the citizens of that region.

-- During my administration, capital improvements have been a vital component in the overall improvement of programs offered by PSU. The temporary science laboratory building was remodeled to house the Wood Technology Institute. A chemistry-biology facility was constructed to replace Carney Hall. Porter Hall was equipped for art instruction. The old laboratory school building was renovated and now houses the Kelce School of Business and the central computer facility.

I recommend that \$130,000 of State General Fund money be appropriated in FY 1987 to establish a Center of Excellence for Applied Technology at Pittsburg State. These funds would be matched by \$195,000 from private industry. The Center will emphasize wood and plastics technology. PSU's current wood technology and plastics engineering technology programs have received national attention. This Center of Excellence will enhance the national reputation and has potential to contribute significantly to our industrial development.

The above recommended program improvement is funded by revenue generated from the proposed sales tax increase.

For FY 1987, I recommend that \$227,000 be appropriated to complete the remodeling of Porter Hall. This will free space in Whitesitt Hall for use by the School of Technology and Applied Sciences.

EMPORIA STATE UNIVERSITY

Emporia State University (ESU) provides pre-service and in-service preparation for teachers and administrators and provides undergraduate programs in the liberal and applied arts and sciences.

-- ESU has the state's only graduate program in library science. For FY 1984, I recommended a special appropriation of \$85,740 to strengthen the School of Library Science. In 1985, the school was re-accredited by the American Library Association.

-- In 1985, a total of \$310,675 was approved for program improvements for the College of Education.

-- I recommended the first phase of the renovation of Plumb Hall. This renovation will ensure the fire safety and energy efficiency of the building.

For Emporia State, I recommend that \$93,188 be appropriated in FY 1987 and two positions be provided in order to create a program of second-field teaching in mathematics, science and computer science. There is a substantial shortage of mathematics and science teachers in Kansas. As a result, many instructors who lack certification in these disciplines are teaching. This program would provide additional training to those individuals who have some mathematics and science coursework but have not completed certification requirements.

The above recommended program improvement is funded by revenue generated from the proposed sales tax increase.

For FY 1987, I recommend that \$350,000 be appropriated to replace the electrical system at Albert Taylor Hall. This project will replace an antiquated system that can no longer be properly repaired and maintained. Also included in the five-year plan, but not begun until after FY 1987, is roof repair at Butcher Hall.

FORT HAYS STATE UNIVERSITY

Fort Hays State University (FHSU) serves the western part of the state by offering varied educational programs in the liberal and applied arts. One of the most important program improvements at FHSU during my administration was the improvement of instructional computing resources for students.

-- In 1984, FHSU began a multi-year program to upgrade its academic computing center. I supported appropriations totaling \$97,841 in FY 1985 and FY 1986 to begin that upgrade.

-- In order to make salaries at FHSU more competitive, faculty salaries were increased by 9.0 percent compared to 7.0 percent for other institutions in FY 1982. In FY, 1983, the adjustment was 10.2 percent compared to 7.5 percent for the rest of the Regents' institutions.

-- Several capital improvements were undertaken at FHSU during my administration. Martin Allen Hall was renovated as a central computer facility. A new media center for campus-wide use was built. Total renovation of old Sheridan Coliseum into a performing arts center and administrative offices began.

I recommend that \$150,000 be appropriated toward the continued upgrading of the instructional computer system at FHSU in FY 1987. This enhancement is funded through revenues raised by the recommended sales tax. I also recommend \$100,000 be appropriated from the capital improvement budget to finance preparation of the interior of Sheridan Coliseum at Fort Hays State for planned renovation.

KANSAS TECHNICAL INSTITUTE

Kansas Technical Institute (KTI) in Salina was placed under the supervision of the Board of Regents in 1976. The curriculum includes: aeronautical, mechanical and civil engineering; environmental protection; and computer, electronics and general technology. Improvements at KTI during my administration have focused on improving the campus salaries and facilities.

-- In recognition that faculty salary levels at KTI generally lagged behind salary levels for faculty at other institutions offering similar programs, I recommended an additional 9.3 percent in FY 1980, 8.2 percent in FY 1981 and 7.1 percent in FY 1982 above increases for other institutions.

-- In 1980, a consultant prepared a long-range master plan for KTI that geographically consolidated program facilities.

-- The new technology center, to house the central library and the mechanical and civil technology laboratories, was the first component of the long-range master improvement plan to be constructed. Planning funds to remodel the old hanger into aeronautical laboratories were appropriated. An existing building was renovated into a central computer facility.

In order that the building improvement for a central computer facility be staffed sufficiently, I recommend that \$32,098 be appropriated in FY 1987 to fund an additional electronic computer technician position at KTI. This full-time technician would have the primary responsibility for the maintenance, repair and installation of high technology equipment. This program enhancement is funded through revenues raised by the recommended sales tax increase. An additional \$1,596,400 for renovation of the aeronautical laboratory is included in the five-year capital improvement plan but is not scheduled to begin until after FY 1987.

UNIVERSITY OF KANSAS MEDICAL CENTER

The University of Kansas Medical Center is located in Kansas City and operates a branch in Wichita. The Medical Center and its state-owned and operated Bell Memorial Hospital represent a significant investment in health education and health services for Kansans. In order to assure that the Medical Center is able to meet the ever-changing challenges of the medical field, I recommended a series of program improvements during my tenure as governor.

-- In 1979, Bell Memorial Hospital began operation. A large portion of the additional \$7.5 million program improvement in 1980 at the Medical Center was earmarked for staffing the new facility and providing additional operating funds. Much of that funding was generated by the hospital itself because of its expanded capacity.

-- In 1984, the Medical Center received a special appropriation of \$1.6 million to purchase a kidney stone lithotripter. When operational, in 1986, the machine will dissolve kidney stones through the use of ultrasonic waves thus preventing the need for extensive surgery.

-- In 1984, the Medical Center received an appropriation of \$450,000 for planning and site preparation for the installation of a nuclear magnetic resonance imaging system for the diagnostic radiology department. This equipment will permit the Medical Center to provide state-of-the-art services and to be competitive with other hospitals in its region.

-- In 1984, the Medical Center received a program improvement of \$180,000 to establish its own collection department. Since that department was established, the Medical Center has shown a marked improvement in the collection of overdue bills.

-- In 1985, I recommended special appropriations to establish two Centers of Excellence at the Medical Center. The Center on Aging will be established using the special appropriation of \$259,783 while the Center on Environmental Health is supported through a special program improvement of \$374,913. These two centers will emphasize two existing strengths of the Medical Center and permit it to attract nationally-recognized faculty in these areas.

-- Additionally, significant improvements have been made to the facilities at the Medical Center during my administration. A new central library for the health sciences was constructed. Planning funds for a new central animal care facility to house animals for research were appropriated. A hazardous waste incinerator to destroy wastes economically and safely was added.

For the University of Kansas Medical Center, I recommend that \$510,000 be appropriated in an effort to recruit faculty in key clinical areas of need. A competent faculty is essential to the educational mission of the university. The recruitment of additional faculty in key areas would have an important impact on the quality of patient care and the financial viability of the hospital.

I further recommend that \$122,768 be appropriated in FY 1987 to fund the laboratory in the newborn intensive care unit of the Medical Center. The laboratory is currently funded and operated by the Department of Pediatrics Foundation. My recommendation funds five technician positions and laboratory supplies. The proposed shift in operating responsibilities would allow the hospital to retain patient charges as hospital revenues. This investment would result in increased revenue for the hospital since the program is more than self-supporting.

I also recommend that \$746,000 in state funds be used to upgrade the hospital's computer system. These computer improvements would address deficiencies in the current system that include slow processing and access time, noncompatibility with systems in the clinical departments and the lack of a data base concept in the system.

I additionally recommend an appropriation of \$500,000 to finance overtime and holiday pay costs at the Medical Center hospital. Until recently, overtime costs were accommodated from excess salary savings from unfilled positions. With recent improvement in the ability to recruit

personnel, the institution is no longer able to finance unbudgeted overtime costs from excess salary savings. Over the past two years, the hospital has had to defer operating expenditures and rely on OOE funds to offset salary expenditures. My recommendation addresses this budget inadequacy.

Finally, I recommend two appropriations to finance insurance costs at the Medical Center. First, I recommend that \$494,263 be appropriated in FY 1987 to finance the cost of hospital liability insurance. Second, I recommend that \$161,169 be appropriated in FY 1987 to finance undergraduate medical student's liability insurance costs.

All the above recommended program improvements are funded by revenue generated from the proposed sales tax increase.

I have included \$360,000 for replacement of Hixon Hall as part of the five-year capital improvement plan. This improvement is scheduled to begin in 1990.

KANSAS STATE UNIVERSITY VETERINARY MEDICAL CENTER

The Kansas State University Veterinary Medical Center is a leader in its field with nationally-known faculty and the finest facilities of all 26 veterinary medicine colleges in the United States. In order to maintain this excellence, I proposed important program improvements during my administration.

-- For 1985, I recommended, and the legislature approved, the appropriation of \$393,859 to strengthen the quality of undergraduate clinical instruction and service.

-- To encourage maximum efficiency, I have worked to develop this institution into a regional center.

For Kansas State University Veterinary Medical Center, I recommend a tuition-funded upgrade of faculty salaries and associated other operating expenditures totaling \$157,920 in FY 1987. This recommendation funds two new positions and an existing, unfilled position. These include a cardiologist position and two classified positions which would provide technical support for teaching and research laboratories and improve the ability of the college to process examinations, manuscripts and research proposals.

The above recommended program improvement is funded by revenue generated from the proposed sales tax increase.

While my program recommendations address the wide variety of missions at the Regents' institutions, they focus primarily on areas that can have the greatest impact on the future economic well-being of our state. The development of an econometric model for Kansas, the continued implementation of a computer engineering program at KU, the establishment of a Center of Excellence for Applied Technology at PSU, enhanced capabilities in the physical

sciences, mathematics, computer science and industrial psychology at WSU, a strengthened entrepreneurship program at WSU, expanded educational programs in farm financial management at KSU, enhanced farm management research at KSU, as well as the continuation of KSU's International Livestock Program will not only strengthen individual institutions but will also play a crucial role in the continued economic development of our entire state.

These improvements represent an important step in moving Kansas into a more competitive posture for economic development. They do not, however, constitute the magnitude of enhancements needed to equip our universities with the tools to better serve our business community.

A survey of 700 Kansas business and governmental leaders shows overwhelming support for "bold, new initiatives" for economic development. Even with additional revenue raised by the sales tax, this kind of aggressive campaign cannot be funded. I urge the legislature to pass a constitutional amendment authorizing the establishment of a state lottery and that the a competitor in the world economy.

In this, my final Legislative Message, I would like to reiterate the appeals I have made consistently over the past few years regarding the importance of education.

The rapid progress and changes in the quality of life we have experienced, just in our lifetime, has 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 because it is a fact of life; we must equip ourselves to deal with these changes through a progressive educational system.

The process takes the involvement of all.

PARENTS - - - Insist that your children are learning and maximizing their education experience. Become involved. Remember to emphasize to your children how important education is to their ultimate success.

STUDENTS - - - You have educational opportunities other generations never even considered. Take advantage of them to learn how to learn. In this competitive world, you must be prepared to learn and to retool throughout your life.

INSTRUCTORS - - - As a group, you must be prepared to accept stricter professional standards. There must be assurances made to the public that dollars for increased salaries are well spent. I have the utmost confidence in your abilities.

GOVERNING BOARDS - - - You represent the community on education policy. You are faced with difficult decisions. Work with parents, instructors and administrators to arrive at those decisions which are so very important to assure a good education for Kansas' students.

BUSINESS COMMUNITY - - - Retraining costs are adversely affecting you just as remediation costs are draining resources from higher education. Since you also stand to gain significantly,

you, too, must be ready to commit time, effort and money to improving our system of public education.

LEGISLATORS - - - You also face difficult decisions. Increased salaries, more stringent standards and other related issues are not always the most popular; but, you also serve a statewide constituency. Education must be taken seriously and tough decisions made.

We all must commit ourselves to education, There will be additional costs to improving our system, but neglect will ultimately cost more.

As governor, I pledged to improve the public educational system in Kansas. With the cooperation of the legislature, much was accomplished, but much remains to be done.

TRANSPORTATION

One of the essential elements in strengthening the economic vitality of the state is the adequacy of our transportation system. I have always recognized that fact and I have consistently proposed and supported measure which maintained and improved the quality of transportation for the citizens of Kansas.

A primary goal of my administration in the transportation area has been to ensure an optimum level of service while improving our efficiency and responsiveness. Our commitment to this goal has required us to examine the allocation of available resources and the application of innovative technologies. I am proud to report that we have met this challenge to improve the efficiency of our transportation services.

EFFICIENCY--MAXIMIZING RESOURCES

When I began my administration, I was confronted with the need to initiate new, more efficient ways to maximize available resources to ensure needed levels of service. In 1979, there were two major concerns about the Kansas highway program: the efficiency of the Kansas Department of Transportation (KDOT) was in question, and there was serious concern about the process of selecting construction projects. My administration moved aggressively to solve these problems.

-- In 1979, the Secretary of Transportation formed a task force to develop a quantitative formula that would establish priorities for construction of all road segments and bridges. The Priority/Optimization system developed by the task force uses systematic and consistent procedures to determine relative priority for construction projects. This system was implemented in June, 1985, and is used to determine projects included in KDOT's multi-year construction plans.

-- In 1982, KDOT began to reorganize along functional lines based on the results of a manpower utilization study. The reorganization of the department was designed to modernize its methods of doing business and has resulted in a reduction in force of approximately 480 personnel by the current fiscal year.

-- KDOT has also developed a Pavement Management System that selects the appropriate surface treatment for each highway mile which will produce the greatest performance at the lowest cost. This system is currently being used to determine preservation projects.

-- To enhance its technical capabilities and increase its engineering efficiency, KDOT began a study in 1984 to determine the feasibility of using Computer Aided Design and Drafting/Computer Aided Mapping (CADD/CAM) for engineering and design purposes. I recommended, and the 1985 legislature funded, CADD/CAM. This system is currently being implemented.

-- In 1983, KDOT implemented the Bid Analysis and Management System (BAMS) to improve the ability to identify collusive activity on state highway contracts. This system is used in contract cost estimation, bid analysis and bid investigations.

-- Passage of the 1983 Highway Finance Act enabled KDOT to develop a five year construction program that is updated annually. The program includes preservation, modernization and system expansion projects with an average construction cost of \$166 million per year. The preservation component alone will provide a 1,000 mile annual surfacing program and bridge deck overlay and culvert repair projects.

-- By aggressively pursuing bond refunding options, KDOT has been able to refinance the freeway bonds, save the fund \$41.9 million and shorten the life of the debt.

-- The Highway Cost Allocation Study, requested by the legislature, has recently been completed by the Secretary of Transportation and will be distributed to the 1986 Legislature. This study provides an in-depth analysis of how costs are distributed among the various highway user groups.

The extensive reorganization of KDOT combined with the large scale staff reductions and implementation of more cost-efficient business practices will enable the state to deal more efficiently with the challenges and demands of the future. The more than 10,000 miles of Kansas highways will require our continued attention and commitment to maintain the viability of our highway system.

SAFETY

The results of the state's highway safety programs are tangible. During the past five years, fatalities have been reduced from 595 in 1980 to 510 in 1984. The decline in traffic fatalities

during my administration has brought traffic deaths to their lowest level since 1949 when records were first maintained.

KDOT administers a statewide highway safety program which is dedicated to the reduction of death, personal injury and property damage that results from traffic accidents. Over the last seven years, we have made significant progress.

-- Upon passage of the Federal Motor Carriers Safety Assistance Program, I appointed a Cabinet Subcommittee to study the problem of Kansas motor carrier safety and formulate a Motor Carrier Safety Enforcement Plan. That Cabinet Subcommittee pursued a federal demonstration grant to fund its activities and received Motor Carrier Safety Enforcement Program Funds. Inspections by trained and qualified personnel under the direction of the Kansas Highway Patrol are designed to remove unsafe vehicles from Kansas highways.

-- KDOT received a federal demonstration project grant to develop a plan and specifications for the linkage of accident data with specific highway geometric data at accident locations. This will provide an automated data base for analysis of the relationship between highway geometrics and traffic accidents. This improvement to the Safety Information System is scheduled for May, 1986 and will be showcased throughout the United States.

-- Last year, I directed state agencies to implement a seat belt use policy for all state employees to utilize seat belts when traveling on state business. This policy is currently in effect.

The issue of mandatory seat belt usage has been controversial. Many agree that as adults, we have the right to choose not to protect ourselves by refusing to buckle-up. I have given this issue careful consideration and have concluded that the evidence in favor of seat belts is overwhelming. Seat belts do save lives and reduce personal injury. Mandatory seat belts laws do increase the use of seat belts.

Motor vehicle accidents represent the number one cause of both lost work time and on-the-job fatalities. The ever growing cost of motor vehicle accidents is a major problem and one that I do not believe this state can afford to ignore. I believe the enactment of a mandatory seat belt law to be an appropriate role for government. Therefore, I recommend that legislation be passed in the 1986 Session requiring the use of seat belts.

RAIL AND AIR TRANSPORTATION

In addition to its highway responsibilities, KDOT has planning and administrative responsibilities for rail and air transportation. Since the integration of rail and air functions into KDOT, we have been more actively involved in ensuring that needed services are maintained. I am proud that during my administration, the State of Kansas took an active role in restoring essential rail service to many areas of the state during the aftermath of the bankruptcy of the

Rock Island Railroad. My commitment to improving rail and air transportation has produced significant results for Kansas shippers.

-- Enactment of a constitutional amendment in 1980 modified the prohibition against internal improvements and permits state involvement in rail projects. To date this change has netted the state \$4,007,378 in federal rail rehabilitation grants.

-- The passage in 1984 of House Bill 2955 established the Railroad Loan Guarantee Fund. This bill paved the way for an \$18 million federal loans for the Mid-States Port Authority for purchase and rehabilitation of the former Rock Island line from Clay Center to Limon, Colorado.

-- Restoration of service along the old Rock Island System has been the major focus of KDOT's rail activity. To date, service has been restored on all major Rock Island lines.

-- Through the active involvement of KDOT's Division of Aviation, we have been able to bring almost \$30 million into the state for airport improvement since 1982.

In recent years, we have seen the number of rail line abandonments increase as railroads strive to reduce operating costs and increase efficiency. These rail abandonments involve many miles of railroad right of way. While the question of title to these abandoned properties is resolved without problems in many cases, there have been many instances in which the rightful property owners have been confused as to their legal rights in these matters. Some railroads, including the bankrupt Rock Island, have attempted to sell quit claim deeds to parties other than the rightful landowners.

There is a need to establish a procedure for clearing title to abandoned railroad right of way. I recommend that the legislature require railroads to file legal notice of their abandonments of right of way at the request of property owners on whose property the easement exists. This legislation would provide helpful information to landowners aggrieved by a railroad's failure to file notice of abandonments.

RURAL PUBLIC TRANSPORTATION

KDOT has made substantial progress in providing public transportation services to rural areas in the state. In September, 1982, there were only 14 public transportation vehicles and 22 operating contracts in Kansas funded by the Surface Transportation Assistance Act. My administration took steps to improve this situation.

-- KDOT reviewed its rural public transportation program and provided information to public officials, streamlined the administrative processes, allocated funds to local units of government and provided stability in the funding process.

-- KDOT entered planning administration agreements with the area aging agencies, area planning agencies and the Kansas Public Transportation Association to increase the availability of public transportation in rural areas.

-- Rural public transportation services are now available in every section of the state. The state is now served by 142 small vehicles with 125 operating contracts. In addition, 192 vehicles provide services for the handicapped and elderly.

