

John William Carlin

MESSAGE OF GOVERNOR JOHN CARLIN TO THE KANSAS LEGISLATURE January 15, 1980

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

I come here this morning to offer you a challenge. As we begin the 1980's we embark into a decade that will be critical to the economic future of both this nation and the State of Kansas. The character and resolve of our governments to deal effectively with the problems of the eighties will be tested as never before--the pressing concerns of energy, health care, transportation, taxation, and inflation, to mention a few, must be addressed.

We must collectively have the discipline to overcome our individual and special interests in order to meet this very real threat to our economy and sovereignty.

How we react to the situation in the eighties, as individuals, as well as government, is the basic question. We can treat the problems confronting us as political questions and react to them accordingly, or we can assume the burden and responsibility of leadership.

I am committed fully to the approach of responsible leadership. I am convinced the best exercise of that course of responsible leadership is to anticipate the needs of the future and to often say no in the present in order to meet those needs.

When I stood before the people of Kansas at my inauguration last year, I pledged that my administration would seek to create an efficient and fair government that would reflect their will and needs. We have made major advancements toward the objective of efficient and fair government, but much remains to be accomplished. Programs that I bring to you today build upon my commitment and provide the means by which we can develop the kind of state government that the people of Kansas want and deserve, a government which will meet the challenge of the eighties.

Our challenge as individuals and as leaders is to put aside parochial concerns and the demands of special interests so that we may join together in meeting these needs.

It is against this backdrop that my administration has prepared and presents this budget for my second year as Governor. It carries forward my commitment to restrict the growth and spending of state government and yet it is responsive to the existing and future needs of our citizens.

RECOMMENDED BUDGET

The budget that I recommend continues the conservative approach to spending that was used in the budget that I submitted to the last Legislature. My objective was to hold the growth of state

expenditures below the rate of inflationary increase while still providing for the necessary costs of government that are being pushed upward by these same inflationary pressures.

The total recommended budget from all funds for fiscal year 1981 is \$2,517,794,944, an increase of 6.97 percent. This total includes a reserve of \$28.8 million for the adoption of a new pay plan which will be discussed later.

The total budget for the General Fund for fiscal year 1981 is \$1,225,417,699 including a reserve for the new pay plan of \$16.0 million. The budget represents a 7.95 percent increase. Without the reserve for the pay plan, the increase would be 6.54 percent.

At our urging and with your support, three major tax relief packages were passed by the 1979 Legislature. The first part of this package provided substantial property tax relief to Kansas homeowners and renters. The second part removed the sales tax on utility bills. The third part provided income tax relief by increasing the amount of the personal exemption for each individual's income tax from \$750 to \$1,000. We were able to afford over \$65 million in tax relief while still maintaining the 10 percent ending balance necessary to meet unanticipated fiscal responsibilities.

The budget for the General Fund is balanced leaving an approximate 10 percent ending balance at the end of fiscal year 1981. In these uncertain times, reducing the balance below this amount would be foolhardy and could make necessary future general tax increases. Such a gamble is unacceptable.

Last year I said that the face of federal spending patterns was going to change dramatically these next few years. I indicated that one reason we must guard our reserves in the State General Fund was to plan for any coming loss of federal funds. In almost every area of the budget, we are experiencing this reduction in growth of amounts of federal aid. In higher education, state operations of the Department of Education, Corrections, Mental Health and Retardation, and in many other areas, the General Fund budgets of agencies had to be increased to offset program costs financed from federal funds in the FY 1980 budget. The percentage increase in the General Fund would be substantially less without this factor.

The budget utilizes Federal Revenue Sharing Funds in the full amount of the present authorization by Congress. While there have been efforts in Congress to cut the appropriations for the federal fiscal year 1980, the budget anticipates that the state will receive its full entitlement. The budget does not anticipate receipts to the Federal Revenue Sharing Fund should Congress extend the authorization period. If it does, the 1981 Legislature will be able to make appropriations after the amounts and conditions are known.

The budget that I have submitted continues my practice of holding down the growth of state positions. In most areas, positions have been eliminated in order to provide positions for areas of increased workload. Only in those areas where reallocation of existing positions was impossible have new positions been included.

STATE SPENDING LID

The best form of tax relief is restraint on state spending and the best restraint on state spending is a Governor and a Legislature that are jointly committed to holding the line on excessive expenditures. Last year I recommended a workable and flexible spending lid that would be subject to review and revision by the Legislature each year after full debate on the state's fiscal position. The recommended lid would have involved the entire membership of each Legislature in deciding the fiscal course of the state. It would have provided adequate reserves of revenue to plan future budgets and to meet fiscal emergencies which might arise.

I recommend that this Legislature enact a state spending lid. The lid must be subject to yearly review and revision, it must assure adequate reserves, it must not automatically consider revenue over and above required reserves to be excess revenue earmarked for specific tax relief tax funds, and it must be understandable and easily applied.

STATE EMPLOYEES

1. New Classified Pay Plan

The current classified pay plan is an outgrowth of a pay plan installed in 1970. During the intervening years, the state has made some cost-of-living adjustments although most of these adjustments have resulted in larger increases at the lower pay ranges resulting in compression of the pay plan. During the period from 1970 to the present the average monthly salary earned by Kansas classified civil service employees has increased by 67.5 percent and the average Kansas manufacturing weekly earnings have increased by 108.9 percent.

Each year since 1977 a new pay plan has been studied and designed, but none of these plans has been recommended by the executive branch or adopted by the Legislature.

The 1979 Wage and Salary Survey (conducted in late September and early October of 1979) showed that, in general, classified civil service rates were low at three measuring points:

1. Hiring rates were low by 8.69 percent.
2. Average rates actually paid were low by 10.27 percent.
3. Maximum rates were low by 12.09 percent.

A new plan has been prepared. I have reserved \$28.8 million from all funds, including \$16.0 million from the State General Fund, to implement this plan.

The proposed new plan is a new design growing out of three years of pay plan studies. It is totally merit principle oriented. It includes half steps in every range so that different levels of performance may be rewarded differently. It includes small longevity bonus steps to reward tenure, but exceptional performance will always be rewarded more generously than tenure. Its basic structure is similar to the current pay plan in that there are 42 salary ranges numbered 3 through 44. All classes would be assigned to the same ranges as they are now. It requires manager and supervisor to set performance standards and appraise performance.

The adoption of the new pay plan will increase the state's classified payroll by eight percent over the amounts provided in the budget for the existing pay plan. The plan would be implemented with the first payroll period chargeable to FY 1981 with all current employees being placed on the plan. The anniversary pay review dates would be changed to the date of implementation. By doing so, the state will have a year to install a merit evaluation program. In addition, the plan has been designed to utilize the funds that would have gone for merit increases and that are budgeted in each agency.

The total cost of implementing the plan is estimated at \$39.6 million including 12.5 percent for the cost of fringe benefits. The plan would be funded from the eight percent reserve of \$28.8 million and the three percent built into agency budgets of \$10.8 million.

Virtually all employees will receive at least an eight percent increase upon implementation. The average increase will be eleven percent. Some will receive substantially more. These increases are not cost-of-living increases; they represent the cost of bringing employees on the new plan. However, with the rate of inflation running at over twelve percent, the increases are more than justified.