My administration continues to explore all possible means of increasing rural public transportation services throughout Kansas. Full flexibility under the law is being utilized to ensure that federal funds do not lie idle and to increase the amount of planning time available to public transportation providers.

FUNDING AND ECONOMIC DEVELOPMENT

I remain as resolute today as I was when I first assumed the duties of this office in supporting a strong, quality highway system for the state. During the course of my administration, I am proud that we were able to come to grips with our highway needs and pass a funding package that averted a potential crisis. Enactment of the 1983 Highway Finance Act enabled the state to match available federal highway dollars and thereby fashion an accelerated highway improvement program. At the same time we were increasing highway revenues, great advances were being made towards maximizing the return on every dollar of highway revenue.

The 1983 Act represented a shift from the construction of new facilities to the preservation and modernization of existing ones. Throughout my administration we have made much-needed improvements even when short of highway funds.

-- In 1979 and 1980, \$35 million was transferred from the State Freeway Fund to the State Highway Fund. This funded important modernization projects such as the improvement on Highway 81 from Concordia south to US-24.

-- During that same period, funds were transferred from the Highway Fund to the Special City and County Highway Fund to take care of serious "pothole" problems that were occurring across the state. These funds were later repaid by transfer of the property tax on motor carrier rolling stock from the General Fund to the Special City and County Highway Fund.

-- In addition to its regular distributions of federal interstate funds, the department received nearly \$110 million in Interstate Discretionary Funds. These additional funds will ensure that Interstate 435 will be completed ahead of schedule with resulting economic development benefits to the Mid-America Metropolitan Area.

-- The Kansas Department of Transportation through aggressive actions received \$31.5 million in bridge replacement and discretionary funds to build the Missouri River Bridge on US-36 and the West River Bridge on K-132.

-- As a result of the 1983 Act, a five-year plan was developed that scheduled 100 miles of interstate highway for rehabilitation, 140 bridges for replacement or rehabilitation and 225 miles of highway system for modernization. This funding also allowed completion of the Garden City Bypass and the surfacing of K-10 connecting Lawrence and Johnson County.

-- In 1983, KDOT initiated a systematic, long-term local partnership program. Through this program, preservation projects, modernization projects and expansion projects are funded on a city/state match basis. Just over \$1.6 million in state funds are available annually for local match. This program focuses on small communities.

-- Funding from the 1983 Highway Finance Act permitted us to begin an accelerated resurfacing program. Since passage of the act, KDOT has made the resurfacing of 1,000 miles of pavement annually its highest priority.

-- During my administration, we have completed the last of the freeway projects. The freeway program, established during the 1970's, provided for modern highway facilities to be constructed in non-specific corridors across the state. This program has allowed us to complete such important projects as: improved access to Mid-Continent Airport in Wichita, Highways 69 and 169 in Southeast Kansas, improvements to US-54 and K-96 in southern Kansas and providing improved US-36 across the northern counties of the state.

Unfortunately, the freeway program reached its maturity at the time of two major oil crises. The resulting need for preservation of the existing system caused the redirection of funds from system expansion. We must now look beyond merely preserving what we have already built. Instead, we must realize that highway projects in certain areas can be critical to the future of a given economy. We must be willing to make investments now that will allow such projects to begin.

The need to make these investments, especially when there exists a direct economic benefit, has never been greater. Numerous communities throughout the state have requested funding for highway and bridge construction projects that will produce local economic benefits in higher incomes, increased employment, more sales receipts and stronger land values. I believe that when one community in the state improves its economy, we all share in the benefits.

In recognition of these facts, I recommend the creation of the Kansas Economic Development Highway Program. This program will make the state a partner with local communities in

highway construction projects which impact directly on the economic development of the community and the area.

Communities of all sizes will be able to participate. A special set-aside of 10 percent will be established to fund economic development projects in cities with populations of less than 10,000. Under this program, any local government unit, combination of local governments or quasi-governmental entity such as a port authority may apply to KDOT for funding of an economic development highway project. The program will provide interest free loans for selected projects that demonstrate local economic development enhancement. The state would participate in these projects by forgiving the interest payments. Local recipients would repay the loan in ten annual payments beginning three years after the loan is secured.

I recommend an initial investment of \$30 million in FY 1987 with subsequent investments each year. Combining the annual investment with loan repayments will create a revolving loan fund. This level of investment, because of the time lag in construction project payouts, will permit the state to obligate almost \$125 million in highway projects during the first year of the program.

I further recommend that we fund this program with money derived from the proposed increase in the sales tax. The key to tapping the state's economic potential lies in improving and expanding our transportation system. New and improved highway facilities have a direct impact on the economic growth of the areas served. These projects will bring new jobs and new opportunities to all Kansans. I believe our needs in this area are too great to ignore.

In addition, during the past legislative interim, the Secretary of Transportation approved a proposal to provide additional surface maintenance dollars to cities through the City Connecting Link Aid program. My recommendation for FY 1987 is to increase city connecting link maintenance payments from \$1,250 per lane mile to \$1,500 per lane mile annually.

I recognize the difficulties which confront all of us this session in funding state services. We cannot, however, permit ourselves to be diverted from our responsibilities as leaders of this state to plan effectively for the future. I strongly encourage the legislature to review the Kansas Economic Development Highway Program for that potential and take the necessary steps to implement it.

FUTURE ISSUES

An area of future concern is the changing nature of the Federal Aid Highway Program. This program is extremely important to the development of the Kansas road, street and bridge network. Over 37 percent of the revenue for highways, streets and bridges for the period FY 1986 to FY 1990 will be from federal aid. KDOT recognized the importance of this program and has developed the capability to monitor federal legislation and to work with the Kansas congressional delegation to ensure that Kansas gets its proper share.

These efforts have already begun to pay off. Our congressional delegation helped change the formula for redistribution of obligation authority unused by other states. This provided Kansas with the ability to replace and rehabilitate 27 additional county bridges this past year.

Despite all of our optimism, the Federal Aid Highway Program is becoming fraught with problems. It was once characterized by a national consensus toward the goal of building an Interstate System of highways complete with regional connectors funded by pay-as-you-go taxes collected from users through both fuel and excise taxes. Funds were to be distributed to the states to achieve the national purpose. Unfortunately, this goal seems to have been abandoned.

As the Interstate program nears completion, Congress has used the release of interstate funds as leverage to obtain special interest projects. In addition, obligation controls have been established to use highway funds for deficit reduction, reducing significantly funds available for highway improvements.

Obligation authority is a control on the amount of funds that a state may expend from its available funds. For FY 1986, the State of Kansas has \$266 million in Federal Aid Highway funds. The obligation authority level of \$145 million, however, will mean expenditure of only 55 percent of these funds. In 1980, Kansas was able to expend 69 percent of its funds. In 1983, that amount was 65 percent.

The passage of Gramm-Rudman-Hollings legislation will further exacerbate the obligation authority problem. The unreliability of federal-aid will continue to pose a problem to transportation policy makers well into the future.

I have asked the Kansas Department of Transportation to work through the National Governors' Association, our congressional delegation and the Association of Highway and Transportation Officials to determine a course of action that will give Kansas a greater role in determining our future.

ENVIRONMENT, WATER AND ENERGY

Kansas offered settlers fertile fields, clean water and abundant natural resources. The development of these resources has brought and will continue to bring economic success and has also challenged us to devise ways to preserve and protect the environment.

My administration has worked diligently to protect our natural heritage. I have consistently advocated energy policy that encourages the utilization of our energy resources and protects the natural environment. Further, I have recommended initiatives that assure the citizens of this state and our nation access to our plentiful energy resources at fair and reasonable prices.

ENVIRONMENTAL ISSUES

I recognize that our modern society creates by-products which pose potential threats to our environment. We must strike a balance between progress and protection. My administration has consistently advocated new programs that protect our natural environment from unnecessary contamination, while at the same time acknowledging the necessity to store and treat these potentially harmful products.

We must be partners with business and the public in developing workable options for storage and disposal of hazardous and contaminated by-products. The first commercial hazardous waste disposal facility in Kansas was granted an operating permit February 1, 1977. Five years later, during my first term, I ordered the facility closed due to groundwater contamination beneath the site.

In the ensuing four years, various remedial actions were taken by the owners of the site at the direction of the Kansas Department of Health and Environment (KDHE). Even so, groundwater contamination in the area of the site persisted. Remedial actions continue pursuant to an order issued in 1985 by KDHE.

Over the past several years, our knowledge about synthetic chemicals and other potentially hazardous materials has increased along with our ability to detect small amounts of contaminants. As a result, KDHE has identified a number of additional sites with groundwater contamination. Since each site is unique, there is no single approach to cleanup. Therefore, in addition to cleanup, we must direct our efforts toward prevention of groundwater contamination. We must also install a sense of environmental responsibility in those who produce, emit, handle, store and dispose of these contaminants. I believe the programs initiated by my administration strike such a balance.

Water Quality and Waste Management Issues

The livelihood and well-being of the citizens of this state depend on adequate and uncontaminated groundwater resources. Groundwater constitutes 85 percent of water used in the State of Kansas. The quality and quantity of water is fundamental to the stability of our agricultural and industrial economy.

The mismanagement of the hazardous by-products of our technological society is a significant threat to our water resources. The emphasis of my environmental plan has been to provide for responsible hazardous waste disposal.

-- In 1981, I recommended, and the legislature enacted, a comprehensive program for planning and improving hazardous waste management. This legislation established substantially tougher fines for waste law violation and a process for site selection which solicits public input.

-- At my direction, in 1981, a separate section within the Division of Environment of KDHE was created to address the hazardous waste issue.

-- In 1984, the Hazardous Waste Cleanup Fund was established providing KDHE with authority to clean up areas contaminated by past improper hazardous waste storage and disposal practices. This program expended \$200,000 during Fiscal Year (FY) 1985 and will spend \$350,000 in FY 1986 for the remedial actions to restore our environment.

-- In 1985, the state prohibited the underground burial of hazardous waste unless there is no technologically feasible or economically reasonable alternative disposal method.

-- In 1985, deep injection wells were prohibited as a method of disposing of hazardous waste unless demonstrated to be the most reasonable disposal method.

We have made major gains during my administration, and while new knowledge will require further changes in our state's laws, we should now concentrate on the vigorous and aggressive implementation of our current statutes.

Although hazardous wastes comprise a significant portion of our potential pollutants, other nonhazardous substances pose an equal threat to safe and usable water. I have taken steps to reduce the potential impact on our water supply.

-- In 1979, through coordination with water planning and regulation programs, a plan was developed that provides the foundation for management of the quality of Kansas' water supplies.

-- State water quality standards were reviewed in 1985 to assure compliance with the Federal Clean Water Act and to update state standards.

-- The state assumed authority from EPA to administer construction grants, federal facilities and pretreatment programs. KDHE now coordinates all monitoring and regulation of Kansas industries and municipalities.

-- In 1982, my administration completed a groundwater quality management plan which resulted in the creation of a joint oil and gas regulatory program administered by KDHE and the Kansas Corporation Commission (KCC).

-- In 1985, testing of municipalities water wells for presence of volatile organic compounds (VOC) was initiated. KDHE tested and determined the presence of VOC in 41 public water wells and an additional 71 private water wells.

The potential for contamination of our water supply from substances other than those currently classified as "hazardous" waste is clear. To date, KDHE has been limited in its efforts to clean up sites contaminated by harmful but not necessarily "hazardous" wastes.

To address this problem, I recommend the establishment of the State Contamination Cleanup Fund. This Fund would consolidate the existing Hazardous Waste Cleanup Fund (State

Superfund) and the Pollution Discharge Cleanup Fund. The scope of the Fund would be expanded to include the problems presented by VOC. To implement this new initiative, statutory changes are needed.

The additional administrative flexibility for clean up activity resulting from the creation of the State Contamination Cleanup Fund is critical. The need for resource flexibility is even more important. I therefore recommend the addition of \$700,000 to the State Contamination Cleanup Fund. This recommendation is funded from the proceeds of the sales tax increase I have proposed. Like the other programs that can be implemented only with additional revenue, this expenditure represents an investment that will pay valuable dividends in the future. Groundwater protection is inextricably tied to the future development of Kansas. We must continue to move forward, building on our 1982 Groundwater Management Plan. I have instructed the Department of Health and Environment to proceed expeditiously in developing a comprehensive groundwater protection strategy. Public participation will be instrumental in this activity.

Protection of our water resources from oil field pollution and improperly disposed of oil field brine requires a comprehensive regulatory enforcement program. Great improvements have been made in addressing this issue. Since 1982 the program has been administered jointly by KDHE and KCC. A Special Blue Ribbon Committee met in 1985 to review the joint program and suggest improvements. Under my direction, KDHE and the KCC are initiating administrative actions to implement recommendations made by the Committee to improve the coordination and management of the program. To continue the evaluation process, the joint program will be submitting quarterly written reports to the supervising agencies outlining program activities. This reporting procedure will assist both agencies in improving the management of the program.

In addition to these positive administrative changes, I recommend four new staff positions to enhance the management and field operation of the joint program. These four positions will be funded through federal resources available through the Underground Injection Control Program. This enhancement will provide the necessary staff for processing permits and monitoring injection wells used for industrial disposal, salt solution mining, oil and gas brine disposal and other activities.

I also recommend that the legislature appropriate \$50,000 to complete the Sandstone Aquifer study that was initiated during FY 1982. The completion of this study is essential to the assessment of the sandstone water quality within the Dakota formation and Cheyenne Sand formation. This information is vital for future regulatory decisions of the joint KDHE/KCC oil and gas regulatory program with regard to disposal activities in this area.

The federal government recently mandated a program related to underground storage tanks that will be fully implemented in FY 1987. Kansas has been a leader in locating and monitoring leaking underground storage tanks. In FY 1987, I recommend the use of federal funds for staff and program enhancements to comply with this mandated program.

The availability of an adequate and safe water supply is not only a concern for Kansas citizens, but is also a major consideration for investors who are contemplating economic ventures within our state. An essential component of any investment program must be the protection of our basic

natural resources that provide the foundation for all future development and growth. Unrestrained utilization of our fundamental resources will not only adversely impact the health of our citizens, but will also rob future generations of the natural riches that we now enjoy.

Other Environmental Issues

In addition to initiatives designed to protect our groundwater, my administration has pursued programs to preserve the quality of our air and deal with the problems of radiological contamination.

-- KDHE initiated a permit system for all air emission sources in the state to enable more effective air pollution monitoring.

-- In 1985, the state assumed authority for the federal Prevention of Significant Deterioration (PSD) Program. This allows more expeditious and efficient issuing of air quality permits to industries.

-- In 1982, I recommended passage of the Central Interstate Compact for Low Levels Radioactive Waste. It was the first in the nation to address the issue of regional management of low-level radioactive waste. This Compact was approved by Congress in 1985 making implementation of the plan possible.

-- A comprehensive radiological monitoring program was developed for the Wolf Creek Generating Station area to ensure that radioactive effluent is detected and measured.

-- Comprehensive radiological emergency response plans and procedures have been developed. This ensures that appropriate state agencies are prepared for any response necessary to protect the health and safety of the people of Kansas in the event of an accident or incident at a nuclear power plant.

-- In 1984, statutory amendments were enacted that provided for cost recovery at low-level radioactive waste disposal facilities. These amendments also required bonding for the operators of such facilities and perpetual care trust funds.

Water Supply Issues

During the last 40 years, we have experienced an explosive growth in the demand for water resources. Over 80 percent of all water used in our state is now consumed in irrigation. Concurrently, demands for water by communities and industries have significantly increased. In this same time periods, we have built over 20 large reservoirs and countless smaller

impoundments to further facilitate the use of our surface water. Most of our known groundwater resources have already been developed.

In 1979, recognizing that the era of development was ending and that the tools used in the past were inadequate to deal with future water issues, I supported and initiated the development of new policies to address the reality of a limited supply of available water.

Conservation

The efficient use of water is the basic principle in our water resource management effort. Because agricultural uses place the largest demand on water, priority has been given to efforts to improve efficiency in this category.

During the last seven years, the existing Aid to Conservation Districts and Watershed Dam Construction programs have been significantly expanded. In addition, three major new programs have been established: Water Resources Cost-Share; High Priority-Cost Share; and Multipurpose Small Lakes.

-- In 1979, I supported legislation authorizing an increase in county general funds to conservation districts and a similar increase in state aid to conservation districts.

-- In 1979, I supported legislation establishing the State Cost-Share Program for land treatment structures on privately owned land to improve the efficient use of surface water. In FY 1981, I supported a \$1,000,000 appropriation to implement the Cost-Share Program in each conservation district in the state. During my administration, \$7.4 million has been invested in the Cost-Share Program.

-- In 1981, I supported legislation authorizing counties to assess a special levy to provide additional funds for conservation district operation. In 1985, I supported legislation authorizing counties to increase the special levy to provide funds for increased conservation district programs.

-- For FY 1983 and FY 1985, I supported increased funding for the Watershed Dam Construction Program. An additional enhancement in FY 1986 was based upon recommendations in the State Water Plan. During my administration, a total of \$4.95 million has been appropriated for this program.

-- In 1985, I supported the establishment of the High Priority Cost-Share Program. The legislature appropriated initial funding in the amount of \$200,000.

-- In 1985, I signed legislation establishing the Multipurpose Small Lakes Program. I also

supported a change in watershed district taxing authority from two mills to four mills. These new funds will be used primarily for watershed flood control dams and/or multipurpose small lakes.

For many years we have known the necessity of conservation. It is an obligation of each generation to prudently use our natural resources. In 1985 I recommended the adoption of the State Water Plan, an important first step in the state's conservation effort. Another major step needs to be taken this year to continue our commitment.

I recommend that we invest in a significant expansion of our State Conservation Commission (SCC) programs. The SCC High Priority Cost-Share Program allows the needed flexibility to address special problems. Therefore, I recommend \$550,000 be transferred from the State General Fund to the SCC High Priority Cost-Share Program to expand this program above the FY 1986 funding level. I also propose an appropriation of \$250,000 above current funding for the Watershed Dam Construction Program. Additionally, I recommend \$35,000 for a conservation coordinator for the SCC, to assist in the administration of these programs.

The SCC has implemented the Multipurpose Small Lakes Program and the first projects are awaiting approval by the Commission. To implement the Small Lakes Program, I recommend that the legislature appropriate \$350,000 in FY 1987. This is an investment in the future of our communities and water resources. The investments in all these water programs are funded with revenue generated by my recommended sales tax increase.

Management

Considerable attention has been given to the expansion of our conservation efforts. However, an equal amount of effort and resources have been directed toward strengthening our water management programs.

-- In 1981, I introduced an executive reorganization order that resulted in the establishment of the Kansas Water Office and the Kansas Water Authority. Concurrently, I supported amendments to the State Water Planning Act to require the Water Office and Water Authority to implement a program of continuous planning that included management and conservation of our state's water resources.

-- In 1982, I specifically charged and directed the Kansas Water Office to: 1) prepare a state water plan; 2) examine the Water Appropriation Act; 3) establish long range planning capabilities; and 4) conduct a review of the Water Marketing Program.

-- In 1984, I recommended establishing the first minimum streamflows on Kansas streams, the initial step in the State Water Plan.

-- In 1985, I endorsed the State Water Plan that was subsequently reviewed by the legislature and formally approved by the Kansas Water Authority.

-- In 1985, I supported legislation requiring participation by basin advisory committees in the state water planning process. Twelve basin plans are now being prepared with the assistance of these advisory committees.

-- In 1985, after examination of the Water Appropriation Act, a process for regulating interbasin transfers of water was established.