The new plan provides for shift differentials of 20 cents per hour for shifts other than the normal day shift to be applied after overtime calculations. Hazardous duty pay for some state jobs has been recognized as a classification factor and the jobs assigned to higher salary ranges because of the danger inherent them. A special study committee will be established to study other positions with hazardous duty differentials set at flat cents per hour rates to be paid for each hour spent performing dangerous work with the bonuses to be applied after all overtime calculations have been completed. Geographic differentials would be handled as they are now, by authorizing higher starting salaries for jobs in particular locations in response to local market conditions.

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No plan is perfect but the proposed plan with its higher new starting rates and merit increases should improve the state's ability to attract and hold well qualified employees. Once adopted, it will be important that adjustments in the future must reflect the rate of inflation and general labor market conditions. Future cost-of-living adjustments must be percentage increases if the structure of the new pay plan is to be maintained intact.

The adoption of a new pay plan is long overdue. A report showing the details of the plan and its implementation will be submitted to the Legislature.

2. Retirement and Fringe Benefits

The provision relating to the Group Insurance program of the Kansas Public Employees Retirement System should be amended so as to allow the program to conform with the federal government mandate contained in the Age Discrimination in Employment Act (ADEA).

Since Kansas amended the Retirement Act to eliminate mandatory retirement before age 70, it would appear more equitable to provide those working beyond age 65 with the group life and disability coverages that are provided for other employees. Therefore, I recommend that the Retirement Act be amended to extend the death and disability benefit coverages to those who remain in active employment after age 65 but not to exceed age 70.

In addition, I recommend that the present limit on the life insurance benefit of 65 percent of salary be eliminated so as to allow the Retirement Board the needed flexibility to pass on to the KPERS membership any favorable experience in the plan within the present statutory premium contribution rate. Both of these recommendations can be accomplished without an increase in the employer insurance contribution rate.

The recent declining school enrollments has caused a reexamination of the subject of early retirement. It is my belief at this time that the public interest would best be served by a modest decrease in the present reduction for KPERS early retirement from an average of .6 to .4 percent for each month of early retirement.

The cost of this change would be borne by the employer and would cost approximately four-tenths of one percent (.4 of 1%) of covered payroll. However, this change would not require a special appropriation at this time but rather would be incorporated into the annual valuation of the system and would be first reflected in the fiscal year 1982 employer contribution rate. I recommend that the Legislature consider this change in the Kansas Public Employees Retirement System.

The rapid rise of inflation has caused the income of those already retired to erode. Two years ago I supported a permanent benefit increase for retired public employees, however, the rate of inflation during the last year exceeded expectations. Therefore, I recommend that the Legislature appropriate a post-retirement adjustments.

3. Compensation of the Judicial Branch

The budget for the Judicial Department that I have submitted provides for salary increases for judges in accordance with K. S. A. 75-3120f to 75-3120i. I urge the Legislature to give consideration to further increased compensation for the judges of our state judicial system. The Citizen's Committee on Judicial Compensation has recommended salary increases. There is no doubt that a competent judiciary is a prerequisite for justice and that the level of judicial compensation affects the willingness of qualified persons to serve as judges.

While the implementation of the recommended new pay plan for classified employees differs from a cost-of-living adjustment, the Legislature should examine the classification and pay plan for nonjudicial personnel, which became effective July 1, 1979, and determine if a cost-of-living adjustment should be made.

HEALTH

Generally speaking, Kansas is a healthy place to live. This condition is attributable to our clean environment, quality health facilities, and competent health care providers. Yet there are several problems that need to be addressed if we are to improve the availability and the quality of health care in Kansas. As I stated in my 1980 Policy Statements, "We, as government officials must do all we can to assure Kansans of quality health care at a reasonable cost." I would like to highlight my legislative recommendations designed to achieve that goal.

According to the State Health Plan recently published by the Statewide Health Coordinating Council, medical care costs are increasing dramatically in Kansas. And, like the rest of the country, Kansans are devoting an every-increasing share of their resources to medical care.

Rising hospital costs represent the most evident and substantial portion of the overall increase in health care spending in Kansas. The Statewide Health Coordinating Council points out that approximately half of the increase in total personal health care expenditures between 1966 and 1976 can be attributed to increased spending for hospital care. Per capita hospital expenditures nearly quadrupled during these ten years. Hospitals continue to absorb the largest share of spending for health purposes, totaling \$588 million for Kansans in 1978.

According to a recent study by the Department of Health and Environment, in 1978 an average of \$688 was spent for health services by each and every Kansan. Of the \$688 average per capita expenditure:

- \$220, or 32 percent, is paid directly by the consumer.
- \$213, or 31 percent, is paid for health insurance.
- \$179, or 26 percent, is paid through federal channels; it comes from individual taxes or corporate taxes which then result in higher prices.
- \$76, or the remaining 11 percent, is paid by state and local funds raised, again, by taxing either individuals or corporations.

Combating rising health care costs is not a simple task. The interaction of numerous factors precludes a simple solution. However to be effective, any proposal must address all the participants--the physicians, the hospitals, the insurance companies and the consumer. If we are willing to instill competition among the providers, if we are willing to provide insurance policies which encourage economy, if we are willing to reduce overutilization of services, and if we are willing to take measures to prevent illness, then we can begin to hold the line on rising health care costs.

During the past year, this administration has made significant advances in addressing the causes of rising health care costs. One such effort, designed to instill cost-based competition in the health care marketplace is the development of prepaid medical services or what is commonly referred to as a Health Maintenance Organization. Such prepaid group practices offer a great

potential for market price competition with the traditional fee-for-service medical care system. Prepaid group practice is an effective way to provide comprehensive health services. I have supported the development of prepaid group practices in this state and am pleased to report that one such program is now licensed to operate in the Kansas City area. Many Kansas citizens are participating in that program, and planning efforts are underway in Topeka, Newton and Wichita for the development of Health Maintenance Organizations in those communities.

Following the recommendation that I, and others, made earlier this year, the State Committee on Surety Bonds and Insurance agreed to make prepaid group benefits available as an alternative to conventional insurance for state employees. I continue to support the development of prepaid group practices in Kansas and will encourage state employees to join such programs when they become operational in their home communities.

In an effort to reduce the utilization of institutional care, home health agencies were established. These agencies provide health related services to Kansans in their home, thus preventing unnecessary utilization of costly institutional services. Various studies have estimated that 25 percent of the nursing home population do not require that level of care. This is an unacceptable waste of productive lives and taxpayers' dollars.

In 1977, only 42 counties had such services available and, for the most part, those were the more populated counties in the eastern part of the state. The availability of home health services on a statewide basis must be a priority in Kansas. The interest and cooperation of county governments is indicative of the need for the development of such services.

A good deal of progress has been made in achieving this objective. During the last two years, the state has been assisting county health departments in developing home health services. As of this date, there are 66 counties which have home health care services available. I intend to continue to support and to accelerate the expansion of new home health agencies throughout the state. With increased state assistance during the next five years, such services should be available to all counties in Kansas.

With the costs of health care rapidly rising, the adage "an ounce of prevention is worth a pound of cure" becomes even more salient. We must support programs which stress prevention of illness. We encourage Kansans to join in a cooperative effort to maintain and improve their fitness and health thereby decreasing the demand on physicians and hospitals for illness treatment.

Last year, I proposed legislation requiring a child health assessment for all children first entering a Kansas school. That proposal, S. B. 444, was passed by the Senate and studied during the interim by the Special committee on Public Health and Welfare. Their study uncovered some problems with the proposal, which I have taken into account. I again propose that a child health assessment be required for all first-time entrants to Kansas schools. However, I have included appropriate safeguards to insure that aid is provided to those ineligible for medical assistance, yet still in need. The results of the assessment would be confidential and limited to parents and school health personnel, and the assessment requirement would be waived when parents object to it on religious grounds.