-- In 1983, I directed the Kansas Water Office to develop a research rank ordering process that is now operational and provides guidance on research funding.

-- In 1984, I authorized a reorganization of the Kansas Water Office to facilitate the planning process.

-- In 1984, I also authorized the establishment of a Water Data Control Committee to coordinate management of water related data.

-- In FY 1985, I recommend funding for high priority research needs. These include the Dakota study, stream aquifer interaction, a river basin management system, and better water supply and demand information.

-- In 1983, I supported amendments to the Water Marketing Program that established administrative procedures, required a public interest determination, established a specific pricing formula and created a development fund.

-- In 1981, I recommended legislative action necessary for the state to assume administration of the National Flood Insurance State Assistance Programs.

-- Between 1979 and 1985, I supported computerization of water rights information and a program to eliminate the backlog in water rights applications in the Division of Water Resources of the Board of Agriculture. Significant progress has been achieved in the reduction of the backlog.

-- In 1983, I ordered the relocation of the Kansas Water Office, the State Conservation Commission and the Division of Water Resources into a common location to facilitate coordination and improve public access to these agencies.

The State Water Plan contains 65 major policy recommendations. Some were implemented during 1985, but most remain for consideration during this session.

My recommendations for FY 1987 maintain existing water programs at current funding levels. However, we cannot afford to just maintain the status quo in this important area. We must move forward to continue implementation of the State Water Plan. Opportunities lost today may adversely impact the future course of this state's water management program. I recommend the legislature make necessary legislative changes to continue this progress.

The assurance of a consistent and adequate supply of water is a primary prerequisite for the attraction and retention of industrial development. Providing communities with the assurance of available water is a major step in the economic growth of our state. Investing in the management of our water resources is an investment in the planned development of Kansas.

For many years we have enjoyed the benefits of large reservoirs operated by the Corps of Engineers. These reservoirs can be valuable assets during drought conditions. We have no guarantee of the continued availability of these water resources since the release of stored water in these reservoirs is controlled by the Corps of Engineers. For the state to effectively manage its water resources, we must be able to rely on these reservoirs. Under my direction, negotiations with the Corps of Engineers resulted in an agreement that gives Kansas the opportunity to acquire all available water supply storage in these reservoirs. This unique federal/state partnership will assure future generations that this valuable water supply will be used to its potential.

The agreement provides the state the option to purchase storage space in the reservoir system over a ten year period. This agreement is essential to the implementation of the Assurance Program of the State Water Plan and to the long range planning for state water supply.

The legislative and budget proposals to accomplish this objective are a key element in my recommendations. I recommend that the legislature appropriate \$4 million in earnest money to execute this option agreement. I propose that \$2.8 million be transferred from the State General Fund, with the remaining \$1.2 million being authorized and appropriated from the Development Fund. I also recommend the addition of a hydrologist for the Division of Water Resources of the Board of Agriculture to work on the Assurance Program.

To continue our progress in establishing minimum desirable streamflow standards, I recommend the addition of a hydrologist in the Division of Water Resources of the Board of Agriculture. I also recommend \$43,000 be appropriated to the Water Office to acquire gauging stations.

These investments that implement the State Water Plan are funded with revenue generated by the sales tax increase I have recommended.

Since 1945, we have utilized the Appropriation Doctrine as our basic tool for managing the waters of the state. This system of management has served us well in the process of allocating what at one time was an abundant amount of water. The time of water surplus has passed. We now face an era of increased demand on available water supply. The addition of a new basic principle to our water management policy is required in the face of this reality. Stated simply, the right to use water includes the responsibility to use it efficiently. I strongly support legislation which will incorporate this fundamental principle in our State Water Plan.

Over the last three years, hundreds of Kansans have contributed to developing a State Water Plan. We now stand poised to realize the benefits of many years of effort. I consider implementation of the State Water Plan as one of the highest priorities to be addressed in this legislative session.

ENERGY ISSUES

One of the most critical issues confronting citizens and the state during the past decade has been the complex dilemma of affordable energy. When my administration began seven years ago, the state was facing three major areas requiring thoughtful action. In 1979, additional utility facilities were under construction which posed the potential for massive increases in energy prices. The scheduled deregulation of natural gas and the system of natural gas pricing were of significant concern to Kansas consumers. Another predominant issue was the imminent construction of our first nuclear power plant, Wolf Creek, and the questions surrounding its completion. The record shows the progress that has been made in addressing each of these issues.

Energy: Availability and Cost

Providing adequate supplies of natural gas and electricity at a price that is within the financial resources of our citizens is a prime concern and responsibility of the state. The Kansas Corporation Commission (KCC) during my tenure has played an active role in safeguarding the interests of the state's residents in the important area of utility rate increases.

-- In 1979, I secured passage of the Utility Plant Siting Act which requires additional investigation and public review of future generating plants to determine whether there is a sufficient need for the construction of the facility.

-- I recommended and signed legislation in 1979 exempting residential electric gas, water and telephone services from the retail sales tax. This measure provides over \$50 million in annual savings on utility bills and has amounted to a total savings of \$175 million.

-- In 1980, the KCC mandated standard billing practices for utilities which provided uniform

periods for bill payment, limited late payment charges and restricted termination of customer services.

-- Project Winter Warmth was initiated in 1982. In 1983, the KCC issued the Cold Weather Rule that ensures utilities cannot endanger human health and safety by terminating services during the winter months.

-- In 1979, I proposed establishment of a consumer advisory council to the KCC, a proposal that resulted in the creation of the Consumer Information Board in 1980. Today about 30 groups from across the state participate on this board.

-- In 1983, I recommended the consolidation of responsibility for energy emergency planning within the KCC. This resulted in the state Energy Emergency Plan completed by the Commission in 1985.

-- Several conservation programs were initiated in 1980, including vanpooling by state employees and programs to reduce energy use in state buildings.

-- At my urging, the National Governors' Association (NGA) adopted policies advocating: 1) restrictions on indefinite price escalator clauses in natural gas contracts; 2) restrictions on take-or-pay clauses in natural gas contracts; and 3) changes in Federal Energy Regulatory Commission (FERC) regulations to allow contract carriage of natural gas in interstate pipelines. I am convinced that NGA lobbying efforts motivated natural gas pipelines and producers to avoid Congressional intervention by voluntarily renegotiating contract provisions that were inflating gas prices.

-- In 1979, I proposed and obtained passage of the Natural Gas Pricing Act that resulted in an estimated savings of \$134 million to Kansas citizens. Subsequently, in 1982, I obtained passage of the Kansas Natural Gas Price Control Act that was enacted in 1983 resulting in additional savings to consumers.

During the past seven years, energy prices in every sector have stabilized and in some areas prices have declined significantly from earlier peaks. Except for certain customers in rural areas in western Kansas, Kansans can look forward to stable rates and an abundance of electricity generated by remain available for backup during peak demand periods.

The outlook is not pleasant, however, for some 50,000 customers buying electricity originating with Sunflower Electric Cooperative, based in Hays. Rates paid by the member/customers of the

Sunflower Electric Cooperative are among the highest paid by any electricity buyers in the nation. The Sunflower Electric Cooperative has been on the verge of bankruptcy.

I will continue, as will the KCC, to search for ways that will alleviate the burden faced by these consumers. We will pursue any reasonable course of action.

Wolf Creek

The Wolf Creek Generating Station, the final piece in the state's energy mix, has been the focus of much attention and concern during my administration. Action taken during my administration has provided the KCC with flexibility and authority to address the complexities of energy rate issues. As a result, Wolf Creek has been brought on line without the feared enormous rate increases, while allowing the companies to remain economically viable. Major steps taken during the past seven years provided the basis for this achievement.

-- In 1981, I first recommended legislation which would allow the KCC to exclude costs associated with construction of power plants from the present rate base. This legislation was enacted in 1984 and was the principle tool used by the KCC to reduce the potential rate shock which would have been realized by utility customers of Wolf Creek.

-- In 1984, I encouraged additional staff support for the KCC to deal with the complexities of the rate case associated with the completion of the Wolf Creek Generating Station.

Although increases remain for some ratepayers buying power out of Wolf Creek during the next two years under the KCC's orders, it is clear that the state has passed a critical period in its energy history.

AGRICULTURE

Investing in our future requires that we examine our past successes. Kansas has depended on agriculture to provide a stable base for its economy and, unfortunately, that foundation is faltering. Agriculture across the country is in the throes of an economic shakedown of unprecedented proportions.

Agriculture is not only failing to contribute to our economic recovery, it is causing us to lag behind other parts of the country. The answers to our current problems are not to be found in the solutions of the past. Tax exemptions and more effective marketing are not enough to pull agriculture out of its current downturn. Of course, we in Kansas cannot solve all the problems of agriculture, nor can we solve all the problems of Kansas farmers. However, I firmly believe this state can and must do more for agriculture.

We are well positioned, because of past accomplishments, to make necessary changes in agricultural policy. A brief review of a few of our past initiatives demonstrates our commitment to this important industry.

TAX ISSUES

The current agricultural crisis is easily explained: agriculture is not profitable. Prices for commodities have not increased significantly in the past 15 years, but the costs of producing those commodities have. For example, in 1970, the market price for a bushel of wheat was \$1.23, the price of a gallon of gasoline was \$.30 and the average cost of a combine was \$17,000. In 1985, the same bushel of wheat sold for \$2.96, the gas was priced at \$1.14 per gallon and the combine rose to \$82,500.

During the same period, farmers were encouraged by government, lenders and others to plant and produce as much as possible. In order to facilitate this expansion, new machinery was required. Kansas assisted farmers in meeting this new production challenge by reducing tax burdens. In the years following, the state considered other methods for increasing farm profitability.

-- In 1979, a sales tax exemption for farm machinery was enacted as a temporary measure. In 1980, the exemption for used farm machinery and equipment was made permanent. This exemption saves farmers \$10 million annually.

-- In 1983, a property tax exemption for farm machinery and equipment was adopted. This provision saves Kansas farmers \$35 million annually.

-- From 1979 through 1985, I encouraged the legislature to give the people the right to vote on the constitutional question of classification of property for taxing purposes. In 1985, the legislature met the challenge and passed a classification amendment that would exempt livestock from property taxation and would facilitate implementation of use value appraisal.

As the reappraisal process is initiated, passage of the classification amendment becomes more critical to agricultural interests. I intend to work diligently to communicate the great need for classification to the voters of Kansas.

SPECIAL PROGRAMS

The current economic farm crisis convinced me that special assistance programs were necessary to protect agriculture. The legislature agreed and we enacted some special programs to deal with this crisis.

-- In 1985, I recommended passage of the Farmers' Assistance, Counseling and Training Service Program (FACTS) to assist farmers in: 1) devising strategies that increase the profitability of farm operations; 2) receiving counseling for stress resulting from economic problems; 3) obtaining legal counseling and representation when needed; 4) securing additional financing; and 5) receiving retraining assistance when faced with the decision to leave the farm. The legislature appropriated \$300,000 for FACTS.

-- Due to higher demands for services than expected, I channeled an additional \$100,000 to the FACTS program from savings captured from the Board of Agriculture's budget.

-- I proposed, and the Kansas Senate agreed, that a special interest-rate buy-down program for farmers was needed. In 1985, the Senate passed a bill authorizing a tax credit for banks and production credit associations that provide loans to farmers below market rates.

Unfortunately, the financial situation for farmers has not improved. The demand for services through FACTS has been greater than anyone anticipated. In the first six months of service, 1600 individuals contacted FACTS. I therefore recommend a \$125,000 increase in the FACTS appropriation. This additional \$125,000 will be funded by revenues raised from the recommended sales tax increase. The total recommended appropriation for this program, in FY 1987, is \$525,000.

I have submitted a program to Secretary of Labor William Brock that would fund a significant employment and retraining program for Kansas farmers and farm-related employees who lose their farms or jobs due to the agricultural crisis. I have requested funding of \$2.8 million for this program from the federal Job Training and Partnership Act, Title III, Dislocated Worker Discretionary Fund.

The interest-rate buy-down bill, Substitute for Senate Bill No. 547, is in the House Committee on Ways and Means. I recommend that the House of Representatives act promptly on this bill and provide a visible sign of support for struggling Kansas farmers.

In utilizing all the available sources of assistance, I also recommend two specific enhancements at Kansas State University (KSU) that will have a direct impact on the current situation. I recommend that \$255,000 be appropriated to implement the Restoring Farm Profitability Program. This additional money will provide for staff and equipment to the Cooperative Extension Service to expand its capabilities to provide intensive financial planning assistance to Kansas farm families. These services are an integral part of the referral network of the FACTS program. I commend the joint efforts of the Board of Agriculture and Kansas State University in managing and administering the FACTS program. I see this new money as a way to further strengthen the cooperation and coordination of services available to our farmers.

I further recommend a \$100,000 appropriation to fund the Farm Management Research Program at KSU. This effort will provide a broader pool of farm financial management expertise for livestock and grain production. Both these KSU enhancements are funded through revenues raised by the recommended one cent sales tax increase.

The effects of the economic crisis in agriculture are not confined to the farm; rural communities suffer as well. One important manifestation is bank closings. Kansas had the dubious honor of leading the country in the number of bank closings in 1985 with 13. Current banking laws have compounded the problem by prohibiting other banks from purchasing failed banks and operating

them as detached facilities. Five of our failed banks remain closed for lack of a buyer. I recommend that banking laws be changed to allow failed banks to be purchased and operated as detached facilities. Since a detached facility does not require the same level of capitalization as a separately chartered bank, it is more economically feasible for an existing bank to purchase and operate a detached facility. Availability of financial services is critical to the success of a small community. This recommended change would allow more communities the option of retaining those important services.

MARKETING OF KANSAS PRODUCTS

Agriculture, like all other industries, must sell its products. We have seen precipitous decline in the exports of agricultural products in the last few years but the ultimate success of the industry depends on finding new markets for our commodities. This effort will demand redefinition of agricultural products. We must concentrate on adding value to our commodities by processing them in Kansas.

As Governor, one of my chief responsibilities has been to promote Kansas products by expanding markets at home and abroad. I have taken this role seriously and am proud of the progress we have made and the innovative initiatives we have undertaken.

-- In 1979, I made my first trip to the People's Republic of China. This contact resulted in the signing of a sister-state agreement with the Henan Province in 1981.

-- In 1984, I returned to China and visited the Henan Province. Four letters of agreement were signed dealing with agricultural products.

-- In 1984 and 1985, I traveled to Germany and France promoting Kansas and its products. In 1985, this trip culminated in the signing of a special agreement of cooperation with the Champagne-Ardenne region of France.

-- In 1979, support for the Board of Agriculture's Marketing Division has increased from \$230,000 to \$1.5 million. Activities within the Marketing Division of the Board of Agriculture include participation in trade shows and involvement in an electronic marketing network that matches buyers with sellers of agricultural products.

-- In 1985, the International Food Show was held in Kansas City. This show attracted foreign buyers who were able to sample various products from throughout the country.

-- In 1978, the International Grains Program (IGP) at Kansas State University was initiated. This unique program provides technical training in the processing and utilization of grains. It also supports marketing activities in international arenas.

-- In 1985, the International Livestock Program was state funded. The appropriation was matched by industry funds. The program is truly unique and offers great potential as a marketing tool for our livestock industry.

The above mentioned activities indicate the aggressive stance of Kansas has taken in marketing its products. I refuse to let revenue shortfalls deter our efforts in this area. Therefore, I am including in my investment budget marketing program expansions to be funded by revenues raised from a one cent sales tax increase.

I recommend full state funding of the International Livestock Program at KSU. This will increase state participation by \$42,667 in FY 1987.

I further recommend a \$75,000 increase in funding for the Marketing Division of the Board of Agriculture. This addition will allow us to expand Kansas' presence in the world market.

To enhance our trading and investment potential with European nations, I recommend \$250,000 in FY 1987 for the establishment of a European office.

I also recommend that a portion of the revenue raised by a state lottery, which I endorse, be used to fund additional research efforts and attract new businesses that focus on production and processing of "value-added" products. I firmly believe that "value-added" is the key to our future success and that the state must do all it can to encourage location of these kinds of businesses in Kansas.

WATER

An essential element in the success of Kansas agriculture is the availability of adequate water supplies for crop irrigation. Over 80 percent of all water used in Kansas is consumed for irrigation.

Recognizing the need to protect our water supply, I have recommended and endorsed several programs and projects designed to strengthen the state's role in managing our water resources.

-- In 1979, the State Conservation Commission received appropriations of approximately \$1 million in State General Fund revenue. By 1986, that amount had increased to \$3.6 million.

-- The State Conservation Commission now operates the State Cost Share Program begun in 1979 and the High Priority Cost Share Program implemented in 1985.

-- In 1985, as in 1981, I signed legislation authorizing counties to increase their special assessments for conservation districts. Counties may now levy up to 2 mills or \$55,000 to benefit conservation district operations.

-- In 1981, I supported reorganization of the state water agencies. Through this change, the State Water Office and the State Water Authority were created.

-- In 1984, I supported and signed legislation implementing the first programs developed under the State Water Plan.

-- In 1980, I have increased the appropriations for the Division of Water Resources to reduce the backlog in water permits. Significant progress in backlog reduction has been made without major staff increases.

-- In 1985, I supported funding of a study on the effects of chemigation, a process that uses irrigation equipment for pesticide and herbicide application. The study is designed to protect our water supply from contamination.

Issues of water availability and quality will be a priority of Kansas policymakers for many years to come. Successful implementation of the State Water Plan will serve the state well. I urge the legislature to endorse proposed legislation implementing the plan.

As part of my investment budget, I recommend an additional \$235,000 be appropriated to the Division of Water Resources to provide staff and additional information necessary for the Water Plan implementation. I further recommend that an additional \$550,000 be appropriated to the State Conservation Commission for expansion of the High Priority Cost Share Program. These additional dollars will mean \$750,000 for the High Priority Cost Share Program and \$1.5 million for the State Cost Share Program. These programs enhancements are funded by revenues raised by the recommended sales tax increase.

STATE AGRICULTURE ACCOUNTABILITY

Kansas' economic reliance on agriculture makes it critically important that agricultural interests be appropriately represented in government. The Board of Agriculture, in its current structure, does not represent all of the interests of agriculture. The secretary is appointed by the Board. The Board is chosen by a select group of farm organizations. This structure provides for no gubernatorial accountability or responsiveness.

I cannot be critical of the operations of the Board in the past. Several initiatives made by the secretary have significantly improved the internal operations of the Board. Through reorganization, the regulatory functions are now well organized and managed. The consolidation of inspection functions, for example, has increased the efficiency of the Board's operations. Further, the marketing efforts have been expanded and now operate in close coordination with similar activities in the Kansas Department of Economic Development.

Although these accomplishments have improved the Board's ability to deal with its current functions, I believe that the management structure must be changed if the Board is to operate effectively in the future. I recommend to the legislature that we expand the functions of the Board of Agriculture by creating a cabinet level Department of Agriculture that has policymaking responsibility. I further recommend that the Department of Agriculture be headed by a gubernatorially selected, Senate confirmed Secretary of Agriculture.

The new department would assume not only an active policymaking role but it would also undertake the responsibilities currently vested with the Kansas Grain Inspection Department. This change would also affect the Board of State Fair Managers. I recommend that the membership on the Fair Board be expanded to include representation from the business community and the travel and tourism industry. This change will ensure that the Kansas State Fair continues to be a successful state event for not only agriculture but all of Kansas.

I recommend this change, not to improve an organizational chart, but from the necessity posed by our changing agricultural industry and policymaking climate. Agriculture is changing and its future needs are not clearly predictable. Federal budget pressure and the federalism emphasis are resulting in added responsibilities for states in agricultural policymaking and program operation. I want a government structure that can adapt to new demands.

When the current organizational structure was adopted, most Kansans were living on farms. Today the situation is dramatically different, but the economic importance of agriculture has remained. I firmly believe that the chief executive officer of this state should be directly accountable to and for agricultural policy. I believe that all citizens of Kansas should be represented on an issue as important to this state as agriculture. Agriculture needs support from the political system and this change will accommodate that responsibility and responsiveness.

NATIONAL ISSUES

Although the importance of the states' role in agriculture is increasing, most of the activity occurs at the federal level. I have accepted my role as governor of one of the nation's leading agricultural states seriously. I have frequently used my position to represent the interests of farmers in Washington.

-- In 1982, I appointed the Governors' Agricultural Working Group to study the problems of federal farm policy. I received the Working Group's report in 1983. They concluded that the problem lies more in the process than in the policy that encompasses the need for long-term agricultural policy that encompasses the interests of all sectors of government that deal with agricultural. The Group recommended the creation of the National Agricultural Policy Commission to make recommendations on the board implementations of agricultural legislation to the Congress and the President.

-- In 1983, I was successful in obtaining the unanimous support of the Midwestern Governors' Conference for the creation of a National Agricultural Policy Commission. In 1984, the National Governors' Association (NGA) followed suit.

-- In 1985, as part of the federal farm bill, Congress created the National Agricultural Policy Commission. Its charge is to study the various policies and procedures of Congress and the United States Department of Agriculture and recommend changes.

-- In 1982, I served as the Chairman of the NGA Committee on Agriculture. In 1984, as Chairman of NGA, I expanded membership on the Agriculture Committee to include governors from consuming states in order to broaden the interest and knowledge of our nation's governors on the complex issue of agriculture.

My tenure as Chairman of NGA afforded me many opportunities to represent agriculture before Congressional committees. I am extremely proud of the success NGA has had in influencing federal policy. Passage of the National Agricultural Policy Commission demonstrates the rewards we can achieve if states speak as one on important topics.

The agriculture community faces difficult problems in the years to come. Issues of credit, profit and export capability are forefront on the national agenda. As I enter my last year as governor, I will continue to support the agricultural interests of our state and will actively pursue comprehensive solutions to these complex problems.

PUBLIC SAFETY

In trying to assess priorities for allocating limited state dollars, our primary responsibility is to ensure that the most basic services receive adequate funding. One of the most essential services of state government is public safety which includes protecting our citizens from crime, maintaining an adequate cost-effective correctional system and providing programs that help make Kansas a safer place in the future. There is no question that public safety has always occupied one of the highest priorities of my administration. I am pleased to report that my administration has made steady progress in meeting these responsibilities.

CORRECTIONS

When I took office in 1979, the prisons in Kansas held some 2,323 inmates. Today, the number of inmates has grown to almost 4,600. The net inmate population increased during Fiscal Year (FY) 1984 and FY 1985 by some 1,148 inmates. The inmate population projections for FY 1986 indicate an average monthly increase of 41. This rapid population growth will force the Department of Corrections (DOC) to operate at its maximum capacity through the year 2000, even with the addition of new correctional facilities, and will require continued double-celling in all the state's major prisons.

The dramatic increase in inmate population is a problem which is not subject to any single solution or quick fix. My administration has adopted a comprehensive strategy for managing and controlling the state's inmate population that parallels the recommendations of the American Bar Association. This program includes: 1) developing rational sentencing policies; 2) providing

community alternatives to incarceration; 3) improving current correctional facilities and programs; and 4) as a last resort, expanding capacity.

SENTENCING REFORMS

Following the recommendations of the Advisory Committee on Prison Overcrowding appointed by the Secretary of Corrections in 1983, I recommended and the 1984 Legislature adopted a series of comprehensive sentencing reforms including the following measures:

-- Minimum sentences were reduced for most of Class D and E felonies except for crimes against persons, sex offenses and crimes against children and spouses.

-- Presumptive probation for first-time Class E offenders was established.

-- Penalties for certain types of property crimes were reduced from Class D to Class E felonies. The dollar threshold between misdemeanor and felony charges was raised to \$150.

These reforms reduced the number of new prison commitments by reducing the minimum sanction for certain crimes consistent with the protection of the public and the gravity of the crime. The DOC estimates that an additional 1,100 inmates would have entered Kansas correctional facilities without these sentencing changes.

COMMUNITY ALTERNATIVES TO IMPRISONMENT

The first major effort in recent years to control commitments to prisons was the passage of the Kansas Community Corrections Act in 1978. As Speaker of the House of Representatives, I actively supported this legislation. As governor, I have been strongly committed to its effective implementation.

-- In 1980, Shawnee County became the first county to participate in the community corrections program. Since 1980, eight programs have been started in ten counties: Bourbon, Linn, Miami (1981); Leavenworth (1981); Wyandotte (1981); Riley (1982); Sedgwick (1983); Montgomery (1984); and Johnson (reopened in 1985).

-- In 1985, Douglas and Salina Counties received planning funds and formed community corrections boards. Both counties are now formulating programs, and their participation is expected in 1986.

-- During 1986, the Department of Criminal Justice of Temple University will conduct a study of the Kansas Community Corrections Act funded by a \$200,000 grant from the Edna McConnell

Clark Foundation of New York. This study is designed to compare the cost-effectiveness of community corrections, probation and incarceration in dealing with offenders.

Local community corrections programs offer alternatives to institutional placement that help offenders maintain jobs, support families and provide increased victim restitution. In FY 1985, the participating counties are estimated to have diverted 464 offenders from prison. If new medium security prison beds were built to house these offenders, the construction costs alone would have been \$35 million. My recommendation for FY 1987 is to continue to fund existing community corrections programs at \$4,953,504 to maintain their effectiveness and provide incentives for more innovative county programs.

IMPROVING EXISTING FACILITIES AND PROGRAMS

Our program to address the deterioration that age and overcrowding has caused at our major prison facilities has been a success. Beginning in 1981, the DOC began a major cellhouse renovation program in the state's two 19th century prisons, Kansas State Penitentiary (KSP) and Kansas State Industrial Reformatory (KSIR). This effort has been driven by the need to improve living and working conditions and to avoid judicial intervention in the administration of the state's prisons.

Renovation of seven of the eight major cellhouses will have been completed by the end of my administration. Much of this renovation has been accomplished with inmate labor which provided both vocational experience for the inmate and a savings to the state.

-- During my administration, the three largest and oldest institutions, KSP, KSIR, and Kansas Correctional Institution at Lansing (KCIL) have received a total of \$11.4 million for renovation projects.

-- In 1984, I sought and received legislative approval for \$170,000 to renovate Larned State Security Hospital to expand the space available for mentally-ill inmates from 30 to 130 beds.

-- Renovation of the Toronto Honor Camp was completed in 1985 at a cost of \$220,000.

During my administration, emphasis has been placed on upgrading staff, treatment and training programs and reducing inmate idleness, as well as improving the physical plant. I am pleased to report that many of these efforts have achieved national recognition for excellence.

-- In 1982, I recommended and the legislature approved funding for a hazardous duty pay differential and career ladder for certain correctional employees who work "inside the walls."

-- In 1984, there have been major increases in employment opportunities for women in correction and an aggressive campaign to recruit and promote opportunities for minorities.

-- Every Kansas correctional institution is striving to receive accreditation by the American Correctional Association. Accreditation was awarded the state's parole unit in 1983, the work release centers in 1984 and both honor camps in 1985.

-- Since 1984, the Policy and Planning Unit of the Department of Corrections has served as a national test site for a computer-assisted population projection model. This model greatly assists our efforts in planning new facilities by providing accurate inmate population projections.

-- During my administration, new factories employing over 180 inmates have become operational. Furniture refinishing and manufacturing begun in FY 1979 at KSP employs 100 inmates. KSIR utilizes 35 inmates in its clothing factory which also began in FY 1979. KSP reopened its farm program in 1982 with 11 inmates and began a records conversion program in 1985 with 25 inmates. Ten inmates from Kansas Correctional-Vocational Training Center (KCVTC) now operate the state surplus property program in Topeka.

-- Since 1979, Zephyr, Inc., has operated a nationally recognized private industry employing inmates from KSP and KCIL. Jensen Engineering and Heatron, Inc., began employing inmates in 1984 and 1985 respectively. Through these programs inmates pay taxes, room and board monies and family support payments.

A feasibility study conducted by a consultant in 1985 identified a number of large and small Kansas businesses interested in subcontracting certain types of fabrication and assembly work to inmates. I recommend that legislation be passed to permit Kansas Correctional Industries (KCI) to subcontract with private companies. This will enable KCI to expand existing programs rather than start new ones and assist in further reducing inmate idleness.

In 1985, KSIR's educational program was recognized as one of the nation's top ten educational programs by the U. S. Justice Department's National Institute of Corrections. I recommend that educational and vocational programs at the new medium security prison at Lansing and KSIR continue to be funded at current levels of \$632,215 from the State General Fund and that a vocational program be established at KCIL using \$56,660 of federal funds. These programs are an essential component in reducing inmate idleness.

The dramatic increase in inmate population has been absorbed almost entirely by existing staff, especially at KSP. Inmate to staff ratios are reaching dangerous levels at our major institution. To relieve the increasing demands placed on prison cadre, I recommend that \$393,328 be appropriated to fund an additional 20 positions for FY 1987.

CAPACITY EXPANSION

Finding additional bed space for an ever-growing inmate population has required adapting all available space to meet this need. The actions taken by my administration since 1980 have increased the maximum correction capacity by 1,200 beds through FY 1986.

-- In 1980, I recommended and the legislature approved construction of an honor camp at El Dorado. In FY 1985 and FY 1986, a total of \$491,000 was provided to complete this project. Today, that facility houses 96 inmates who are utilized in maintenance and development of the El Dorado Reservoir as well as other state, county and community projects.

-- In 1981, I recommended and funding was provided for a 378 bed medium security prison at Lansing. From FY 1981 to FY 1985, \$21.4 million was appropriated for this new construction. I participated in the dedication of that facility in June, 1985. Today, there is not a single empty bed in that institution.

-- A 96 bed minimum security facility at KSIR was funded in 1983 and is nearing completion.

-- In 1984, bed space was increased by the opening of pre-release centers in Topeka for 64 inmates and in Winfield for 140 inmates.

-- The 1984 Legislature funded a major correctional institution study of capital improvement needs. Of the projects recommended by this study, I supported and received legislative approval to add 64 beds at KSIR and 15 beds at the Topeka pre-release center.

-- During the 1985 interim, I proposed and the State Finance Council approved funding for a long overdue expansion and renovation project at the State Reception and Diagnostic Center in Topeka as well as planning monies for a proposed 190 beds prison facility at Ellsworth.

Despite these continued efforts to relieve overcrowding, 99 percent of the available single cells at KSP now house two inmates. Dormitories are filled to the point that each inmate is allowed only 25-29 square feet of living space. My budget includes \$2,264,000 for completion of the administrative and supporting building at KSP, but provides little relief for double celling.

Therefore, I recommend \$2,156,301 for construction of a 120 bed dormitory and \$1,926,512 for a food service/program building at KCIL. In addition, I recommend for FY 1987 an investment of \$1.5 million to allow construction of the facility at Ellsworth to begin through a lease arrangement between the state and the Ellsworth Public Building Commission. These three projects cannot be funded without the revenue generated from the recommended sales tax

increase. These projects are essential if we are to continue to avert a very real crisis in prison overcrowding.

CRIME VICTIMS

The victim of crime is often the person who suffers most but receives the least attention in our criminal justice system. My administration has attempted to focus attention on the victims of crime and provide the consideration they deserve.

-- Since its establishment in 1978, I have supported funding the Crime Victim Reparations Board through docket fees.

-- In 1981, I directed the Secretary of Corrections to establish an Office of Victim Advocacy to provide technical assistance and training to local governmental units in orienting programs toward victims of crime. These functions are now incorporated into local community corrections programs that provide victims assistance.

-- In 1984, I supported and signed legislation that expanded funding for victims of domestic and child abuse. Funded through a surcharge on marriage licenses, this program provides assistance, temporary shelter, counseling and educational services to reduce the impact of domestic violence on victims.

Since FY 1983, the number of grants awarded annually by the Crime Victims Reparation Board has increased from 115 to over 250 in FY 1986. The increased docket fee surcharge passed in 1985 is expected to completely offset State General Fund expenditures for grants to victims in FY 1987.

DRUNK DRIVING

One of the most widely discussed problems in public safety today is the drunken driver. Drinking and driving is considered to be the most significant and costly health and safety problem confronting government at all levels. It is estimated that over half of all highway fatalities can be related to drunk driving.

Approaching the complexity of the drunk driving problem requires a multiple response that is aimed at both education and prevention, as well as enforcement and punishment. I am proud to say that we have made significant progress during my administration in developing such a response.

-- In 1982, I recommended and the legislature enacted a mandatory jail sentence for drunken driving.

-- In 1982, legislation was enacted to strengthen the state's enforcement authority through the Alcoholic Liquor-Private Club Tax. This additional revenue increased funding for both state and local alcohol and other drug abuse services to maintain these services despite federal fund reductions.

-- I established a special subcommittee, the Governor's Committee on Drinking and Driving in 1982 to study this specific problem. As a result of this study, I established the Interdepartmental Coordinating Council on Alcohol and Other Drug Abuse to provide a forum for all state agencies involved with some aspect of alcohol and drug abuse programs.

-- In 1983, I recommended a portion of the funds dedicated to alcohol and drug abuse programs be devoted to public information and education programs. These efforts educate Kansans about the effects and hazards of drinking and driving. Such programs have been instituted in our primary and secondary schools.

-- Again in 1985, I recommended further strengthening our drunk driving laws. The legislature responded by increasing mandatory penalties, limiting eligibility for diversion programs and incorporating a blood alcohol content of .10 as a crime per se into the statutes.

-- I supported and signed legislation in 1985 to strengthen penalties and prohibit certain practices regarding the sale of alcoholic liquor and cereal malt beverages.

-- In the fall of 1985, I established and appointed the Kansas Liquor Law Review Commission to conduct a comprehensive review of our alcoholic beverage control laws and procedures. The report of this commission will be available for consideration by the 1987 Legislature.

The progress made during my administration in dealing with this most significant problem in public safety has been a major step forward. It is my hope that we can continue to work cooperatively with local governmental units and private sector interest groups to implement effectively a comprehensive plan that reduces alcohol-related offenses.

TRAFFIC SAFETY

In 1984, the legislature adopted a change in the design of motor vehicle license plates that consisted of a combination of three letters followed by a combination of three numbers. This design provides faster recognition and identification for law enforcement officers. To enhance further the recognition capabilities for law enforcement officers and the nighttime safety of motorists, I recommend that legislation be enacted requiring both front and rear reflectorized license plates.

The issue of mandatory seat belt usage has been controversial. Many agree that as adults, we have the right to choose not to protect ourselves by refusing to buckle-up. I have given this issue careful consideration and have concluded that the evidence in favor of seat belts is overwhelming. Seat belts do save lives and reduce personal injury. Mandatory seat belt laws do increase the use of seat belts.

A total of 17 states and the District of Columbia now have mandatory use laws. The statistics from states that have implemented these laws are impressive. New York State went from a pre-mandatory usage rate of 16 percent to 57 percent usage with a 28 percent reduction in fatalities in the first six months of required use. In New Jersey usage went from 18 percent to 40 percent with a 21.5 percent reduction in front seat fatalities.

Motor vehicle accidents represent the number one cause of both lost work time and on-the-job fatalities. The ever-growing cost of motor vehicle accidents is a major health problem and one that I do not believe this state can afford to ignore. The protection of our citizens will always be a high priority for government. I believe the enactment of a mandatory seat belt law to be an appropriate role for government. Therefore, I recommend that legislation be passed in the 1986 Session requiring the use of seat belts.

Although we have made significant strides in meeting our responsibilities for public safety, we must remain alert to the continuing problems in this area which can spontaneously erupt into crisis situations. I ask you to join with me in providing viable solutions to these problems.

HEALTH

Over the past century, impressive strides have been made in protecting the health of our citizens. We have a longer living, healthier population than ever before. We are obliged to continue to make advances in the quality and delivery of health care, if we are to adequately protect our future.

AID TO LOCAL COUNTY HEALTH DEPARTMENTS

The local county health departments are the heart of the delivery system for public health services in Kansas. January, 1986 marks the beginning of the second century of public health in Kansas and we must preserve this delivery system as the anchor of health services.

During my administration, significant changes have occurred in the funding and programming of the Kansas local county health departments.

-- In 1984, I began funding health departments utilizing the block grant formula approved by the legislature. This approach was designed to give local departments more flexibility in designing programs that fit local needs while ensuring basic services. In 1985, I recommended increasing the state share of the funding to 50 percent.

-- In 1985, I recommended, and the legislature approved, increasing the reimbursement rate paid to local health departments for conducting state mandated food and lodging inspections.

For FY 1987, I recommend current levels of state funding for the local health department block grant formula. Additional federal funds will be provided to finance health department activities, thereby increasing total funds available in FY 1987.

One of the basic services provided by local county health departments is immunization for preventable diseases. Limited availability and rapid increases in the costs of providing some vaccines have severely hampered the local health departments' ability to provide this service. I, therefore, recommend the addition of \$220,000 to fund the purchase of DPT vaccines. This will continue current levels of immunizations. This additional level of funding will assist local health departments fulfill their role in health delivery.

MATERNAL AND CHILD HEALTH

When reflecting on the past accomplishments of my administration, I am particularly proud of the advancements made in the area of maternal and child health. The prospect for a healthy life is greatly enhanced by proper prenatal and postnatal care. Investments that encourage appropriate health practices during pregnancy yield benefits for years to come.

The number of infants who do not survive the first year of life is a measure of the health of a society. Kansas is making progress in decreasing the infant mortality rate. The deaths of infants under one month decreased from 301 in 1979 to 237 in 1984. Over the past seven years, special efforts have been made to target high-risk mothers and infants through statewide prenatal programs. These programs include the Women, Infants and Children (WIC) nutrition services, projects that address high black infant mortality, adolescent maternity and infant care services and home visits for pregnant women and their newborns.

A brief overview of some of the programs conducted during my administration demonstrates these successes.

-- The number of maternal and infant care projects increased from eight to ten over the past seven years. These programs provide medical, social and nutrition services to 2,800 high-risk mothers and their infants.

-- Since 1979, the Special Supplemental Food Program for Women, Infants, and Children has been expanded from 28 counties to include all 105 counties. This program is targeted to serve over 27,000 women, infants and children each month.

-- In 1984, hospital-based outreach clinics were established in Kansas City and Wichita to provide low-income pregnant women access to WIC services.

-- In 1985, a Fetal Alcohol Syndrome/Fetal Alcohol Effects Program was developed which included a professional education and awareness campaign and a public education component. A mailing was sent to liquor stores requesting their cooperation in educating pregnant women about the dangers of drinking.

-- In 1980, a Healthy Start/Home Visitor pilot project that provided training in parenting skills to families of at-risk newborns was completed. The success of the pilot program resulted in expansion of these services to 30 counties.

-- In 1984, I signed legislation prohibiting confirmed child abusers and individuals who have committed certain crimes from obtaining a license or registration to care for children.

-- In order to encourage increased availability of day care services, the Kansas Department of Health and Environment (KDHE) simplified administrative licensing procedures. To facilitate reimbursement through the Child Care Food Program, KDHE began issuing temporary licenses and registrations.

-- I recommended and approved appropriations for communities to establish Latch Key programs for school age children.

-- In 1980, I signed legislation strengthening the school immunization laws resulting in a record increase in the number of properly immunized school children.