Testimony presented to the Special Committee on Public Health and Welfare indicated that with the exception of emergency services, a significant percent of all children have not been seen by a physician between infancy and school entrance.

Collateral to the child health assessment program is the early and periodic screening, diagnosis and treatment program for medically needy children. This service has been provided by the Department of Social and Rehabilitation Services for several years, yet support for the program has been woefully inadequate. The positive long-term results of such a program for our young Kansas citizens are indisputable. The program, however, is not reaching all the children who need the service, and I am, therefore, proposing a greater emphasis on this important effort. I feel we need to significantly increase the number of children screened and treated in this program during the next fiscal year.

I have directed the Secretary of Social and Rehabilitation Services to collaborate with the Secretary of Health and Environment in developing a plan that will accomplish this objective. This program expansion will require the participation of more Kansas physicians and local public health departments, as well as a high level of cooperation from public schools. I am convinced that the early detection and treatment of medical problems of our young people will pay large dividends in terms of improving their performance in school, their general outlook, and their ability to achieve self-reliance in adult life.

With preventive care in mind, I propose state funding for the Home Visitor Programs and expanded funding for the Material and Infant Care Projects. The special mission of both projects is the prevention of child abuse and neglect through home visits to all new parents. The training provided by these "visitors" emphasizes parenting skills, education and referral to preventive health resources such as nutrition, immunization and well-child programs existing in local health departments. The achievements of these programs have included a reduced number of confirmed child abuse reports, an increase in referrals to the family planning programs, improved follow-through on immunizations and an increased enrollment in the WIC Nutrition Program for high-risk families.

Since 1975, the Kansas Department of Health and Environment has operated a Maternal and Infant Care Project. This demonstration project has provided comprehensive health and medical services for high-risk mothers and their infants, with special emphasis on teenage mothers, in Shawnee, Sedgwick, Johnson, Wyandotte, Geary and Saline Counties. These projects have demonstrated improved pregnancy outcomes and healthier infants. As I previously stated, my budget proposal will include funds for the expansion of this program in several of these high-risk counties.

In the course of promoting preventive health care efforts, this administration has established the Governor's Council on Fitness and "Project PLUS." These programs are designed to educate citizens about mental and physical fitness. Also, we have organized a series of Governor's Conferences on Health Education to help educators instruct public school students across the state about the value of preventive health practices.

These programs demonstrate my serious commitment to promoting the health and well-being of all the citizens of this state. However, these programs, while an integral part of the solution to controlling rising health care costs, are no panacea.

The Statewide Health Coordinating Council has thoroughly studied the problem of rising health care costs and has developed some practical recommendations which I endorse. The Council states: "It is clear that buyers and sellers of hospital services, as well as government, each have a direct stake in determining the rates for hospital services and must be effectively involved in any rate setting process. One method of achieving this involvement is to establish rates as the product of negotiations between buyers and sellers, with those negotiations being conducted under the supervision of state government."

There are several acceptable ways to develop a satisfactory rate regulation program in our state. I am proposing the establishment of an independent rate regulatory commission which will have authority to set rates for all Kansas hospitals on a prospectively negotiated basis. These rates would be based upon actual hospitals budgets which would be prepared according to specific financial reporting guidelines set forth by the commission.

I make this recommendation fully aware of efforts now underway by Kansas Blue Cross and Blue Shield to establish a voluntary rate regulation system in this state. I applaud the efforts and progress made by the Blue Cross program, but I also am aware of obstacles which preclude that program from effectively applying to all hospitals in the state.

This concept has been endorsed by the National Association of Insurance Commissioners, the National Governors' Association, and the Midwestern Governors' Conference.

Since the days of inexpensive health care have long passed, we must adjust our lifestyles accordingly. As in the area of energy, we must not overindulge. And in the area of health insurance, we must accept new types of coverage which are responsive to today's needs--coverage which encourages economy but which also prevents one's life savings from being decimated by the rising cost of medical care.

The availability of comprehensive "first-dollar" insurance benefits have made a significant contribution to the increase in health care costs. In too many instances, Kansans are being admitted to institutions for costly in-patient care in order to obtain insurance coverage for minor procedures which can be more economically performed in a nonhospital setting. Because "first-dollar" insurance coverage provides reimbursement for virtually all of the expenses associated with coverage provides reimbursement for virtually all of the expenses associated with hospitalization, physicians are inclined to use hospitals, at times unnecessarily.

Therefore, I propose legislation which will require insurance companies to offer comprehensive insurance plans which include deductibles. This proposed legislation will not restrict the availability of "first-dollar" coverage to Kansans but will highlight the actual costs associated with such benefits. "First-dollar" coverage could still be sold but only as a separately priced rider. I am convinced that once Kansans become aware of the true cost of inappropriate use of hospital services for minor procedures, they will voluntarily reduce their demand for such costly

care. This legislation is designed to produce the information necessary for consumers to make informed decisions. It will in no way deny them the level of insurance coverage they desire.

I also propose legislation that will prescribe minimum standards for the insurance coverage which can be purchased by employers as a benefit for employees. At a minimum, the insurance coverage will include diagnostic, curative and rehabilitation health services, and provide improved financial access to needed health care services by providing protection against large and unpredictable health care expenses. The plan, however, will include provisions for separate coverage for "first-dollar" benefits in order to discourage unnecessary utilization. While a large number of our citizens now have some sort of private health insurance coverage, some of the coverage does not give protection against the heavy financial burden of catastrophic illness.

And finally, I propose legislation that will require all employers above a certain size to make broad comprehensive health insurance available to their employees and their families desiring such coverage regardless of the employees' health condition. This proposal will not require employers to pay for all or even a portion of the insurance even though most Kansas employers are already doing so.

This legislation will also authorize the creation of a nonprofit legal entity known as the State Comprehensive Health Insurance Association. The legislation will require participation in this association by all health insurance companies authorized to write accident and health insurance in the State of Kansas. The new organization will be authorized to sell policies directly or to provide reinsurance through independent companies selling such services to Kansas consumers. The association will pool the risk associated with the marketing of comprehensive health insurance plans to individuals who are not considered eligible for coverage by individual companies. This is not a new concept to the insurance industry. In fact, Kansas already requires such procedures of automobile and workers' compensation insurance carriers. It is time to extend this concept to the area which could, in and of itself, destroy a family's financial security.

ENERGY

The 1980's will be a crucial decade - probably the crucial decade - in determining the energy and economic future of both the nation and the State of Kansas. Our national character will be tested, perhaps as never before, to determine if we have the discipline to overcome individual and special interests in order to meet a very real and profound challenge to our national economy and sovereignty.

The 1980's have dawned with the United States once again bracing for a huge price shock from OPEC. It is a vivid and appropriate reminder of the costs of our dependency and the perils of our complacency. As a nation, we have made little progress in the six years following the rude awakening of the OPEC embargo. Nearly every step we have taken forward has been followed by a relapse in our will. Yet with every month and year that passes, the stakes get higher and the odds against us greater.