The Children's Charter of 1930 recognized that prenatal and postnatal care are essential for the health of infants. Kansas has made progress in this area. In 1984, however, 6,000 women did not receive adequate prenatal care. In the same year, 2,425 infants were born weighing less than 5 1/2 pounds and 395 infants died in the first year of life. It is estimated that had these mothers received appropriate care during pregnancy, 65 of their infants would have survived; the number of low birth weight babies would have decreased by 400; 65 infants would have been spared significant handicaps; and 500 of the women would have avoided complicated deliveries and pregnancy related illnesses. The 1984 Academy of Science Report on Low Birth Weight documents that one dollar invested in prenatal care will avert three dollars in treatment costs for high-risk newborn. The combined benefits of avoiding human suffering and cost savings are compelling. Therefore, I recommend that \$988,000 of state funds be invested in the Prenatal Care Collaborative Project to assure improved pregnancy outcomes for these high-risk women. The program is funded through revenue generated by the recommended sales tax increase. This program will be coordinated as an expansion of Maternal and Infant Care (MIC) and family preservation projects. This program will supplement the health care, nutrition, health education, outreach and follow-up services currently being offered.

In addition, I recommend an expansion of the Commodity Supplemental Food Program. This program expansion would be targeted to persons on WIC waiting lists. Utilizing \$4 million in federal funds, we will be able to provide at least 10,000 additional Kansans with United States Department of Agriculture (USDA) surplus commodities. This cooperative effort between the Department of Social and Rehabilitation Services (SRS) and KDHE will enhance the array of services available to expectant mothers and their children.

CRIPPLED AND CHRONICALLY ILL CHILDREN

One group of Kansans with special health needs is our handicapped children. Handicapped children and their families face significant difficulties. Throughout my administration, I have supported programs to assist these families in dealing with their special needs.

-- In 1980, Special Child Clinics were developed in coordination with the Kansas Department of Education to provide training for professionals and parents of handicapped children.

-- In 1984, I appointed a special Governor's Task Force to study and make recommendations regarding the needs of preschool handicapped and chronically ill children.

-- Also in 1984, I created a Cabinet Subcommittee on Early Childhood Development Services to develop a state plan. The plan was based on the findings of the Governor's Task Force and other state government information resources.

-- In 1984, I recommended the creation and staffing of a High Risk Registry program for preschool handicapped children. This program is designed to coordinate activities between the Kansas Department of Education and KDHE.

-- I endorsed the State Plan for Comprehensive Developmental Services for Preschool Handicapped Children in November of 1985. The Plan lays the foundation for future coordinated activities on behalf of these special children and their families.

-- To ensure that all infants are screened and that appropriate and timely follow-up occurs, testing for phenylketonuria (PKU), congenital hypothyroidism and galactosemia was centralized in the KDHE laboratory in 1985. These tests are the sole means of early detection of these debilitating conditions that cause mental retardation.

To implement another portion of the State Plan, I recommend \$900,000 for providing special education to four year olds. This program is funded through revenues generated by the recommended sales tax increase. The children who receive specialized health, social and education services early in their development are much more likely to acquire needed skills that

will enhance their quality of life as adults. Children are our future and we must not turn away from our responsibility to provide them with the best opportunities.

ADULT CARE HOMES

Kansas has a high percentage of elderly in its population. Our senior citizens represent a vital resource of our state and we must address their needs. I have endorsed legislation promoting protective services for the institutionalized and noninstitutionalized elderly so that these important members of our society can enjoy their later years.

-- Throughout my administration, I have worked to improve the monitoring and enforcement activity in nursing homes. I increased staff administering the nursing home licensure and certification program and implemented a program of nursing home visitation by county health nurses.

-- In 1984, aides delivering direct individual care were required to have completed 40 hours of training before caring for patients. Over 27,000 nurse aides and 5,000 medication aides have been trained since 1978.

-- In 1980, I signed legislation to assess fines for violations of nursing home regulations that threaten health, safety, nutrition or sanitation.

-- During my administration, seed grants have established 136 home health agencies in 72 rural counties. These agencies are now licensed to ensure the delivery of quality care.

-- At my request, the Departments of Aging, Health and Environment, and Social and Rehabilitation Services work together to provide prompt investigation of complaints of abuse, neglect and exploitation of elderly persons in health care institutions and community settings.

-- Services promoting education for a healthy and independent lifestyle must be accessible to both the well and frail elderly. Therefore, I initiated the Life, Interest, and Vigor Entering Later Years (LIVELY) program in four counties in 1982. In 1985, the program expanded to include a total of 14 counties. This program involves screening, wellness programming and case management to assist elderly to remain in their own homes.

-- In 1982, I initiated a nursing home pre-screening program to assist elderly persons in avoiding institutional care. This program is the cornerstone of my noninstitutionalization efforts.

One of the primary goals of my administration is to protect the quality of life of all Kansans. In

keeping with this theme, I have directed the Secretary of Health and Environment to draft regulations to require 24 hour licensed nursing care in all intermediate care facilities. This regulation will become effective in July, 1986. I recommend a State General Fund appropriation of \$883,520 to fund the state's portion of the cost of implementing this regulation.

I further recommend an increase in the penalty for adult care homes that violate licensing requirements. Current law provides for a maximum penalty of \$500. I believe that the penalty should be increased to \$5,000 to encourage compliance with the licensing requirements that directly affect the health, safety and well-being of the residents.

I also recommend that the legislature appropriate \$75,000 to establish a Long-Term Care Commission to study three proposals that affect the long-term care system. I ask this Commission to study: 1) The feasibility and workability of requiring long-term care insurance as a mandatory offering for insurance companies selling health insurance; 2) the appropriate structure for a nursing home rating system; and 3) the need for a single common complaint procedure.

Too often the costs of long-term care outstrip the personal resources of the clients who need it. The cost of such care is rapidly increasing and even those who think they are adequately covered often find that their savings are insufficient. Most of us are concerned about our ability to provide for ourselves in our later years. Long-term care insurance may be an alternative that could solve some of these problems if it were more available.

Two Post Audit studies and many other sources have recommended a nursing home rating system. Careful consideration is required to provide a rating system that is reliable and equitable.

Although the process for investigating complaints about nursing homes has been significantly improved, there may be a better structure for encouraging cooperation and timely response. Proposals for a common complaint process have been suggested and deserve in-depth study. I believe a well-staffed Long-Term Care Commission is the best framework for proper consideration of these three important issues.

HEALTH IMPROVEMENTS/WELLNESS PROMOTION

The recent focus on healthy lifestyles has resulted in studies that prove that healthy employees are more productive. Since employers benefit from productive employees, many major corporations have instituted wellness programs. Wellness programs are cost-effective and are part of the answer to rising health care costs. The state, through my leadership, had implemented a successful series of programs promoting health activities and lifestyle changes. The work of Kansas in health promotion has been recognized across the country.

-- In 1979, the Program to Lower the Utilization of Services (PLUS) was implemented in the Department of Health and Environment.

-- In 1984, I established the Cabinet Subcommittee on State Employee Health Promotion and

Wellness to recommend methods for developing a statewide health promotion and wellness program. Later that year, the Health Promotion PLUS Program was made available to all state agencies. By 1985, a total of 30 state agencies adopted the program for their employees. The expansion of the program to local health departments now makes it available to local agencies and industries.

-- KDHE developed "Winterfit," a health incentive program designed to encourage employees to stay healthy or make healthy lifestyle changes during the winter months. This year, 15 states agencies are participating in the program.

-- In 1982, the VOTE Smoke Avoidance Program was instituted. KDHE was the first agency to adopt a smoke avoidance work site policy which restricted smoking to designated areas. By 1985, a total of five states agencies and ten private corporations had adopted VOTE programs.

-- Kansas received the national Community Health Promotion Award for excellence for its PLUS program in 1983. The United States Department of Health and Human Services (HHS) has recognized Kansas for the following outstanding community health programs: Adolescent Family Life Program, Lyon County Health Department; Kansas PLUS Program, Kansas Department of Health and Environment; Project VOTE, Kansas Department of Health and Environment; Risk Reduction Program, Butler-Greenwood Bi-County Health Department; Wellness Focus, Kansas Department of Social and Rehabilitation Services, Alcohol and Drug Abuse Services.

For FY 1987, I recommend funding that will maintain current levels of service for important health promotion activities.

ENVIRONMENT EFFECTS ON HEALTH

As technology advances, we become more knowledgeable about the inter-relationship between health and the environment.

-- In 1984, the School Asbestos Consultation program was implemented. Ninety school districts were visited to identify potentially hazardous asbestos levels.

-- In 1985, legislation was signed to license asbestos contractors. This act also requires private and public employees engaged in the removal or encapsulation of asbestos to be certified.

-- The Environmental Toxicology Section in KDHE was created in 1982 to address the growing concerns over damage caused by toxic/hazardous substances.

-- In FY 1985, the KDHE laboratory enhanced its capabilities to conduct organic chemical analyses of pesticides and other toxic chemicals of environmental health significance.

-- In FY 1985, I provided funding for an environmental and occupational health center at the University of Kansas School of Medicine to address specific issues of environmentally related health disorders.

We must continue to expand our knowledge of the dangers of environmental pollution. I therefore recommend funding of these programs at existing levels.

SPECIAL POPULATIONS

Promoting a healthy citizenry is an important responsibility of state government. Certain groups of our citizens have special health needs that we should continue to address.

-- The infant mortality rate for blacks is significantly higher than that of other populations. Comprehensive prenatal and infant services have been targeted to Geary, Sedgwick, Shawnee and Wyandotte Counties where 80 percent of the Kansas black births occur. Since the implementation of the program, the black infant mortality rate in Geary County has declined from 45.5/1000 in 1980 to 26.8/1000 in 1984.

-- A genetic screening program for Sickle Cell disease was initiated by KDHE.

-- A Black Teenage Pregnancy Prevention/Intervention Project was established to address adolescent pregnancy issues. A model program was developed and implemented in Wyandotte County.

-- In 1984, in cooperation with black churches, a grant was awarded to the University of Kansas Medical Center (Wichita) to carry out high blood pressure programs targeted for the black population. In 1985, nearly 3,000 people participated in the program.

-- In 1983, I established a Cabinet Subcommittee on Migrant Concerns to address the health issues of migrant farm workers and their families. Recommendations were formulated based on input received at public hearings held in Garden City and Kansas City. Follow-up hearings were held in 1984 to determine improvements in migrant services. This initiative resulted in significant enhancements of available health services to migrants in the Garden City area, particularly for prenatal care.

-- In 1984, I adopted the recommendation of the Cabinet Subcommittee on Migrant Concerns to establish a Migrant Coordinating Committee, comprised of representatives from public and private agencies. This committee meets the needs of migrants by monitoring and assessing efforts to increase access to health care, social services, employment and other services.

-- During 1984, nearly 500 migrants received assistance in obtaining health care such as dental, prenatal, inpatient/outpatient surgery and emergency care.

-- The state entered into a contract with the Department of Health and Human Services to conduct a Refugee Health Assessment program. The program addresses the issues resulting from the rapid influx of Indochinese refugees into Kansas since 1980.

-- In 1985, funding was provided to screen refugee families for hepatitis and to provide necessary treatment.

The role of state government in assisting those with special needs must be strengthened. Kansas must continue to lead the way in providing these vital services.

MEDICAL MALPRACTICE

This year, more than ever before, a fundamental state concern is the assurance that Kansas citizens have access to quality medical care at an affordable cost. Of equal concern is the assurance that just compensation is available when medical malpractice occurs. Balancing these two concerns is a difficult task with potentially serious long-term ramifications.

I recognize that rising costs of medical malpractice insurance affect the cost of medical care to the patient. I also am aware that doctors, particularly those in high-risk specialties, may choose to limit their practices or retire from the profession altogether. I do not want Kansas to lose doctors because of the burden of insurance premiums. Further, I do not want to see the availability of rural health care threatened. I cannot, however, justify the wholesale abandonment of the rights of victims solely for the sake of lowering premiums.

The unfortunate fact is that medical malpractice does occur and the state has a duty to ensure that protection and redress is available for its injured citizens. Our civil law system has always guaranteed the fundamental right of an individual injured by the negligence of another to be justly compensated. Therefore, any solutions must not only address the problem but also protect this fundamental right.

In the past six months, numerous solutions have been proposed to address the problem before us. I have devoted a great deal of time evaluating these proposals and their implications. I am struck by the stark reality that many of the proposed solutions ignore the larger picture and simply seek

to limit the recovery rights of medical malpractice victims. If we are to preserve equity in this state, these proposals should not become law.

I recommend legislative measures which balance the right to be compensated for injury against the need to mitigate escalating medical liability insurance costs. In addition, my proposals are directed toward reducing the frequency of medical malpractice.

I propose that the liability of the Health Care Stabilization Fund (HCSF) be limited to \$1 million per claim. This measure would result in an immediate reduction of the amount of surcharge doctors must pay, while providing enough reserves to maintain a healthy Fund balance.

I propose that the Fund surcharge be merit-rated. This would require that a doctor's contribution to the Fund (the surcharge) rise in proportion to the number of claims the Fund pays on his behalf.

I propose that the Fund surcharge be averaged. Kansas doctors can obtain primary insurance coverage, some at greater expense than others, from a number of companies. A set percentage of that primary coverage is required as a surcharge to the Fund. Doctors who pay a greater amount for primary coverage also pay a greater surcharge than those who are able to obtain less expensive coverage. This proposal would bring equity to the surcharge system by requiring an average payment be determined for all doctors within the same rating class.

I propose that a minimum surcharge of 15 percent be established, regardless of the Fund balance. Fund reserves are created by the payment of surcharge. Because of instability in the insurance market from year to year, decisions to forego surcharge payments in years past placed the Fund in jeopardy.

I propose that the Joint Underwriting Association (JUA) be allowed to refuse or cancel coverage of a doctor if the HCSF has refused or terminated coverage. The JUA plan provides that the Insurance Department contract with a private insurance carrier, who then is statutorily required to provide medical liability coverage to those doctors who cannot obtain it elsewhere. That mandate no longer serves the interests of this state. In the event that the Fund determines a particular doctor presents too great a risk to justify coverage, the state should not require that the JUA provide it. The JUA was not intended to provide sanctuary for negligent doctors.

I propose that every doctor in the state be required to carry a minimum of \$1.2 million in malpractice coverage, whether he is insured partially by the Fund or totally by a private carrier. This will prevent the situation whereby the Fund cancels coverage of a doctor but he continues practicing with only \$200,000 worth of primary coverage for which to compensate injured parties.

I propose mandating the use of settlement conferences prior to trial in all medical malpractice actions. These conferences would be presided over by a judge other than the trial judge. All parties would participate, including those ultimately responsible for payment of claims or awards. This measure will ensure that all involved parties are aware of the claim early in the

process and will help facilitate communication between them. In the past, malpractice actions have reached trial and, in some cases, been resolved before the Fund was aware of the claim.

I propose the following administrative changes to the Board of Healing Arts. The position of Chairman shall become a full-time administrative position held by a physician. The Chairman will remain a voting member of the Board. The position of Executive Secretary shall become an Administrative Assistant to the Chairman and shall be responsible for providing management assistance in the daily operation of the Board. I also propose that two investigative positions be added. The lines of administrative authority for the Board's staff have never been clearly defined. In the absence of such definition, the Board's ability to police the medical profession has been adversely affected. This proposal will provide the needed structure to resolve this problem, and the addition of the investigators will enhance the investigation of malpractice complaints.

Finally, I propose that the recommendations of Legislative Post Audit and the Board of Healing Arts be adopted requiring that various public and private entities, including insurance companies, expediently report to the Board any knowledge of medical malpractice claims. A recent Legislative Post Audit report determined that the Board is hampered by the fact that entities possessing knowledge of malpractice claims are not formally required to report that information. Such information is imperative to the Board's ability to carry out its oversight mission.

These proposals will address the financial burden imposed by high medical liability insurance costs on the medical profession, while maintaining the rights of injured victims. I cannot support any proposal which arbitrarily limits the rights of victims to recover damages. Such an approach is unacceptable for several reasons.

First, I believe it is an unnecessary step. If all the other recommendations are enacted, they will immediately have a positive impact on this economic problem.

Second, I find unacceptable a solution which punishes the victims further by limiting their rights of recovery and which rewards the wrong-doers by limiting their liability. That is simply bad public policy.

Third, it is unacceptable because the liability insurance problem is not limited just to the health care industry. This problem is spreading rapidly across every industry, profession and group of service providers. Almost daily we read of another group denied liability insurance or being faced with substantial premium increases. For example, liability coverage is becoming prohibitive or unavailable to manufacturers for injuries caused in the delivery of services such as police, fire and ambulance; and to professional groups such as architects and engineers for defective designs leading to catastrophes such as the collapse of buildings and bridges.

All of these groups are watching closely the actions which will be taken by this legislature to deal with the liability insurance problem in the health care industry. Clearly, any remedies enacted for health care providers will immediately lead to calls for similar relief in all these other areas.

Once the state has begun to deal with the economic problem of medical malpractice insurance by limiting the liability of wrong-doers, it becomes difficult, if not impossible, to deny similar relief to other groups. Such action becomes the first step in the major rewriting of our most basic laws designed to protect the personal and property rights of individuals and to hold wrong-doers fully accountable for infringing upon those rights.

I am convinced that such a major overhaul of the basic principles of our civil law is both unnecessary and inherently bad public policy. I find that unacceptable.

Addressing the issue of medical malpractice represents significant legislative challenge. We must act carefully and responsibly, with full knowledge of the pertinent facts, to facilitate changes that are equitable, effective and do not merely shift the burden from one party to the other.

HUMAN RESOURCES

One of the major attractions that Kansas holds for businesses seeking to expand or relocate is a dedicated and well trained workforce. My administration has invested heavily in the development of our state's human capital, recognizing that it is our greatest resource and central to our present and future economic development goals.

A healthy economy depends upon both the creation of jobs and a workforce trained in the skills necessary to fill those jobs. The Kansas Department of Human Resources (KDHR) plays a key role in pursuing these goals. KDHR's major responsibilities include administering the Unemployment Trust Fund, managing labor disputes and worker's compensation issues, and delivering employment and training services to Kansas employers and workers. The entire labor force and business community of Kansas is in some way served by one or more of the programs administered by KDHR.

The past few years have been marked by decreasing federal assistance and increasing demands on state governments to address the employment and training needs of their constituents. In addition, there is an emerging challenge facing economic development and job training professionals as our state experiences a difficult transition from a predominantly agricultural and industrial economic base to a more knowledge-intensive, technological and information-based economy.

During my administration, the KDHR has responded to these challenges by: 1) implementing major organizational changes which have resulted in the more efficient delivery of services; 2) pursuing greater coordination with other states and private entities providing employment and training services to Kansas workers and businesses; and 3) enhancing research efforts in the area of labor market information so that training programs in Kansas respond to current labor market demands. Further efforts have been made by KDHR to take advantage of the new flexibility allowed in federal programs so that limited resources can be more directly targeted to Kansas-specific needs. During my tenure as Governor, my goal for the KDHR has been to promote the development of a more responsive and efficient employment and training system that addresses the wide range of human resource requirements which exist in today's economy.

Reorganization Initiatives

-- In 1979 when I took office, KDHR was large, unwieldy and ill-equipped to deal with the magnitude of employment-related issues that would emerge with the depressed and changing national economy of the early 1980's. By 1982, I had approved a number of restructuring measures designed to increase KDHR's ability to respond to the needs of displaced and unemployed Kansans.

-- The agency was reorganized into three major divisions, which resulted in a much more accountable management structure and more innovative and efficient program delivery.