We must get serious about energy problems. We must commit ourselves to a cooperative effort to find real solutions instead of taking the path of least resistance - a path which often leads to

ineffective tokens of action instead of real answers. If we cannot work together on these problems, if we insist on appeasing every special interest, we will see the strength of our economy dwindle, our standard of living decline, and our trade efforts fail to keep pace with our imports. This is far too high a price to pay for a continuation of wastefulness and energy gluttony. Given the stakes involved, there should be no question about the seriousness of our intent to achieve energy self-sufficiency and end our dependence on foreign oil.

As we discovered in the past six years, the task before us is not easy. We must guide a transition to diversification of our energy supply - but not by jeopardizing the safety of our people or the quality of our environment. We must pursue the promise of conservation and renewable energy sources - but not by raising false expectations. We must accept energy prices which reflect the true value of our resources - but not permit rapacious exploitation. The point of balance in energy policy is elusive, but it is clear that we must not only try, we must succeed in finding it.

We have made major strides in the first year of my administration toward these goals. This administration was successful in securing legislative approval this past session of two major legislative items dealing with the siting of electric generation facilities and the pricing of natural gas. The natural gas pricing bill will save Kansans \$128 million over the next several years. The siting bill will give the Kansas Corporation Commission the authority to determine whether there is a need for a utility to construct new generation facilities. Since the cost of constructing, operating and maintaining generating facilities accounts for 70 percent of utility bills today, there is a potential for significant savings for Kansas consumers if overbuilding of these facilities is avoided.

We were also successful last year in repealing the sales tax on residential utility bills. This effort, in conjunction with the formulation of a differential rate structure by the Kansas Corporation Commission and lower fuel costs incurred by one of the state's major utilities, resulted in 230,000 Kansas consumers paying, on the average, 15 percent less for their electricity in October, 1979, than they did in October, 1978.

New rules and regulations concerning the billing practices of utilities which were promulgated last summer by the Kansas Corporation Commission have created a uniform period for payment of bills, limited late payment charges, and, most importantly, restricted the circumstance under which a utility can cut off a customer's service. With the change in the Commission's policy, the utility will be required to work out a reasonable payment plan with the consumer, rather than unilaterally cutting off service. These policies will be especially important for those Kansans on fixed incomes faced with winter bills which exceed their ability to pay--people who sacrifice necessities to avoid the embarrassment of having their gas or electricity shut off.

We have also recently developed a plan for distributing approximately \$10 million in federal funds to assist nearly 60,000 Kansas families in paying their utility bills this winter. The program will be implemented in such a way that no additional administrative costs will be incurred by the state. The distribution program is designed to be responsive to the needs of those qualifying Kansas families that will be hardest hit by increasing utility bills.

To insure that state government's energy policy is well coordinated and effective, we have made substantive changes in the Kansas Energy Office and the Kansas Corporation Commission. The Kansas Corporation Commission has, for the first time, developed the investigative and analytical capability to make well informed, objective decisions about rate cases and other utility related issues. Likewise, the Energy Office has been expanded and has become a credible and viable agency which finally has the capability to develop an effective state energy program. Also, for the first time, these two agencies are coordinating their efforts, so that the state develops a harmonious energy policy.

We have made significant progress but have much more to do before we have a balanced and effective energy policy. To a large extent, energy is a national problem and we must have national leadership from both the President and the Congress. We cannot, however, depend on the federal government to recognize the uniqueness of Kansas' needs and resources. Recent Department of Energy fuel consumption guidelines for our state vividly illustrated this point. Neither can we abdicate our own responsibilities for leadership in the energy field.

My energy proposals for 1980 build on the initiatives of last year and move us forward in the direction we must take: developing a strong energy conservation effort, diversifying the mix of fuels on which we rely, expanding our use of renewable resources, responding to the financial hardships imposed on our citizens with low or fixed incomes, and protecting the health and safety of Kansas citizens as we meet our energy requirements.

The state must set the example in energy conservation if it is to ask its citizens to "tighten their belts." On July 16, 1979, I issued an executive order which, in addition to implementing federal building temperature standards, instructed all state agencies to develop and implement energy conservation measures which:

1. Reduce hours of building operations.
2. Eliminate non-essential lighting.
3. Increase efforts to maintain state vehicles and mechanical systems at their peak efficiency.
4. Promote inter-agency and intra-agency coordination to increase pooling of state cars for job related trips.
5. Encourage car pooling for those who drive to work with provisions of preferential parking rates and locations where possible.

I also directed the Highway Patrol to intensify its enforcement of the 55 m.p.h. speed limit. In my budget this year, I recommend the addition of 15 highway patrolmen to assist in enforcement of the 55 m.p.h. speed limit. In developing a more effective conservation program, it is essential that we develop a means of promoting conservation where disincentives traditionally exist. These disincentives are predominant in the rental housing area. In the rental marketplace, the owner either pays the utility bills and increases the rent or the renter pays the bills directly. Either way there is little incentive for the owner to make essential energy conservation improvements.

Therefore, I recommend legislation that would require all rental housing in the state to meet certain energy efficiency standards prior to sale. The act would only apply to rental units sold five years from the effective date of the act giving sellers ample time to comply. Additionally, only cost effective energy conservation measures would be required. Currently the Kansas Corporation Commission has the authority to require such energy conservation measures for new buildings. In essence this is merely an expansion to existing rental properties. It is estimated that over the life of the installed energy conservation measures, the public will save \$4.48 in energy costs for each dollar invested.

This initiative will not require any new excessive state bureaucracy. The entire energy auditing, installing, financing and inspecting process is already mandated by federal law and is scheduled to be in full operation by the mid 1980's. It is a strong action, but one which is necessary.

Escalating energy costs frequently pose an increasing problem for units of local government. Unlike private business, energy costs are not a deductible operating expense, nor can units of government take advantage in any way of tax incentives for conservation and renewable energy development. I therefore recommend that we provide local governments the flexibility to finance energy conservation and renewable energy development, provided that such measures have a payback of not more than 15 years at current energy prices and that local governments not reduce their current level of funding for energy conservation programs. The money saved from reduced energy costs will lead to long-term tax savings. This measure will also help to return some measure of autonomy to local units of government seeking to address their own energy problems.

State government procurement practices were originally designed to insure lowest first costs. Under such a system, the energy cost of operating such items as vehicles, air conditioners and electric motors has been difficult if not impossible to consider during the procurement process. I am therefore proposing a modification to existing procurement statutes which would allow the Director of Purchases to utilize life cycle cost analyses and escalating energy costs in the procurement of energy consuming items.

Additionally, an increasing number of private employers are initiating van pooling programs for their employees as a method of conserving gasoline. State government as a major employer in Kansas should be a leader in promoting energy conservation among its employees. I therefore recommend legislation which would allow the state government to implement a program of van pooling for its employees. Under this proposal, employees will receive no subsidy and will pay the full cost of the service provided.

It is also essential that we develop programs which will assist private businesses and individuals in switching to alternate and renewable sources of energy. The following proposals in my budget and legislative package will lay a firm foundation for this important change.

Several years ago, Kansas took the lead in initiating tax incentive programs for the use of solar energy. Unfortunately, to date these incentives have not been significantly effective, not so much because of the available technology, but because of the structure of the incentive program. I

therefore recommend a significant revision of the existing residential solar energy tax incentive, including establishing eligibility for passive residential concepts.

Another initiative which I believe will help promote a more expeditious move to use of solar energy is the addition of a state funded solar specialist to the Kansas Energy Office staff. This position will expand and intensify our efforts to provide individuals and small businesses that are interested in solar energy with information and cost/benefit analyses.

Although we must generally expect energy prices to increase in the future, I today reaffirm my pledge to do all I can to eliminate unnecessary increases in energy costs. The successes we achieved last year not lead to complacency. I recommend legislation which would eliminate the automatic fuel adjustment clause. I am increasingly convinced that this provision, originally established for administrative convenience, has substantially removed the utility company's incentive to bargain diligently for the purchase of essential generating fuels.

As we strive to contain energy costs. We must realize that even if all the unnecessary increases were eliminated, energy would still be unaffordable for many low income families. While federal programs will make available interim relief for many Kansans, reducing energy costs through conservation is the only logical long-term approach to this problem. I call for renewed emphasis on the low income home weatherization program. Recognizing the magnitude of this problem, I have assigned as a goal weatherization of all eligible dwellings within ten years.

Insuring adequate, but not excessive, electrical generation capacity for our needs remains a major concern of my administration. In an effort to prevent the construction of unnecessary generating facilities which would impact substantially on electricity costs, I have requested the Kansas Corporation Commission to conduct a thorough investigation of the feasibility and impact of a statewide interconnection system. Such a system would link utilities throughout the state so that available plants are utilized most efficiently. In addition, I ask the legislature to authorize the Kansas Corporation Commission to develop a statewide interconnection plan which utilities would be required to comply with prior to constructing new generating facilities.

Finally, it is important that the health and safety of Kansas' citizens are protected as we seek to meet our energy requirements. Kansas will soon be joining the nuclear community. Recognizing that a major contributor to the accident at Three Mile Island was inadequate personnel training, I recommend that the Kansas Corporation Commission be given authority to establish minimum criteria for the selection, training and continuing education of individuals associated with the operation of nuclear power plants.

With the addition of these programs and legislative initiatives to the strong foundation we have built over the past year, we will have an innovative but sound approach to meeting the energy needs of Kansas in the coming decade.

AGING

In addressing the needs of older Kansans, we recognize that older citizens have contributed much to improve the quality of our lives and communities. Accordingly, we must expand our commitment to fulfill the needs of the elderly both at the state and local level.

In fulfilling these needs, we must appreciate the nearly universal premise that older people desire to remain in active participants in their communities. Accordingly, our objectives must then be to encourage and assist older citizens to remain in their homes and communities. It is this premise that underlies many of my recommendations today.

Addressing the older person's need for proper nutrition is a top priority of this administration. Older persons on fixed incomes often spend a disproportionate amount of their income on food. Further, appetite and the motivation to prepare and serve nutritious meals often decreases with the onset of loneliness. These factors underline the need for the expansion of the nutrition programs. Last legislative session state funds were used for the first time to supplement this program. This year I again recommend an expansion in the funding for the congregate and home delivered meal programs which encourage older citizens to come together for food and social activities. I also recommend a continuation of the support services provided by the nutrition programs.

The homemaker chore program provides a service which assists many older people in maintaining their independence. There are older people on waiting lists in need of homemaker chore services who without these services, may have to enter long-term care facilities. During the last fiscal year these services were provided to 8,970 persons. It is estimated that 22 percent of these people would be in institutions if it were not for the help of the homemaker program. With the cost of nursing placement averaging \$7,296 a year, the homemaker program prevented unnecessary institutionalization and saved the state nearly \$14 million in institutional care costs. Therefore, I recommend an expansion of the homemaker chore program.

Home health services also enhance the ability of the elderly to remain in the mainstream of society. Older people have non-acute health needs which home health services can meet. I recommend that funds be made available for the establishment of additional home health agencies. Also, I have instructed the Departments on Aging, Health and Environment, and Social and Rehabilitation Services to coordinate their efforts in providing both home health and homemaker services to the elderly.

Transportation must be available if older Kansans are to maintain their independence. Transportation provides that vital linkage between the home and the store, doctor, friends and church. It is imperative that efficient transportation systems be provided for the elderly particularly in rural areas. Therefore, I direct the Department of Transportation to develop and implement a comprehensive transportation plan for the elderly.

In families with both spouses working, no one remains home to care for the elder family members. Thus, I recommend that for the first time the state provide start-up grants for adult day care centers. With the addition of adult day care facilities to the continuum of care we provide, more older people will remain contributing members of their families and communities.

Institutional care remains a necessary part of the continuum of care for those who cannot remain in their homes.

In the recent months the state has made a number of changes designed to improve the quality of care our elderly receive in nursing homes. These changes include:

1. The coordination and synchronization of decertification and delicensure procedures;
2. Increased and intensified training of our nursing home inspectors;
3. Implementation of a more responsive and coordinated system of responding to nursing home complaints; and
4. Increased coordination of licensure and certification inspections.

These changes have not been enough. Therefore, I recommend that the Nursing Home Ombudsman be assured access to nursing homes to assist in the handling of complaints. Funds should be made available to provide additional staff for the Ombudsman program. In partnership with older Kansans, families and community agencies, the Ombudsman program will be able to improve the quality of life and promote the individual rights of residents in nursing homes.

I also recommend changes in the nursing home fining and licensing statutes. These changes eliminate the cumbersome and restrictive provisions of the current law. Additionally, I recommend legislation eliminating provisional licenses and specifically authorizing the Secretary of Health and Environment to prohibit admissions to homes with life threatening deficiencies.

Local communities also have an obligation to insure that quality care is provided to our elderly citizens in nursing homes. Last year provisions were made to allocate state funds to county health departments for additional nursing home visits. I recommend the expansion of this program.

And finally, in order to improve the overall access of older Kansans to a variety of services, I recommend that the Kansas Department on Aging install a toll free "hot line." This hot line would be used to respond to requests for information as well as to assist the Department in fulfilling its role as an advocate for the needs of our elderly.

We must continue to work with older Kansans to develop programs which enable them to remain in their homes and lead productive and independent lives. At the same time, we must not neglect the need of our elderly in nursing homes. In essence, our older citizens deserve the most promising future that we can provide regardless of their living arrangement.

YOUTH

Last February I sent a Special Message on Children and Youth to the legislature. In that message I subscribed to the philosophy embodied in the United Nation's Declaration of the Rights of

Children, "Mankind owes the child the best it has to give." While the International Year of the Child has come and gone, the spirit of its declaration must survive.

Our children are our most precious resource. They are the future of our state and proper investments in their well-being will pay for themselves again and again. Thus we must insure that the most important needs of our children are met. This administration is committed to maintaining a strong level of support for programs which preserve the family unit and insure that the needs of our children are met.

There were a number of significant statutory changes made in the last session of the legislature that were geared to the more precise defining of the roles of the court, education and Department of Social and Rehabilitation Services in working with children. We have a good momentum underway in relation to providing services to children. We need to maintain that momentum.

Therefore, I propose that the existing advisory committee on children and youth attached to the Department of Social and Rehabilitation Services be reconstituted. It should be composed of the top level persons from agencies which work with children and youth, legislators and interested citizens. The committee should be responsible for critiquing existing programs, serving as a resource and advocating for the needs of children of this state.

I also recommend that we establish a Kansas Family and Children's Trust Fund to be administered by the Department of Social and Rehabilitation Services with the advise of the Advisory Committee on Children and Youth. The purpose of this program is to provide educational and service programs for the prevention of family and children's problems such as child abuse and neglect, mental illness, substance abuse, etc. The programs supported by this trust fund shall be financed from funds collected through increasing the marriage license fee to \$10.