-- As part of the effort to streamline the agency, the number of permanent employees in KDHR has decreased by 30 percent since I took office. During the same time period, I am proud to report that the job placement rate rose by six percent.

-- In early 1985, I directed the Secretary of Human Resources to pursue additional reorganizational efforts by merging programs where possible. The ultimate goal is to integrate all KDHR employment and training programs in local offices throughout the employment and training programs in local offices throughout the state so that employers and clients can receive "one-stop," comprehensive services from KDHR staff who are cross-trained to deliver the full range of employment and training programs administered by KDHR. Phase I of this reorganizational effort was completed December 1, 1985, with the merger of the Job Training Partnership Act (JTPA) and Job Service administrative units.

Employment and Training Services

The Division of Employment and Training in KDHR administers the Work Incentive Program (WIN), the Job Service Program and JTPA. In addition, the Division includes the Kansas Committee for Employment of the Handicapped and KDHR's Research and Analysis Section. These programs contribute greatly to the state's efforts to curtail unemployment in Kansas. The level of workforce unemployment has improved in the past year going from 5.2 percent in 1984 to 4.8 percent in 1985. Overall, throughout the years of my tenure as governor, the unemployment rate in Kansas has consistently been below the national average.

The following summarizes priorities I have established for the utilization of the governor's ten percent Wagner-Peyser Federal set-aside funds received annually by the Division of Employment and Training since 1983:

-- In 1983, I endorsed the utilization of the governor's discretionary funds to: 1) provide intensive services to veterans; 2) purchase additional computer equipment to enhance our ability to match applicants with specific employer needs; 3) provide seed money for research and to establish a common intake document for JTPA and Job Service; 4) provide a job search assistance to federal

supplemental compensation clients; and 5) provide outreach and wheat harvest assistance to Kansas farmers.

-- In 1984 and 1985, I dedicated the governor's discretionary funds to link Job Service and JTPA efforts in providing employment and training assistance to individuals identified as dislocated workers in Kansas. The funds will continue to be used for this purpose in 1986.

-- In 1984, I directed the Secretary of Human Resources to develop a Kansas Pre-Layoff Assistance Coordination Team (K-PACT) to deal with plant closings. The team consists of representatives from the Departments of Human Resources, Economic Development, Education, Social and Rehabilitation Services and from business and labor. Approximately 21 partial or complete business closings have been addressed to date, affecting approximately 4,500 workers at a cost of approximately \$2.5 million.

My administration has recently undertaken initiatives to enhance coordination between KDHR and other state agencies to deliver employment and training services to targeted populations.

-- In 1985, I instructed the Secretaries of Human Resources and Economic Development to develop more tangible linkages between their departments' respective job training and economic development efforts. As a result of considerable study and discussion, it was decided to establish a "job training liaison" position to be housed in the Kansas Department of Economic Development (KDED), with the ability to package training funds from JTPA, KDED, and Education. This position will serve to achieve both the JTPA goal of training JTPA participants for jobs in new and expanding businesses and industry, and the economic development goals of providing one-stop services and increased levels of training assistance to meet the needs of companies who wish to locate or expand their operations in Kansas.

-- Also, in 1985, I have supported the dedication of JTPA funds to supplement training activities for incarcerated youth and adults at youth centers and correctional institutions in our state. The Departments of Human Resources, Social and Rehabilitation Services, Education and Corrections have cooperated to develop these programs.

-- In the fall of 1985, I assembled a working group to develop a proposal that was submitted in December, 1985, to the Secretary of the United States Department of Labor for discretionary funds to provide growing numbers of dislocated Kansas farmers with specialized employment and training services.

Unemployment and Labor Issues

Some of the more important factors influencing business location and expansion decisions include the stability of a state's Unemployment Insurance (UI) Fund and the relationship which exists between labor and management in the state. The following summarizes some of the accomplishments of this administration which have positively impacted these factors:

-- The beginning of my second term was marked by a significant increase in the number of Unemployment Insurance payments. In order to ensure the integrity of the UI trust fund, I supported a temporary surcharge on employers' rates in order to boost the dangerously low UI fund balances. This surcharge expired in July, 1985. Since 1983, the UI trust fund balances have steadily grown, thus preventing an increase in employer tax rates. As a result of these efforts, the rate for 1986 will be 4.40 compared to 6.48 in 1983.

-- In 1984, I directed the Secretary of Human Resources to proceed with a wage determination for public construction projects in Kansas. In 1985, the prevailing wage study was completed and the first results were released.

-- In 1984, I directed the Secretary of Human Resources to work closely with the Kansas Employment Security Advisory Council to address the issue of "voluntary quits," one of the major areas of contention between labor and management. In 1985, through the diligent efforts of the Council, I was able to sign into law a "voluntary quits" bill, agreed to by all parties, that prevents persons who quit their jobs voluntarily from collecting benefits.

The Kansas Employee Security Advisory Council continued their work during 1985, and members have reached agreement on a number of additional issues which will be presented to the 1986 Legislature.

I am especially supportive of the Advisory Council's proposal to amend state statutes to allow the Secretary of Human Resources, with the governor's approval, some discretion in the use of the Special Employment Security fund. This fund accrues each year and would be used for one-time expenditures on employment security activities which are not federally supported nor adequately funded. The majority of other states have been taking advantage of this flexibility in the federal law for several years. At present, the fund in Kansas contains \$1.4 million. Additional resources from this fund would enable KDHR to provide employment services which are currently not available.

For example, over the past four years, federal Job Service funds to Kansas have been cut by more than 20 percent. This resulted in the closing of 20 Job Service offices, 50 percent of which were located in western Kansas. The agricultural crisis in the rural areas of the state requires an increased concentration of employment and training assistance to address the needs of displaced farmers and other agribusiness workers at a time when resources are diminished. For \$85,000, the Department of Human Resources could deploy mobile assessment units, on a weekly basis, to the western and north central regions of rural Kansas to provide employment and training services. The bulk of the costs involve a one-time purchase of the necessary equipment and

limited maintenance costs. Access, at the state level, to the Special Employment Security Fund would provide the funding necessary to implement this measure.

Another program which is in great demand in Kansas, but which we are unable to fund, involves a highly-advanced testing measure for job applicants. This program is titled Validity Generalization.

Several states' employment services have implemented Validity Generalization and have found it to be a highly superior means of identifying 1) the best applicant for any given job and 2) the most appropriate job for any given applicant. Employers who have made hiring decisions based on Validity Generalization referrals are enthusiastic about the increased benefits to their businesses revealed through lower employee turnover rates and higher employee performance.

KDHR has received direct inquiries regarding the implementation of Validity Generalization from organizations such as General Motors Corporation, Owens Corning Fiberglass and the Kansas Chamber of Commerce and Industry (KCCI). KDHR is in the process of planning for a limited Validity Generalization project in one of the major metropolitan areas of the state. Current funding for Job Service in Kansas will allow for only one such project. Statewide implementation of this program would require \$70,000 to be used for the computers, optical scanners, printers and software required to administer and score Validity Generalization testing. Again, accessing the Special Employment Security Fund would allow KDHR to implement this highly advanced job placement concept.

I strongly urge the Legislature to give careful consideration to the Advisory Council's proposal to amend the restrictions on the Special Employment Security Fund so that needed programs such as those discussed can be implemented.

SOCIAL SERVICES

Throughout my tenure as governor, investments in social services that serve those who are the most vulnerable have been a high priority - - our children, the elderly and disabled citizens- -and those who, with our assistance can attain, or regain, the dignity of being productive citizens in our society. For our most vulnerable citizens, I have emphasized programs to assist them to live independently because self reliance is at the heart of self respect. In addition, I have endeavored to maximize the efficiency and effectiveness of our social programs to ensure the dollars we invest are used to support people, not the bureaucracy.

EFFICIENCY MEASURES

Financial constraints require state government to make the most of each dollar we invest in the social safety net. Consequently, the Department of Social and Rehabilitation Services (SRS) has been vigilant to minimize costly errors in determining eligibility requirements, to assist clients in returning to the workforce, to use the most effective services and to contain the costs of outside contractual services.

-- Between 1983 and 1985, payment accuracy in the Aid to Families with Dependent Children (AFDC) program was maintained at the 96 percent level. During the same period, food stamp payment accuracy actually increased from 92 percent to 94 percent. Failure to maintain federally-specified levels jeopardizes federal funds, resulting in the state's inability to serve those in need.

-- An aggressive program to improve collections of child support payments was passed in 1985. The results speak for themselves. In 1979, \$3.5 million was collected. Annual collections rose to \$13 million in 1985. Collections should nearly double during 1986 due to the major legislative changes. The service is a joint effort by SRS and the judicial branch and is available to all Kansans, regardless of need.

Finding more efficient ways to use our scarce resources is just one way we can help the needy in Kansas. Another major goal is to assist clients to develop skills enabling them to return to the workforce. My administration has established several programs to achieve this goal.

-- In 1983, I established the Jobs Club program to assist Transitional General Assistance Clients to find employment. This job program has benefitted nearly 2,000 people at a savings in assistance of \$2.6 million, which is \$1.6 million more than the approximately \$1 million spend running the program.

-- The same year, two other employment programs were undertaken utilizing federal funds. A special Food Stamp Work Registration/Job Search program was established in Shawnee County. Community Work Experience Programs for AFDC clients were established in Wichita, Topeka, and Kansas City. By 1985, these programs, along with Jobs Club, were expanded to 19 counties.

-- The Work Incentive Program (WIN), continues to serve 60 percent of our AFDC population despite significant federal cuts.

The level of demand placed on our social service system requires that methods chosen for delivering needed services must be the most economically efficient. Changes in policies within SRS have allowed us to implement these cost-savings options.

-- In 1983, a voluntary pre-admission screening program for elderly private pay patients entering adult care facilities was initiated.

-- In addition, a number of other programs that affect Kansans across a wide spectrum have contributed to our ability to use our resources more wisely. Leading the way has been the growing emphasis to prevent institutionalization whenever possible. Programs which stress independent living such as the Adult Day Care program and the Adult Foster Care program have

given additional options to people who might otherwise have ended up in an institution. The Homemaker Services program has provided a similar result. In addition, my recommendations to increase state support for community mental health and retardation centers enables people to receive assistance in their community at a lower cost. These programs, when combined with many others, allows the state to save money while assuring that services are being provided.

The continuing upward spiral of health care costs is a constant drain on resources for individuals as well as state government. My administration has worked diligently to find ways to ensure that services the state purchases are more cost-effective. Several programs have been established to carry out this goal.

-- The drug product cost reimbursement system was changed in 1985 to allow the substitution of bio-equivalent generic drugs. The annual savings, from this change alone, is estimated at \$1 million.

-- The physician reimbursement system was redesigned to encourage less costly outpatient care.

-- The Kansas Medicaid Program implemented an expanded hospital utilization review process in 1983 with an annual savings of \$7 million.

-- The most rapid increases the state experienced were in hospital care. A new Medicaid Prospective Plan was implemented to respond to this problem. The new system bases payment on historical costs. By setting reimbursement rates on past experience, the state avoids many of the costs associated with health care cost inflation.

-- In 1985, the Medicaid Primary Care Network project began in three counties; Sedgwick, Ottawa and Saline. The goal of this program is to discourage the unnecessary use of high cost services such as emergency rooms, specialists and other services.

Cost containments of SRS have resulted in an expenditure growth rate of less than one percent in 1984-85. I commend these efforts and encourage the development of further cost containment strategies. In particular, I support the expansion of the Medicaid Primary Care Network in 1986.

INDEPENDENT LIVING

The majority of us take for granted our ability to be involved in simple day to day activities in our communities. However, thousands of Kansans do not have the same freedom. Until recently, increasing age, disability, or mental handicap would have forced them to accept institutional living. Today, these Kansans, through programs offered by SRS are given a choice. Encouraging

independent living allows the state to offer low cost programs that enhance the self-reliance of the individuals.

-- Two independent living centers were established by SRS in 1980 to serve 334 Kansans with severe disabilities. Ten counties were initially served by these centers. By the mid-1980's, nine centers were in operation serving 8,785 people in 19 counties. In 1985, a state-funded independent living program for the handicapped was established. By continuing to expand the partnership of the federal, state, and local governments, these programs allow citizens to live and participate in their communities and lessen their dependency on other public assistance programs.

-- In 1981, the Alternate Care Services Program was initiated with all state funds. This program prevents inappropriate and costly institutionalization for persons who require services to ensure their continued living in the community. This program enables developmentally disabled, physically handicapped, and aged Kansans to live in adult family homes as congregate care facilities. It also serves to reintegrate individuals released from state mental health and mental retardation institution.

-- Kansas was one of the first states to be given authority to establish a Home and Community-Based Service program (HCBS). This program utilizes Medicaid dollars for services provided in the home and community to elderly, physically disabled, and mentally retarded clients who would otherwise require placement in an adult care home. The average cost for HCBS services is \$360 per month compared to \$625 per month for an adult care home. Use of HCBS saves the state about \$2 million annually. Recognizing the value of this program, in 1985 I directed SRS to apply for a waiver from the Department of Health and Human Services to extend this program until March, 1988. The request was granted.

-- The Homemaker Services program provides elderly and disabled Kansans assistance that allows them, to remain in their homes. Services include home maintenance, home management and homemaking assistance. During FY 1985, 655,954 hours of service was delivered to 9,235 households. An average of 8,308 persons benefitted each month. Through Homemaker Services, an average of 3,773 persons each month avoided placement in adult care homes.

-- I recommended full state funding for Rehabilitation Services in 1985, this represents the first time the state has accessed all available federal funds. I am renewing that recommendation in 1986.

-- I recommended the creation of the Kansas Commission for the Deaf and Hearing Impaired in 1983. The Commission's array of prevention, education and service programs has offered Kansans with hearing impairments the opportunity to lead normal and active lives in their communities.

-- A five-year action plan for the Kansas Industries for the Blind (KIB) was developed and implemented to improve the operational and financial status of their workshops in Topeka and Kansas City. Through opportunities in KIB, blind citizens are offered direct employment and training.

-- In emphasizing noninstitutionalization, one of my top priorities has been support for increases in state aid to community mental health and retardation centers. In 1980, \$2.2 million in state funds were spent by community mental retardation centers. By 1985, funding had more than doubled to \$5 million. Funding for community mental health centers has increased from \$1.7 million in 1978 to \$7.8 million in 1985. In 1985, I recommended the state match 50 percent of the centers eligible income. The legislature rejected my recommendation.

-- To assure appropriate state oversight, new community mental health center licensure standards were developed and adopted during my administration.

-- During my administration, changes in federal law resulted in harsher eligibility standards for Social Security Disability Income (SSDI). I directed SRS to conduct careful eligibility review to ensure that all those eligible received benefits.

-- In 1985, over 9,000 clients were served through Rehabilitation Services General Program. This vocational rehabilitation program was effective in rehabilitating into employment over 1,350 clients in FY 1985. Over 100 blind clients were returned to gainful employment in 1985.

To continue an emphasis on assuring access to services, I recommend legislation that requires that individual and group health or accident and sickness insurance policies provide minimum coverage for the treatment of nervous or mental conditions. This coverage would reduce the barriers to receiving access to needed mental health services.

INSTITUTIONAL CARE

Kansans can be proud of the fact that we have striven to provide the finest care and living environment possible for our citizens residing in institutions.

-- My administration is committed to maintaining licensed, accredited and certified state mental retardation and psychiatric institutions. As a result, funding for our state institutions has increased dramatically during my tenure. In 1978, the state invested \$37 million in our hospitals. Our investment in 1986 is over \$70 million.

-- During my administration, I have increased staff in the licensure and certification program at

the Kansas Department of Health and Environment (KDHE) to improve monitoring and enforcement activity. Further, I initiated a monitoring and consultation program by county health nurses.

-- In 1980, procedures for issuing citations and correction orders and assessing civil penalties for violation that threatened health, safety, nutrition or sanitation were streamlined.

-- In 1980, I supported the mandatory reporting by health care professionals and administrators of suspected instances of abuse of residents of long-term care facilities.

-- In 1985, a bill was passed and signed that provided penalties for failure to report abuse in adult care homes. It also expanded the list of those required to report such abuse.

-- In 1983, I signed legislation providing protective services to the residents of adult family homes.

-- In 1984, I signed a bill requiring 40 hours of approved training before adult care home aides are allowed to deliver direct individual care to residents.

-- In 1985, I also supported the requirement of 24 hour licensed nursing care in all intermediate care facilities. Increased medicaid funding was passed for reimbursement for those homes that provide such care.

My commitment to high quality care within our institutions continues. Federal audit review threatens certification in several of our state-owned institutions. In FY 1987, it is especially important we invest in those institutions which require additional staffing to meet the federal audit standards. I recommend emergency supplement appropriations in the following amounts to the state institutions that face decertification as a result of federal audits: Kansas Neurological Institute, \$1,352,277 for 120.5 positions; Parsons State Hospital, \$656,395 for 74 positions; and Norton State Hospital, \$294,135 for 28.7 positions.

I further recommend we add 20 direct care staff at Winfield State Hospital to ensure better protection for clients and staff and \$86,600 from the State Institutional Building (SIBF) to upgrade its resident living areas.

I also recommend \$572,600 for remodeling and construction of the activity therapy center at the Rainbow Mental Health Center. I also recommend \$60,500 to remodel the special school area at Rainbow. Both will be funded by the SIBF.

At Topeka State Hospital, I recommend expansion of the psychosocial rehhabilitation program and the establishment of an extended care program for patients who are not responding to regular therapy.

I recommend \$1,100,000 from the SIBF be allocated for maintenance and reroofing at SRS facilities. Of that total, \$70,713 is allotted for specific projects at the rehabilitation facility for the blind.

In FY 1987, I recommend full funding of 24 hour licensed nursing care for our state's adult care homes. The investment will be used to reimburse homes that provide around-the-clock licensed nursing care. This objective will ensure the residents of these homes are properly cared for at all times.

In addition, I urge the legislature to appropriate the necessary funds to establish a Long-Term Care Commission. This commission would study the following three proposals: 1) the feasibility of mandating insurance companies that sell health insurance to offer long-term care insurance, 2) the development of a system to rate adult care homes and 3) the need for a single common complaint process.

PROTECTIVE SERVICES

It is an unfortunate fact of life that certain segments of our society are at risk of being abused or neglected, particularly our children and the elderly. As these risks increase, so too must our efforts to contain and reduce them. As an example, there were 13,710 reported cases of child abuse and neglect investigated by SRS in 1979. By 1985, that number had increased to 24,551 cases. Officials at SRS estimate in 1986 they will investigate approximately 27,000 cases. Sexual abuse cases involving children have increased 83 percent in the same period. During my administration, efforts have been made to protect those who are most vulnerable to this threat.

-- In 1983, the family services program was implemented to teach parenting and homemaking skills to parents who need assistance in raising their children. The program is family based and directed toward maintaining children in their homes or returning children to their families following a separation. In FY 1985, services were delivered to 2,460 families with 5,155 children. These family service programs show a significant cost advantage over foster care. The average annual cost per child served under the Family Services Program was \$195. The average out-of-home foster care costs are \$588 per month.

-- A wide array of family based services has resulted in decreases in the number of children in foster care, from 4,180 in 1979 to 2,490 in 1985.

-- In 1985, a State General Fund appropriation of \$141,000 created a total funding base of \$326,000 for the Family and Children Trust Fund. Through this fund, grants are provided to community organizations to establish projects to prevent family disruptions and child abuse.

-- In 1983, the adult abuse law was expanded to include adult family homes. This change gave SRS the responsibility for investigation of abuse and neglect of adults in non-medical facilities.