Not only must we commit the necessary resources to prevent social and behavioral disorders within the family, but we must also commit our funds and efforts for the early detection and prevention of health disorders of our children.

The need for us to increase our efforts to detect health problems of our children at an early age was vividly illustrated in testimony before the Special Committee on Public Health and Welfare last interim. Testimony revealed that, other than for emergency services, half of our children have not been seen by a physician between infancy and the time they enter school. With the goal of detecting the health problems of our children at an early age, I again ask the legislature to require health assessments for all children entering school for the first time.

The Early and Periodic Screening Diagnosis and Treatment Program for medically needy children is collateral and complimentary to the Child Health Assessment Program. EPSDT services have been provided by the Department of Social and Rehabilitation Services for several years, but it has failed to receive the attention it merits. Therefore, I recommend in the SRS budget, the resources necessary to increase the screening of our children.

Consistent with this administration's goal to promote the early detection of health problems is the expansion of the Home Visitor Program and the Maternal and Infant Care Projects. Generally, these programs assist high risk families with the special needs which accompany pregnancy and child birth. They help insure the well-being of the child in so far as health and nutrition are concerned. I recommend additional state funds be appropriated for the expansion of these worthwhile programs.

While the activities of the Governor's Task Force on the Problems of Youth have concluded, my Special Message on Children and Youth has been delivered, and the International Year of the Child is behind us, we cannot rest on our laurels. It is now up to us to build upon the foundation that these events provided and to maintain the high level of awareness and concern for our children and their well-being.

TAXATION

Since I became an elected state official ten years ago, tax relief has always been a major priority. From the property tax lid to the homestead property tax refund program to the removal of sales tax on prescription drugs to the income tax reform, I have consistently supported tax reform programs designed to make the Kansas tax structure more equitable.

Since taxation, in one form or another, is a necessary tool to finance the operations of government at all levels, our tasks become those of insuring that we do not over tax and that we tax equitably. During my first year as Governor, I reaffirmed my commitment to avoid overtaxation and to promote tax equity.

Three major tax relief programs were adopted last legislative session. First, we provided over \$20 million of property tax relief to Kansas homeowners and renters. Second, we eliminated the state sales tax charge to utility customers thereby providing \$22.5 million in sales tax relief. And third, we provided \$23 million in income tax relief by increasing the amount of the personal exemption from \$750 to \$1,000.

Generally, the largest and most inequitable tax paid by Kansans is the tax on property. Last session the legislature attempted to start the reappraisal process for real property. While the action is to be commended as necessary to cure many of the present inequities in our property tax structure, the legislature's approach would have created a larger problem than it remedied. Studies indicate that to do nothing but reappraise would result in a drastic shift of property taxes from state assessed utilities and personal property to homeowners and farmers. In essence, such reappraisal would mean that farmers and homeowners would be subsidizing the owners of state assessed utilities and personal property to the extent of over \$200 million. As your Governor, I will not allow this.

I will support the equalization of real property through reappraisal only if we first protect the homeowners and farmers from the property tax shifts which would occur. A few years ago, we passed a constitutional amendment to protect farmland from property tax increases resulting from land speculation. By combining use value with classification for residential property, we can protect the farmer and the homeowner. With the objective of providing such protection, I

again call upon the legislature to give the people of this state the right to vote to classify their home in a way which will insulate them from the adverse effects of reappraisal.

Recent legal developments place the state in danger of losing the flexibility to respond in a manner that will protect the Kansas homeowner. If the legislature again this year fails to adopt such a proposal, they are placing a basic fundamental policy decision squarely in the hands of the courts.

While the constitutional amendment will protect the homeowner from the drastic property shift, there still remains a need to limit the growth in property taxes. Therefore, I again recommend that the legislature adopt a uniformly applicable property tax lid. The tax lid in the past has proven to be effective in holding the line on property tax increases but parochial legislative actions over the past years have diminished its effectiveness. The taxpayers deserve this protection.

As with real property, equity dictates that personal property be fairly assessed to represent its true value. Over the past years the valuation of farm machinery has been inflated due to its high replacement costs.

To alleviate this situation for 1980, I signed into law a bill which would decrease the assessed values of farm machinery statewide by 20 percent. I announced at the time I signed the bill that next year's farm machinery assessments would be adjusted to reflect its value. The Department of Revenue, with the help of many farm organizations has devised a new assessment manual which better so reflects the value of the farm machinery.

In addition to insuring that we do not overtax and that we have an equitable tax system, we must also use our tax structure to assist financially needy portions of our Kansas community. In so doing we are not saying that the tax is by its nature overly burdensome nor are we saying that it is an unfair tax. We are saying that for a limited time we are going to provide a special tax break to assist a troubled segment of our population.

We are all aware of the problems that have been encountered by Kansas agri-business. These problems are annually compounded by the frustrating experience of finding that after the grain has been planted, grown and harvested there are inadequate storage and transportation facilities to move the products to market. During my term as Speaker of the House, the legislature addressed this problem by encouraging the acquisition and construction of on-farm storage and drying equipment. This encouragement came in the form of a property tax exemption.

The lack of commercial storage facilities and transportation has not diminished; it has in fact been intensified both by bumper crops and by problems existing within the railroad industry during the most recent harvest. I believe that this property tax exemption provided impetus for acquisition and construction of many of the needed farm storage facilities; but it is obvious that more such facilities are needed. Therefore, I recommend that the eligibility period for this exemption be extended through the years of 1980, 1981 and 1982.

I again renew my pledge to make the Kansas tax system more equitable and to avoid taxing beyond our needs. In addition to the above, my plan to accomplish this, as I have said time and time again, is to restrain state spending and the best restraint on state spending is a governor and a legislature that are jointly committed to holding the line on state spending.

EDUCATION

A diverse and comprehensive educational system is essential to the cultural, intellectual and economic well-being of this state. We must continue to provide Kansans with a choice of educational opportunities. Support of this freedom to choose an educational institution must not foster the duplication of services and the corresponding waste of tax dollars. Such an educational network is necessarily expensive. However, the maintenance of such an educational network is a necessity and should be considered an investment in the future of Kansas.

Currently our educational network accounts for more than half of the state general fund expenditures. We must continue this commitment, but we must also recognize that the changing educational needs which face Kansas in the 1980's may necessitate a shift in the traditional funding patterns.

The funding and leadership of elementary and secondary education in Kansas is an area in which elected state and local officials actively cooperate in providing for the delivery of educational services. However, at times parochial concerns on the local level prohibit an effective solution to problems with statewide implications, forcing the state to take a more active role in the operation of schools.

Currently, we are faced with the problems of decreasing enrollments for most of our school districts. The decreased enrollments affect the funding of our schools and require adjustments in the calculation of state support. At the same time, costs for operating schools have increased as a result of inflation, more equitable salaries for teachers, and the implementation of additional programs such as special education. As operating costs increase so do the local property taxes. With that in mind it is time school boards, educators, patrons and administrators all seriously consider and support proposals which allow for the most efficient operation of our schools.

I am committed to maintaining the traditionally high quality of education our children enjoy, yet, I cannot ignore the concerns of the property taxpayer. For this reason, in my first year of administration, additional state aid was provided to local school districts resulting in direct property tax relief to local taxpayers. During 1979, the Legislature passed and I signed into law, school finance legislation that has resulted in a statewide decrease in property taxes levied for general operating costs. This marks the first time since 1973 that property taxes for schools have actually decreased over a prior year. In addition, the statewide average mill rate for general operation of schools was less in 1979 than in 1972 by 1.65 mills.