-- Also in 1985, SRS received federal funding to significantly expand services for victims of sexual and child abuse, and domestic violence.

Protecting our children is a basic responsibility. Unfortunately, all children are not able to grow up in an appropriate family environment. These young Kansans deserve special attention. Our goal has always been to find a setting that allows these children to lead a normal childhood giving them the opportunity to grow and make a contribution as an adult. This has been accomplished by emphasizing programs to return children to their homes and to facilitate adoption when a child cannot be returned to the home. Of course, SRS monitors these cases carefully to ensure the child is truly in a safe and an appropriate environment.

In FY 1987, I recommend funding of \$146,000 for the Therapeutic Foster Care Program. This initiative provides for specialized family foster care placement of emotionally disturbed children who can be released from the state institutions if family foster parents are trained and the children are provided community mental health services. The funding for this program comes from the revenue raised by the recommended sales tax increase.

BASIC SERVICES

The Kansas economy has not rebounded from the recent recession as quickly as other states' economies. This slowed growth has decreased the amount of money we had expected to be available for funding state government programs. Compounding the problem is the diminishing role the federal government is choosing to play in assisting those most in need. States have been forced to assume increasing responsibilities in all areas, most especially when it comes to patching the social safety net. My administration continues to search for the best way to assist the most vulnerable in Kansas. The challenges in this area are never-ending. I have tried to find new ways to meet these needs.

-- The Low Income Energy Assistance Program (LIEAP) was established in 1982 to assure the most needy Kansans have heating in winter and cooling in summer. As a result, more than 68,000 Kansas households have received assistance in paying utility bills.

-- SRS implemented a program in 1983 to provide cash or medical assistance to women more than six months pregnant if they will be eligible for AFDC at the time of delivery.

-- The General Assistance Unrestricted group was expanded in 1985 to include mentally impaired persons whose conditions proved to be a handicap to employment.

Despite the difficult financial times we face, I have maintained the most important general assistance programs within SRS to ensure the truly needy in Kansas do not face additional financial pressure. The serious budget constraints we face require maximum efficiencies. In order to maintain the general assistance and medical programs at current levels, I recommend that the Transitional General Assistance (TGA) program not be funded. I also recommend increases of \$1,325,000 for cash assistance and \$1,027,820 for medical programs to cover the 25 percent of the TGA clients most at risk. This expenditure will allow us to continue to provide for our most needy citizens while at the same time save \$6.9 million.

ALCOHOL AND DRUG ABUSE SERVICES

Alcohol and drug addiction problems present a paradox in social service delivery. Alcoholism is one of the most debilitating diseases found in our society, and yet its victims represent the greatest potential for reintegration. Further, alcohol and drug addiction are diseases proven to be preventable. These reasons explain my continued support of the alcohol and drug abuse activity.

-- In 1979, SRS initiated the Employee Assistance Program (EAP) to assist state employees whose productivity was suffering due to personal alcohol or drug problems.

-- Recognizing the need for a coordinated approach in dealing with alcohol and drug related issues, SRS reorganized its operations in 1979 to create the Alcohol and Drug Abuse Services (ADAS).

-- In 1983, I created an Intergovernmental Coordinating Committee on Alcohol and Drug Abuse (ICC). The Committee has representatives from various state agencies to coordinate alcohol and drug programs offered by the state.

-- Funding for alcohol and drug abuse programs has been an important issue throughout my administration. In 1979, I signed legislation that diverted a portion of the 10 percent tax on drinks sold in clubs to fund alcohol and drug programs. Many of these programs are sponsored by local units of government. To support their activities, I signed legislation in 1984 that allows each county to levy a one mill tax for these programs. In 1985, tax on cereal malt beverages sold in clubs was earmarked for alcohol and drug abuse programs. That same year, ADAS distributed over \$4.5 million to prevention and treatment programs operating in communities throughout the state.

-- As statistics on the effectiveness of prevention programs became available, state support of these programs increased. In 1982, through the School Team Training Program, ADAS began instructing school personnel in ways to prevent and control alcohol and drug use among students. Since 1983, 76 teams have been trained through this program. Students Against Driving Drunk (SADD) chapters have been organized in 85 cities across Kansas. In 1985, almost 140,000

Kansans participated in prevention activities and ADAS provided over \$450,000 in support of these efforts. Prevention activities received another boost in 1985 through passage of legislation that encouraged all school boards to provide alcohol and drug abuse programs.

-- In 1985, over \$4 million in grants were awarded to licensed or certified alcohol treatment programs. Admissions to treatment programs have increased five percent since 1979. During the same time period, the number of licensed and certified alcohol and drug treatment programs increased from 71 to 202.

-- A study conducted in 1984 indicated that 66 percent of the treatment clients were abstinent from alcohol six months after treatment, 83 percent were abstinent from other addictive drugs.

-- For FY 1986, I recommended the establishment of a youth treatment facility. This represents the first time the state has made a commitment to this specialized treatment component.

-- In 1985, legislation was passed to ultimately raise the legal drinking age in Kansas to 21.

Alcohol and drug abuse affects all segments of our society. Perhaps one of the most alarming problems today is the increasing number of our young people who face addiction. My administration has focused attention on these youth through several programs. While I am proud of these accomplishments, there still remain 30,500 Kansas youth who are not receiving help with their alcohol and drug abuse problems. Therefore, for FY 1987, I recommend an investment of an additional \$200,000 for another youth treatment facility. The funding for this program comes from the revenue raised by the recommended sales tax increase. The state must continue to provide treatment alternatives for young people who are not able to pay for these services.

To increase the access to treatment assistance for Kansans, I recommend legislation that requires individual and group health or accident and sickness insurance policies to provide minimum coverage of alcohol and drug abuse. Evidence indicates that this approach is a cost effective way to assure maximum access to there needed services.

Government must have a social conscience. It is government that provides when there is no one else. It is government that must encourage when hope is lost, and it is government that must protect when life itself is threatened. Kansas should be proud of its programs to serve those most unable to help themselves.

PUBLIC EMPLOYEES

A well trained and qualified corps of state employees is essential to effective government. Kansas public employees deliver important state services funded by taxpayers. Their dedication

and talents make state programs a reality for our citizens. The recruitment and retention of qualified personnel has been a continuing priority of my administration.

I am proud of the progress made in personnel pay, policies and benefits. I have worked to create and maintain a public employment system that is fair, equitable, effective and responsive to the needs of our changing workforce. Each year of my administration, I have recommended responsible salary adjustments to maintain comparable pay between the public and private sector. Through careful management of resources, Kansas was able to avoid layoffs which affected other states during the 1982 recession. In the area of health benefits, we have adopted new approaches to maintain high quality services that are also economical and adaptable to the needs of individual employees. My administration has consistently supported improvements in public employees' retirement benefits, which provide a secure and stable future for our career workforce. I have led the effort to place women and minority group employees into professional decision-making positions in state government. I am confident that our efforts in this area will yield long-term benefits in the form of a stable, capable and motivated state civil service.

SALARIES AND WAGES

The recruitment and retention of qualified state employees requires government to maintain salaries and wages at competitive levels. My administration has consistently supported salary and wage adjustments that keep pace with the cost of living and attract the highest quality people to work in state government.

-- During my administration, state employee compensation has increased an average of 6.1 percent each year. The average state employee's salary has increased 61 percent since 1979.

-- I am aware of the importance of ensuring that Regent's salaries are competitive with their peer institutions. Regents' faculty salaries have been a major focus of attention. Consequently, under my administration salaries at Regents' institutions have increased an average of 6.9 percent per year. Over the last seven years, Regents faculty salaries have increased 67.7 percent.

-- In 1980, I recommended, and the legislature approved, a new pay plan designed to improve recruitment and award outstanding employees. The plan raised the salaries of new employees and allowed the implementation of merit increases to award exceptional performance. Under the plan most personnel received pay raises of at least eight percent. The average salary increase was 11 percent.

-- In 1985, a new pay matrix was adopted. The plan introduced the "job rate" concept, which emphasized setting salaries for particular positions at levels that are comparable with the private sector. This plan enables the state to continue to recruit and retain highly qualified employees.

In this year of fiscal constraints, funding my commitment to improved salaries for state

employees requires an innovative plan. Our current compensation program requires each employee to contribute four percent of their gross salary to the Kansas Public Employees Retirement System (KPERs). The employer also contributes to this system. In recent years, 12 states and many major private sector employers have changed from contributory to non-contributory retirement systems.

For FY 1987, I recommend the state assume the four percent employee contribution to KPERs at a State General Fund (SGF) cost of \$12.5 million. This recommendation is funded through proceeds from the proposed sales tax increase. This approach will allow maximization of available resources to benefit state employees. For example, a state employee earning a monthly salary of \$1,381 will receive a 4.6 percent increase in take-home pay if the state assumes the KPERs four percent contribution. If a four percent cost-of-living salary adjustment were enacted, the same employee's take-home pay would only increase by 3.9 percent. In order to achieve the same approximate take-home pay advantage, the base salary for that employee would have to be increased by 4.8 percent. If the legislature chooses to use the \$12.5 million for a cost-of-living adjustment, the increase will only be approximately 2.5 percent.

Early in my second term, I directed the Division of Personnel Services to evaluate state classifications and pay schedules for clerical workers. The study recommended improvements in pay to make these classes competitive with private sector salaries and to provide a better career ladder. Results of this study indicated a clear need to create a series of job classes that more accurately reflect state secretarial duties and the skills needed in a contemporary office environment. To continue my emphasis on attracting and maintaining a quality state workforce, I recommend implementation of this study effective January 1, 1987. The salary upgrades associated with implementation of this study affect 7,400 members, or 28 percent, of the state work-force. The average salary adjustment for each affected employee is 15 percent. I recommend \$3.5 million, from revenues raised from the proposed sales tax, to fund the recommendations of this study.

HEALTH BENEFITS

The health and well-being of employees is a fundamental concern for managers of any organization. To demonstrate the commitment to state employees, the state provides health insurance coverage that is a tangible and valued benefit. In addition, a healthy work force is an asset to the functioning of state government. Our commitment to the health of state personnel contributes to employee morale, organizational effectiveness and the overall climate of the workplace.

During my administration, I have seen health care emerge as a major issue in our society. New diagnostic and treatment techniques have revolutionized many medical procedures and improved the quality of the medical care we receive. Predictably, these advances have produced added costs, and the price of medical treatment has grown much faster than the general rate of inflation. In response to these developments, I have sought new and innovative approaches to providing quality, affordable health care to employees.

-- In 1984, the State Employees Health Care Commission was established to oversee employee health benefits. The Commission prepares standards of service, evaluates plans submitted by insurance carriers and negotiates service and costs. The development of the commission represents an important step in the effective management of employee health care coverage.

-- The potential benefits of the Commission's bargaining authority became apparent in 1984, when lower than expected insurance premiums allowed the state to offer employees a dental rider in addition to their regular health coverage.

-- In 1984, state employees were first given the option of selecting a Health Maintenance Organization (HMO) in place of traditional group health insurance. The HMO provides an option to many employees who may not require all the services of comprehensive health plans. It is a further example of a commitment to flexible, affordable health care for all state employees and their families.

HEALTH IMPROVEMENTS/WELLNESS PROMOTION

The recent focus on healthy lifestyles has resulted in studies that prove that healthy employees are more productive. Since employers benefit from productive employees, many major corporations have instituted wellness programs. Wellness programs are cost-effective and one part of the answer to rising health care costs. The state, through my leadership, has implemented a successful series of programs promoting healthy activities and lifestyle changes. The work of Kansas in health promotion has been recognized across the country.

-- In 1979, the Program to Lower the Utilization of Services (PLUS) was implemented in the Kansas Department of Health and Environment (KDHE).

-- In 1984, I established the Cabinet Subcommittee on State Employee Health Promotion and Wellness to recommend methods for developing a statewide health promotion and wellness program. Later that year, the Health Promotion PLUS Program was available for use by all state agencies. In 1985, a total of 30 state agencies adopted the program for their employees.

-- "Winterfit" was developed as a health incentive program designed to encourage employees to stay healthy or make healthy lifestyle changes in the winter months. This year, 11 state agencies are participating in the program.

-- In 1982, the VOTE Smoke Avoidance Program was instituted. KDHE was the first agency to adopt a smoke avoidance work site policy which restricted smoking to designated areas. By 1985, a total of five state agencies and ten private corporations had adopted VOTE programs.

-- Kansas received the national Community Health Promotion Award for excellence for its PLUS program in 1983. Kansas also received recognition for other outstanding health programs from the federal Department of Health and Human Services: Kansas PLUS Program; Project VOTE, KDHE; and Wellness Focus, Kansas Department of Social and Rehabilitation Services, Alcohol and Drug Abuse Services.

Wellness programs pay significant dividends to the state. I urge further participation in these programs.

LEAVES AND HOLIDAYS

Time away from work contributes to family life, personal enrichment and health. I have established leave and holiday policies which effectively respond to needs of employees.

-- Martin Luther King, Jr.'s Birthday was first observed as a Kansas holiday in 1985, one year before its inauguration as a national holiday.

-- Each year since assuming office, I have declared a discretionary holiday for state employees.

-- Beginning in 1983, annual leave and sick leave were accrued on an hourly rather than daily basis. This change allowed greater choice and flexibility to the employee.

-- In 1984, I initiated the accrual of 40 hours of family sick leave per year as a response to changing social conditions.

I urge continued commitment to state employee leave benefits to enhance employee morale, organizational effectiveness and the overall climate of the work place.

RETIREMENT ENHANCEMENTS

During my administration, numerous improvements have been made in the various retirement systems administered by the Kansas Public Employees Retirement System. These improvements, extensive in scope and number, have added substantially to the value of the system for Kansas employees.

-- First-day coverage of death and disability benefits was provided for state employees in 1979.

-- Service-connected death benefits in cases where Kansas Police and Fire (KP&F) members

with permanent service-connected disabilities die more than two years after leaving employment, were allowed by legislation which I recommended in 1979.

-- The maximum retirement benefit was increased from 66 percent to 70 percent of final average salary for KP&F members in 1979.

-- In 1980, the allowable life insurance coverage was increased from 65 percent to 100 percent of annual compensation.

-- During my administration, I authorized the establishment of early retirement incentive program by local school districts.

-- I recommended, and the 1980 Legislature approved, annual benefit payments in the form of a 13th check to all retirants and beneficiaries as of July 1, 1980. This benefit payment, scheduled to expire in 1987, was made permanent in 1985.

-- In 1982, retirement benefits for those individuals who retired prior to July 1, 1981 were increased by 10 percent.

-- Survivors of a KPERS member may, as the result of legislation passed in 1982, receive a lump-sum payment of \$50,000 as an accidental death benefit.

-- In 1983, mandatory retirement, strictly on basis of age, was eliminated by local units of government for members between age 65 and 70.

-- In 1985, amendments to KPERS provided for an increase in the maximum amount of optional group life insurance, available to state employees from \$50,000 to \$100,000.

-- Effective for those retiring on and after July 1, 1988, the definition of final average salary for KPERS members was changed from the average of the highest five years to four years.

-- In 1985 KPERS members were provided an increase in the value of all participating service to 1.4 percent for all individuals retiring on and after July 1, 1988, with ten or more years of participating service.

Annual improvements in our retirement system have been made possible because of positive actuarial experience. The extensive recommendations I have made this year, should enhance the possibility for further retirement system improvements in future years.

EQUAL EMPLOYMENT OPPORTUNITIES

I am proud of the accomplishment of my administration in employing racial minorities and other protected individuals in the state workforce.

-- In 1980, I issued Executive Order No. 80-47 mandating all agencies, departments and institutions to give equal employment opportunities to all applicants for state employment and to all state employees without regard to race, sex, color, national origin, age, handicap, religious beliefs or political affiliation.

-- When I took office in 1979, racial minorities comprised 9.5 percent of the state workforce. The Equal Employment Opportunity Office reports that state government has experienced a steady increase in employing minorities. In 1985, minorities made up 12.5 percent of state government employees.

-- I have continued to be committed to achieving meaningful affirmative action. In the 1984 Mid-American Report from the United States Commission on Civil Rights, Kansas was recognized for its development and implementation of a state affirmative action plan that the commission considered to be a model for other states.

-- We have taken the "extra steps" to employ and advance minorities in policy and decision making positions through such initiatives as the Governor's Fellows Program. I have encouraged minorities to take full advantage of opportunities for advancement through these programs.

-- The Equal Employment Opportunity Office has also reported that during my administration there has been a 27.8 percent increase in employing women as officials and administrators.

One of my goals as governor has been to foster an environment of opportunity and equality for all Kansans. I have taken every opportunity to appoint individuals representing a cross-section of the community to Kansas' advisory committees, boards and commissions.

AGING

At a time when resources are scarce, no area of state responsibility so clearly demonstrates the value of wise investments than the programs affecting our aged population. These Kansans led

the charge for an innovative and progressive state. They were the driving force behind Kansas in years past. Their contributions must not be forgotten.

I am acutely aware of the growth in the number of Kansans over age 65. This group comprises a larger portion of our total population than ever before and it appears that the proportion will continue to increase. The state must continue to provide essential services that allow members of this distinguished sector to maintain their independence. In this manner, we will enable them to avoid costly institutional care and allow them to retain their place as productive members of their communities.

NUTRITION ISSUES

The meals programs, administered through the Department on Aging and provided by local area agencies on aging, are the core of all aging activities in the state. Access to other aging programs is most directly achieved through contact with one of numerous meals programs operated statewide. I am extremely proud of my accomplishments in the area of nutrition programs.

-- The first year of my administration was the first time state funds were used in conjunction with federal funds for providing congregate meals programs.

-- Over 3.5 million meals are served annually, compared to 1.7 million in 1979. This represents a 109 percent increase in the number of meals served.

-- While annually increasing the number of meals served, the price per meal has decreased every year since 1983. Kansas ranks seventh nationally in productivity and program income for meals programs.

-- The number of nutrition sites has increased from 193 in 1979 to over 280 in 1986.

-- Approximately 180,000 state funded home delivered meals are served to over 600 low income home bound Kansans.

My recommendation for Fiscal Year (FY) 1987 is to fund 3,582,037 Older Americans Act-sponsored meals utilizing \$613,560 in state funds. In addition, I recommend \$461,137 in State General Funds (SGF) for the state operated Home Delivered Meals program. This appropriation will fund over 201,000 meals.

EMPLOYMENT ISSUES

When embarking on an investment strategy, one must insist on maximization of available resources. I recognize the valuable employment potential of older, experienced workers and have instituted programs to capitalize on the wealth of experience and expertise of our older Kansans.

-- In 1983, I signed the Age Discrimination in Employment Act which prohibits certain employment practices based solely on age.

-- In 1983, I supported the passage of the Older Kansans Employment Program which assists persons over 55 in securing employment in the private sector. This ongoing program has placed over 1,500 older Kansans in jobs.

-- In 1984, \$659,000 of Federal Senior Community Service Employment Program money was allocated to Green Thumb and Project AYUDA to enable the low income elderly to become self-supportive.

-- In 1985, I recommended that the Job Training Partnership Act (JTPA) Older Workers Program money be transferred from the Department of Human Resources to the Department on Aging. These federal funds are used in conjunction with other state and federal funds to strengthen the Older Kansans Employment Program. This consolidation has led to a more coordinated effort in the funding of these employment programs.

Programs that enhance employment capabilities and opportunities for our older citizens deserve state support. For FY 1987, I recommend the continued funding for the Older Kansans Employment Program and encourage the maximization of all sources of federal funding to assist in enhancing this coordinated program.

COMMUNITY-BASED ALTERNATIVE CARE

There are numerous options to address the special needs of our aging community. The most cost effective and successful programs, however, are community-based services that maintain these individuals as self-supporting members of society. Throughout my administration I have supported noninstitutional alternatives for our elderly citizens in need of assistance. In addition to continual expansion of congregate and delivered meals programs, I have supported a variety of noninstitutional programs.

-- The Homemaker Services program provides assistance to maintain an independent household. State support of this program has increased from \$3,227,465 in 1979 to \$6,075,556 in 1986.

-- The Home Health Services program enables citizens to receive needed health and nursing services in their homes. This program has been strengthened and expanded during my

administration. Regulations now require licensure of home health agencies to assure high quality care. Seed money established 136 home health agencies in 72 rural counties.

-- Starting in FY 1981, adult day care centers were established to provide group social, health and support services to individuals who did not require 24 hour institutional care.

-- In 1982, the state received a Home and Community Based Services waiver that allowed for Medicaid reimbursement for home and community-based services. This allows people to remain in their homes and communities rather than forcing them into institutional care for financial reasons. In 1985, an extension of the waiver was granted.

-- In 1982, initial state funding for adult foster care was recommended.

-- In 1982, Life, Interest and Vigor Entering the Later Years (LIVELY) was initiated. This program, implemented through local county health departments, assists elderly by promoting health habits that may keep them from needing institutional care.

-- In 1983, legislation was passed that allowed private pay patients to utilize the pre-admission screening services offered through the Home and Community Based waiver programs. This allows those clients who will be paying for their own institutionalization to know of their specific needs and options for acquiring services outside a nursing home.

-- Utilizing federal funds, three case management programs were funded in FY 1984. These pilot projects in Wichita, Topeka and Manhattan serve elderly at risk of institutionalization by identifying their needs and locating available community services.

I am proud of the gains we have made in providing alternatives to institutional care for the elderly. I firmly believe this course will lead to more productive lives for our older Kansans and the least costly alternative for the state.

I also recommend that the legislature appropriate \$75,000 to establish a Long-Term Care Commission to study three proposals that will facilitate more appropriate placement. I would ask this Commission to study: 1) the feasibility of requiring long term care insurance as a mandatory offering by insurance companies selling health insurance; 2) the appropriate structure for a nursing home rating system; and 3) the need for a single common complaint process.

Too often the costs of long-term care outstrip the personal resources of the clients who need it. The cost of such care is rapidly increasing and even those who think they are adequately covered often find that their savings are insufficient. Most of us are concerned about our ability to

provide for ourselves in our later years. If available, long-term care insurance would solve some of these problems.

Two post audit studies and many other sources have recommended a nursing home rating system. Careful consideration is required to provide a rating system that is reliable and equitable.

Although the process for investigating complaints about nursing homes has been significantly improved, there may exist a better structure for encouraging cooperation and timely response. Proposals for a common complaint process have been suggested and deserve in-depth study. I believe a well-staffed Long-Term Care Commission is the best framework for proper consideration of these three important issues.

ECONOMIC SECURITY

Retirement from a life of working can be a long-awaited reward for years of productive service to our society. With retirement, however, comes the lack of flexibility in income. My administration has actively pursued several measures designed to control the costs of necessary purchases to assure that those living on fixed incomes do not suffer a serious drop in their standards of living. I have also provided for changes in the law that protect the income and assets of our elderly citizens.

-- In 1979, I supported and signed a bill removing sales tax on residential utilities.

-- In 1979, I supported the promulgation of the Kansas Corporation Commission (KCC) regulation of "no winter cut offs" and thirty days to pay utility bills.

-- In 1979, I recommended and secured passage of an electrical generating plant siting act which allows the KCC to determine whether there is a need for new generating facilities.

-- Beginning in 1982, I urged congressional action to mitigate the cost of deregulation of natural gas.

-- In 1984, I supported the "Wolf Creek Bill" that gave the KCC authority to disallow certain expenses for the rate base of that power plant.

-- I supported and signed a bill that helps make health insurance available and affordable to former dependents of members of group health insurance plans.

-- By 1984, the state had Low Income Energy Assistance Programs (LIEAP) operating in all 105 counties.

-- In 1982, I signed legislation that made several amendments in the Kansas Inheritance Tax Act to more adequately protect the property of the remaining spouse.

-- In 1982, the Good Samaritan Food Law was passed that reduced the liability of persons or companies who donate food to not-for-profit agencies.

-- The Homestead Property Tax Exemption provides low-income elderly a degree of property tax relief. In 1979, the income threshold was \$9,200, in 1985, the threshold was \$12,800. In addition, the "rent equivalency" has increased from 12 percent to 15 percent. Since 1979, over \$63 million in property tax relief has been granted through this program.

The beneficial impact of many of these accomplishments is enjoyed today. As we look ahead, we must remain aware of the needs of persons who are uniquely affected by increases in costs of necessary products and services. I recommend that the legislature enact changes that will make the sales tax exemption for food commensurate with the homestead property tax provisions. Our state must have the additional revenue generated by an increase in the sales tax for investments in our future that will ensure our long-term viability. This increase, however, should not overburden those already in economic distress. The change recommended above will address that problem.

INSTITUTIONAL CARE

Although I am committed to a system of noninstitutionalization, I realize that some of our citizens need the kind of care that can only be offered in residential nursing homes. The same quality of life standards we expect for our noninstitutionalization citizens should be assured for citizens in nursing homes. In the past seven years we have major strides in assuring that those standards are met and protected.

-- During my administration, I have increased staff in the licensure and certification program at the Kansas Department of Health and Environment (KDHE) to improve monitoring and enforcement activity. Further, I initiated a monitoring and consultation program by county health nurses.

-- In 1979, a toll-free hotline was established as a means to report suspected nursing home abuse and provide information about aging services.

-- In 1980, procedures for issuing citations and correction orders and assessing civil penalties for violations that threatened health, safety, nutrition or sanitation were streamlined.

-- In 1980, I supported the mandatory reporting by health care professionals and administrators of suspected instances of abuse or residents of long-term care facilities.

-- In 1985, a bill was passed and signed that provided penalties for failure to report abuse in adult care homes. It also expanded the list of those required to report such abuse.

-- In 1980, I supported the establishment of an office of a Long-Term Care Ombudsman and two regional ombudsmen in the Department on Aging. These ombudsmen were granted access to facilities, residents and records of long-term care facilities to enhance investigation of reports of abuse.

-- In 1982, legislation was passed that more clearly established the accountable parties by requiring all parties to be named on applications for licenses.

-- In 1983, I signed legislation providing protective services to residents of adult family homes.

-- In 1984, I signed a bill requiring 40 hours of approved training before adult care home aides are allowed to deliver direct individual care to residents.

-- In 1985, I also supported the requirement of 24 hour licensed nursing care in all intermediate care facilities. Increased funding was passed for reimbursement for those homes that provide such care.

In 1986, I recommend that the legislature increase the amount of the civil penalty applicable to adult care facilities that violate licensing requirements. Further, the Secretary of Health and Environment has promulgated rules and regulations requiring 24 hour licensed nursing care in intermediate care facilities. These rules and regulations will become effective in July, 1986. To accompany this regulation, I recommend full funding of the cost of 24 hour nursing.

RIGHTS AND CONSUMER PROTECTION

Although our senior citizens deserve our respect and admiration, too often they are exploited. Several measure have been implemented to protect them.

-- In 1982, I supported changes in statutes regarding filing of mechanics liens by contractors and subcontractors.

-- In 1983, I supported comprehensive changes in guardianship statutes to protect frail elderly.

-- 1984 brought changes in the law relating to grandparents' visitation rights.

-- In 1985, the legislature amended the Adult Abuse Act to protect adults residing outside medical care facilities.

These measures represent a great deal of progress in protecting the elderly from unfair dealings. Although we have made progress, we must continue to examine the ramifications of new laws and programs for the elderly.

HEALTH

Of particular concern to the elderly is the issue of rising health care costs. By necessity, a higher percentage of an elderly person's budget is spent on health care services. With that in mind, I have undertaken several efforts to contain health care costs and develop knowledge relevant to the unique issues of elderly health care.

-- I have continually encouraged the development of geriatric and gerontological training in schools of post-secondary education. I provided the support for the first Institute of Gerontology at the University of Kansas.

-- In 1983, I supported the establishment of a geriatric medical education program at the University of Kansas Medical Center; \$109,000 was appropriated to employ a geriatric specialty physician and a geriatric nurse practitioner. I also supported an appropriation of \$53,658 for the Gerontology Center at Wichita State University to replace declining federal funds.

-- In 1984, I initiated a wellness program for elderly citizens as a complementary component to LIEAP.

-- The Department on Aging has worked closely with the Kansas Medical Society in increasing awareness of ways to decrease personal health care costs. The Secretary of Aging now sits on the aging subcommittee of the Kansas Medical Society to further increase coordination.

-- In 1984, the Department on Aging was the first in the country to establish a Medicare assignment program that makes the assignment acceptance rates of all physicians in the state available to the public. This information is available through a toll-free hotline.

-- A program of providing discounted dental work for low-income elderly was initiated in conjunction with the Kansas Dental Society. Program information is also available through the toll-free hotline.

-- In 1982, the Department on Aging initiated Operation Winter Watch and has continued this program to inform the public ways to cope with hypothermia and other hazards of winter.

-- In 1985, the Alzheimer's Disease Task Force was created. This task force has completed its work, and in 1986 we must begin to examine and implement its recommendation.

These programs are accomplishments that our state can be proud to have sponsored. We must continue to look for ways to protect the health of Kansans and to assure that health care services are offered at reasonable costs for all.

CITIZEN INVOLVEMENT

We must take advantage of the special talents and abilities of our aging population. To that end, I have tried to increase the opportunity for senior citizen involvement. One example of this kind of positive involvement is the Kansas Advisory Council on Aging. This group of hard-working and dedicated individuals has provided invaluable input for my administration and the legislature. Through other efforts outlined below I have sought public involvement wherever possible.

-- In 1983, the first Silver Haired Legislature was convened. This provides a forum for older Kansans to participate in relevant policy debate and to experience the legislative process.

-- Since 1980, the Department on Aging has sponsored the Annual Governor's Conference on Aging. The focus of these conferences is to examine the issues facing older Kansans.

Utilizing the wisdom of our older Kansans is critical to our plan of wise future investment. All efforts to encourage participation by our seniors should be actively pursued.

The challenges we face in addressing the increasing needs of our aging population can only be accomplished by securing the future economic viability of our state. The Department on Aging has made great strides in providing efficient service delivery. Such efforts are to be commended. We must realize, however, that as the percentage of our population over 65 increases so does the demand for services. By encouraging new businesses and an attractive investment climate, we will secure the flexibility we need to make the kinds of commitments the future demands.

CULTURAL AND RECREATIONAL RESOURCES

Kansas has a proud heritage in the history of states, and indeed, in the world community. As Kansans prepare to celebrate the 125th anniversary of our beginning as a sovereign state, it is appropriate to focus attention on our state's cultural and recreational assets.

Blessed as we are with a central location in the heartland of our nation, geographically as well as historically, it is not surprising to find an accumulation of notable experience, historic sites, distinguished buildings, memorable documents and artifacts of national significance. These memorabilia help to explain the role of Kansas and Kansans in the history of our country and to make a statement of concern and pride in our state.

As with any repository of precious material, our tradition and culture must be shielded from the intrusion of time, neglect or human indifference. A number of agencies and organizations provide such protection from loss or destruction of these assets and assure that they will be maintained, developed, interpreted and expanded for the enrichment of all Kansans. I am particularly proud that my administration has been instrumental in promoting an increased awareness of these resources among Kansans.

KANSAS ARTS COMMISSION

The Kansas Arts Commission (KAC) is charged with the task of promoting and exhibiting the talent of our actors, composers, painters and writers within the state. Through its programs, KAC is able to identify our outstanding performers and artists and bring their work to communities throughout the state. During my administration, KAC has successfully initiated a number of new programs to showcase the talents of Kansas artists and performers.

-- Since 1979, KAC has participated in Artists in Education (AIE), a nationwide program sponsored in part by the state and the National Endowment for the Arts (NEA). Kansas AIE initially received \$55,000 from NEA and \$20,700 in state funds. Fourteen artists in the visual arts, literature, music and film served 26 elementary and 42 high schools during the first year.

-- In 1980, a procedure was developed by KAC to allow citizens to nominate outstanding artists in the state as Governor's Artists. Three artists are selected each year by a peer panel, and samples of their work are displayed in the governor's office throughout the year.

-- In 1981, I signed legislation that created a partnership between KAC and the State Board of Education to encourage study and appreciation of the arts through the AIE program. The 1984-85 AIE program reached 34,965 students and 1,246 administrators and teachers in the visual arts, music, literature, dance, theater and folk art.

-- The Kansas Touring Program, established in 1980 to bring dance, music and theater to Kansas communities, will provide concerts from classical to jazz and 88 children's theater performances during this fiscal year.

-- The Kansas Six, a visual arts competition, begun in 1980, now attracts more than 200 artists whose works are judged by nationally prominent visual arts professionals. Works of approximately 50 artists are exhibited annually, and substantial prizes are awarded to five artists for outstanding artwork.

-- The Kansas Arts Commission newsletter, published quarterly since 1981, is now mailed to more than 7,500 Kansas citizens. This publication is a major tool in making artists and the arts more visible in Kansas.

Significant strides have been made over the past five years in providing incentive and matching funds for programs in the arts. Kansas must continue to move forward in the development and promotion of its talented citizens. I recommend funding of the Kansas Arts Commission Grants program at its current level of \$373,126 to assure an adequate level of state funds to match federal, local and private sponsor dollars.

KANSAS STATE HISTORICAL SOCIETY

Kansas is currently embarked upon a major drive to increase tourism within its borders. Surveys indicate that one of the main reasons visitors come to Kansas is its history. Historical sites and cultural activities connected to our historical events provide an educational and a recreational experience for Kansans and out-of-state visitors.

In an age of daily expanding space technology, we need to assure our citizens that the heritage and tradition of the ox-drawn wagon and the walking plow are not forgotten. The challenge to our pioneer ancestors in making a journey across Kansas in winter during the mid-1800's required as much courage and ability as modern space travel. We must assure that the relics that shaped our past are in the safekeeping of highly-trained professional staff and are housed in quality facilities where their message can be explored, explained and interpreted. The new museum and the support of the efforts of the Kansas State Historical Society exemplify the efforts and commitment of my administration toward preserving our heritage.

-- In 1979, I signed legislation that authorized a complete catalog of the collections of the State Historical Society's museum for the first time since the Society was founded in 1875. This project continued until 1983.

-- In 1981, I signed the Government Records Preservation Act which provided a state policy for records and government document preservation. This act also named the Kansas State Historical Society as the official state archive.

-- In 1983, I supported and signed legislation to acquire insurance on museum collections for the

first time. This action not only protects our own exhibits, but also facilitates acquisition of special exhibits from other museums and collectors.

-- The Kansas Museum of History, authorized by the 1980 Legislature, opened its initial exhibit in June, 1984. During the first year of operation, the new museum attracted almost 7,700 visitors. The current exhibit completion schedule calls for the opening of the final permanent exhibit in mid-1988.

The Kansas State Historical Society is nationally recognized as one of the leading state historical societies in the United States in terms of collections, facilities, programs, service and staff. To maintain our national reputation, I recommend funding for exhibit construction of \$550,000 in FY 1987. This level of funding is consistent with the museum's schedule and ability to complete its permanent exhibits by 1988.

During the past two years fees were charged visitors to the Fort Hays Frontier Historical Park and the John Brown Memorial Park on a trial basis. These sites experienced a 33 percent drop in attendance. Therefore, I recommend discontinuance of admission fees to historical sites.

STATE LIBRARY

The State Library serves not only as a primary resource center for state agencies and the various branches of government, but the library also provides a focal point in coordinating services for libraries throughout the state. I recommended and the 1985 Legislature approved \$600,000 for FY 1986 to initiate an Interlibrary Loan Development Plan that would allow reinforcement of collections of local libraries and provide greater access to more materials by library patrons.

For FY 1987, I recommend funding \$1,200,000 for the Interlibrary Loan program. Of this amount, \$600,000 will be financed through revenues raised by the one cent increase in the sales tax. Continuance of this essential program, partially funded through revenue generated by the proposed sales tax increase, will benefit all Kansans through an expanded statewide collection.

An appropriation of \$73,800 from federal funds is recommended for the Library Development Fund. Finally, I recommend an increase of seven percent for acquisitions for the Reference Services collection to offset increased book costs.

KANSAS PUBLIC BROADCASTING COMMISSION

It is important that we provide the cultural and educational resources of public television to all Kansans. Public radio and television have become a popular and effective means for stimulating the interest of Kansans in both classical and contemporary works in the arts and sciences. We must continue to support and encourage the operation of these networks as an important factor in the individual growth and development of Kansans.

For FY 1987, I recommend operating grants of \$131,000 for KTWU-Topeka; \$131,000 for KPTS-Wichita; \$131,000 for KCPT-Kansas City, Missouri and \$178,000 for KOOD-Bunker Hill. I also recommend \$37,500 as a state match for equipment replacement and \$50,000 for post-secondary television instruction courses.

PARKS AND RESOURCES AUTHORITY

Adequate recreational resources within our state are an important concern as both an essential component in the quality of life for Kansans and an attraction for visitors to our state. It is important to our overall development to provide quality outdoor recreational opportunities accessible to both these groups.

I recommend funding in FY 1987 to expedite the expansion of El Dorado State Park. I further recommend the transfer of \$525,000 in federal funds to the Kansas Department of Transportation as a 50/50 match to provide for the resurfacing of roads in selected parks.

KANSAS STATE FAIR

The highlight of the year for many Kansans is the Kansas State Fair. Through the seventy years of its existence, the State Fair has grown steadily and attracted a regional, as well as local audience. In 1985, the State Fair achieved national recognition through feature articles in such prestigious magazines as Smithsonian and National Geographic. During the coming year, the State Fair will be a spotlight event for the 125th Anniversary celebration.

While operating costs for the State Fair are funded by receipts from activities and events, special maintenance projects and capital improvements are funded primarily by the State General Fund. The continued improvement of facilities, especially the grandstand, are necessary if the State Fair is to become an outstanding national and regional attraction. I recommend capital improvement expenditures of \$150,000 for special maintenance of buildings and \$520,000 for renovation of the grandstand in FY 1987. These improvements are funded from revenues raised by the recommended sales tax increase.

KANSAS FISH AND GAME COMMISSION

The state's fish and wildlife resources provide another important component of the educational and recreational opportunities found in Kansas. The programs of development and conservation of these fragile natural resources have earned a national reputation for Kansas among sports enthusiasts and conservationists.

The availability of nearly 240,000 acres of public hunting grounds, 3,646,000 fishing days and 2,414,000 hunter days makes a significant contribution to the economy of our state. More significantly, the Fish and Game Commission is operated as a totally fee funded agency to provide these services without State General Fund monies.

For FY 1987, I recommend appropriations of federal funds for the expansion of the fisheries program. I also recommend funds for the completion of the Cheyenne Bottoms Study, initiated in

FY 1986, be appropriated from the Forestry, Fish and Game Commission Fee Fund. I further recommend the development of statewide stream access and reservoir facilities, renovation of the Farlington Fish Hatchery, repair of the Rocky Ford fishing area, repair of the dam and spillway at Lake Meade and fish cleaning stations at selected lakes.

The availability and quality of our cultural and recreational assets are essential to maintaining the health and vitality of our communities and a critical factor in attracting not only visitors, but new businesses to Kansas. These assets should not and cannot be neglected even in times of economic downturns and tight fiscal constraints. It is at these times that our awareness of their significance heightens and their value to our total well-being becomes more apparent.

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