I am committed to maintaining our current level of state funding for local education in order to provide high quality education yet not unduly burden the property taxpayer. Therefore, I recommend that the legislature approve budget limitations of 108-118 percent for school districts. Furthermore, I recommend that the legislature appropriate at least \$30 million in state

aid over last year's appropriation. This amount fulfills my commitment to maintain our current level of state funding and lessens the statewide average property tax mill rate increase to just under five mills.

It is well recognized that the future behavior of our children is significantly determined during the child's elementary and secondary school years. In an effort to improve the effectiveness of our education system and to enhance the child's chances for a brighter future, the legislature approved a pilot program to assess the competency of our school children. We are entering the second year of the program, and I recommend that the pilot program be completed. While the composite result of these tests will not be available until the summer of 1980, this test should be a good measure of the achievement of the child and of the accountability of the school system.

I believe that we can further improve the effectiveness of our educational system and enhance the future of our children by implementing a program requiring health assessments to children entering school for the first time.

In an effort to promote the orderly and efficient operations of our schools, I recommend changes in the Professional Negotiations Act and in the KPERS law as it relates to teachers.

When I was Speaker of the House, the Professional Negotiations Act was passed establishing a formal procedure to expedite negotiations between teachers and school boards. Since that time the intent of this act has been frustrated repeatedly. Therefore, I request that the legislature carefully review this act and make changes to assure that all parties negotiate in good faith.

I recommend that consideration be given to including supplementary contracts as part of the negotiations process as well as transferring the unit determination and declaration of impasse from the district courts to the Secretary of Human Resources. Additionally, in light of a recent Supreme Court decision which severely restricted the benefits which are negotiable, I urge the legislature to expand the options, at least to the extent that they existed prior to the court decision. It is duty of the legislature and the court not to determine state policy.

Declining enrollments and special education mandates have made it difficult for school district to adjust their teaching staff accordingly. Therefore I recommend that the Kansas Public Employees Retirement System law for school teachers be amended to permit local school boards to offer early retirement with full benefits. This change would permit a teacher who wishes to retire at age 60 to do so with no reduction in benefits. School boards would be granted the authority to pay KPERS the costs of such early retirement.

As I stated earlier, a diverse and comprehensive educational system is essential. Area vocational technical schools play an important role in such an educational system. I am supportive of the AVTS program which provides Kansas industries with skilled workers. Their efforts towards easing the skilled labor shortage in the state are well documented.

During my term as Speaker of the House, the Legislature appropriated \$2 million for each of three years for funding AVTS capital-outlay projects. After reviewing the needs of the AVTS

and personally visiting a number of them, I recommend an additional \$1.5 million be appropriated for capital improvements and upgrading the equipment used for training students.

Kansas community junior colleges serve an equally important purpose in the educational process. These institutions provide essential educational opportunities to local citizens. In order to maintain the high quality of instruction at our community junior colleges, I recommend an eight percent increase in their budget limitations.

Private colleges and universities also play a significant role in fulfilling the educational needs of Kansas. Generally, they provide a more personal environment for the teaching of the liberal arts and sciences. Kansas needs these institutions. Therefore, I recommend that both the state scholarship and the tuition grant program continue to receive the current level of funding. The upper level of scholarship and tuition grant money per student should return to the previous level of \$1,700. These two programs are extremely important to the educational opportunities of our students and to the continued livelihood of our private educational institutions.

The final component in the Kansas educational network is our state universities. These institutions, like the others, provide opportunities for intellectual growth, cultural enrichment and personal awareness. Additionally, they provide numerous programs and services to their communities and the state. Overall, our state universities were thriving throughout the 1970's; state support was at a level unsurpassed in history as were students enrollments. Currently, all our state institutions are facing declining enrollments. This experience is expected to continue into the foreseeable future. Our institutions will not experience the kind of growth they have enjoyed over the last decade. We must recognize this as fact when budgeting for these universities. However, we must also be careful to avoid contributing to the decline in enrollments by arbitrarily cutting courses and programs simply to save money. With those thoughts in mind, I recommend that our policy for funding state universities shift emphasis from one of increasing our financial commitment through the funding of new programs, to a policy of maintaining and improving the quality of existing programs at our institutions.

In keeping with this policy, I recommend merit salary increases of eight percent for unclassified personnel at the universities. If we are to acquire and retain qualified educators, we must offer them attractive salaries.

To assist our institutions in meeting their rising operating costs, I recommend that the budget for other operating expenses be increased by seven percent.

I also recommend that funds on behalf of the students be budgeted as follows: 1) that all student employees at our universities receive the federal minimum wage; 2) that the state finance the rental of certain student union space so that this cost does not remain an unseen financial burden on the students; and 3) that the tuition fees for graduate teaching assistants be waived in total. The fee waiver will provide the universities with better teaching assistants and a more equitable repayment to the assistant for the responsibility they undertake.

As I stated earlier, the educational policies outline above account for over 50 percent of the state general fund expenditures. But when we think of what it yields, it is truly one of the best investment we can make.

PUBLIC SAFETY

Governments were initially established to protect the public well-being. Since that time public safety has remained the exclusive responsibility of government. It is necessarily a high priority of this administration. I am pleased to report that Kansas is moving steadily toward a position of national leadership in meeting that responsibility.

Important progress has been made in implementing the Community Corrections Act which the Legislature passed in 1978. Eleven counties have appointed Corrections Advisory Boards to analyze the local correctional needs and recommend a plan of action to the county commissioners. One county has completed that task and is now receiving state funds and several others are moving rapidly to that point.

Since data that would let a county assess accurately the fiscal impact of the "chargeback" provision of the Act have been unavailable, many counties have been understandably reluctant to commit themselves to participation. That information has now been collected, and I recommend amendments to the Act that should encourage counties to participate. By so doing, we will begin to forge a strong partnership between state and local government as we search together for better solutions to the problems of crime and delinquency.

While I remain committed to the view that local communities can deal most effectively with the non-dangerous offender, I am no less convinced that the serious criminal offenders must realize that we will simply not tolerate their behaviors. I therefore recommend legislation that would establish a mandatory minimum 30-year sentence without possibility of parole for those first degree murderers whose crime is heinous and calculating. Such a penalty is admittedly severe. However, I give notice that as a state we can and will respond appropriately to vicious and brutal crimes without having to stoop to that same level of brutality.

The disparity in our sentencing practices continues to concern law enforcement and the judiciary alike. A few years ago the legislature studied determinate sentencing and decided against it. However, that decision was no solution in the eyes of those concerned.

There is considerable dialogue in Congress, as well as in state legislatures, about presumptive sentencing. Basically, presumptive sentencing is designed to reduce disparities by creating classes of crimes, assigning maximum penalties according to class and establishing guidelines for judges to use in sentencing. Presumptive sentencing would promote public safety and make our sentencing procedures more consistent. I ask the Legislature to study this method of sentencing.

The victim of crime is usually the person who suffers most but receives the least attention in our criminal justice system. A major priority of my administration is to reverse that neglect and provide victims of crime with the consideration they deserve. We will require that community

corrections advisory boards seriously consider programs of restitution and other victim services. In addition, I recommend legislation that would give first priority to the payment of restitution to crime victims and secondary consideration to the collection of court costs and administrative fees.

While we must continue to seek more effective ways of dealing with crime, we recognize that many offenders need to be segregated from society by placement in our state correctional institutions. We must continue to improve not only security, but programs within our prisons.

Efforts are being made to insure that all inmates have the opportunity to acquire the skills and the knowledge needed to function in the outside world. In my budget the skill training program will receive increased state support. This program is now providing approximately six months of specialized training in fields such as heating/air conditioning repair, electronics, auto mechanics, graphic arts and many other fields. It also provides job placement assistance before release from prison. I am certain that through such efforts some inmates will choose legitimate work over crime.

An important first step toward alleviating the chronic problem of inmate idleness at the State Penitentiary was taken a few months ago when a private industries program opened employing 20 inmates. These men and women are paid minimum wage and work a normal 40-hour week. These persons, as well as others in the state's work release program, pay taxes, pay the state for room and board, pay restitution or other court ordered judgments, reimburse public assistance costs, and learn the skills and attitudes required to function successfully in a "normal" employment setting. This program is an encouraging example of what can happen when government and the private sector work together in partnership. It is only a first step, however, and I am committed to strengthening that partnership and pursuing more programs of this kind.

Law enforcement officials are our first line of defense in protecting the citizens of our state, and I pledge my continued support to these dedicated men and women. To that end, I am appointing a special Law Enforcement Training Task Force to investigate the training needs of law enforcement officers throughout the state and make recommendations regarding how those needs can best be met. The members of the task force will be representative of all branches of the law enforcement community and their recommendations will be given serious consideration.

TRANSPORTATION

Transportation is fundamental to Kansas' economy, and it is necessarily one of this administration's highest priorities for the coming decade.

An urgent problem in the area of transportation is the maintenance of our state's 134,621 miles of roads and highways. Highway construction costs have increased 110 percent since 1970 and maintenance costs have jumped 87 percent over the same period. During this same period highway revenues have increased only 73 percent. Since revenues are primarily tied to the volume of motor vehicle fuels sold, the gap widens as motorists reduce their consumption in the name of conservation. The result is that the state is caught between rising construction costs and

decreasing revenues from traditional sources of funding for highway maintenance and construction.

This administration has already established its commitment to 3-R Super Two projects as the most efficient means of maintaining our highway system. The Kansas Department of Transportation for the first time is in a position to request Interstate Discretionary Funds--a pool of federal interstate dollars which are made available to states which effectively use their allocation of interstate funds for the year. The backlog of interstate projects which prevented the Kansas Department of Transportation from acquiring these monies in the past has been eliminated through more efficient management. Receipt of these discretionary funds would allow us to step up our construction and maintenance activities on Kansas' interstate highways.

In spite of these successful efforts to stretch highway resources, additional funds are necessary to preserve our roads. Last year I recommended and the Legislature approved a \$35 million appropriation for 3-R projects on state roads and a \$5 million appropriation for repairing city and county streets and bridges. While utilization of general fund revenues temporarily filled this need, it did not provide a long-term solution. Nor was the action taken in 1976 which increased the gallonage tax and vehicle registration fees a permanent solution to this problem. Neither action anticipated double digit inflation of highway construction costs while the basic sources used to pay for those highway projects remained essentially constant. In summary, we need a source to finance highways that is elastic and that will be responsive to inflation. Further gallonage tax increases or general fund transfers will not address this basic problem. We must have a responsible long-range alternative to our current highway financing dilemma.

With that in mind, I recommend that the Legislature eliminate the current sales tax exemption on the sales of motor fuels. This action would generate approximately \$50 million annually. This initiative will give the State of Kansas a combination tax base for financing highways. The current gallonage tax provides a floor while the removal of the exemption will provide a factor that is responsive to inflation. Ten other states use this method to provide a responsible tax base for highway funding.

To help local units of government maintain their roads, I recommend that 35 percent of the taxes collected be earmarked to the special city and county road and bridge fund. In this manner, \$32.5 million in additional highway funds would be available to the state and \$17.5 million in additional funds would be available to cities and counties.

Both rail and air service are necessary components of our transportation system. Our efforts to deal with deteriorating rail lines, airport improvements and the development of a comprehensive public transportation system are constrained by the constitutional prohibition on internal improvements. The state will lose about \$3.5 million in federal aid this year which could have been used for these purpose.

The prohibition is an archaic excuse for inaction and unresponsiveness by state government. Therefore, I urge the Legislature to allow the people of this state to vote to repeal the constitutional prohibition on internal improvements.

Kansas is faced frequently with shortages of available transportation to move grain to markets. I request that the Legislature grant the Governor authority to proclaim transportation emergencies during which the present statutory limits on truck weights can be exceeded by 10% on designated routes. The purchase of a special permit should be required with the receipts deposited in the highway general fund.

I am confident that with the additional flexibility and resources provided by these initiatives, we will be able to make significant progress toward developing the kind of transportation system the people of Kansas want and deserve.

AGRICULTURE

Agriculture is the single most important component of our economy. Whether one lives in the city or the county, the future success of farming vitally concerns us all.

Foremost on the mind of Kansas farmers last year was the price received for the commodity produced. In a market unlike most, the farmer does not have the luxury of passing on increased operating costs. In times of low prices and rampant inflation, it becomes incumbent upon state government to assist the farmers with temporary tax relief.

Since I spoke to the legislature a year ago, the prices for Kansas agricultural products have significantly improved. In fact, farm income last year increased 25 percent over the previous year. Our efforts must now concentrate on cultivating new markets for our products and improving our ability to move grains to market.

I strongly supported the International Grain Marketing Compact. Not only did I support the Kansas legislation, but on several occasions I sent letters of support to key legislators in other potential compact states. I am hoping that the Grain Marketing Commission can secure new markets for our grain products.

While Kansas ranks first in the nation in wheat and flour exports and sixth in total agricultural exports, there are still untapped foreign markets for Kansas products. The Governors' Conference on International Trade in September of last year dealt with a variety of topics ranging from potential overseas markets to information and assistance on foreign trade. With representatives from 19 foreign countries in attendance, the prospects for additional foreign markets for Kansas grain were enhanced. Additionally, my explorative trade mission to the People's Republic of China established a meaningful foundation for future trade relations with one of the greatest potential markets for Kansas commodities.

We must continue to expand our efforts to cultivate markets for Kansas' agricultural products not only within the international community, but also in the domestic market place. Last year I supported legislation designed to encourage the utilization of Kansas grain in the production of ethyl alcohol, or gasohol. While it is too early to evaluate the exact impact of the legislation, the initial results are encouraging.

When I was Speaker of the House, Kansas first joined the National Gasohol Commission. The objective of this Commission is the promotion of agricultural based fuel products. I am again this year recommending that the state participate in this venture.

The expansion of new markets is unquestionably essential to the future economic well-being of our agricultural community, but without an adequate means to transport and store the grain, new markets are of little value.

The ability of railroads to move our grain is of vital concern to the Kansas farmer. My office has been working with some Kansas railroads to cut the turnaround time of grain hoppercars. An experimental run last year successfully cut two days off the turnaround time.

This office has also been actively involved in securing the Kansas City Terminal's operation of railroad lines that would have been abandoned. Additionally, I have personally testified before the Interstate Commerce Commission in support of a program which would keep an agriculturally important railroad route in operation throughout the state.

In conjunction with the above administrative actions, I ask the Legislature to adopt legislation which would give the people of Kansas the right to vote on a constitutional amendment permitting the state to utilize federal funds, as well as to commit state funds, to improve the condition of the railroad network in Kansas. As long as the Kansas constitution prohibits the state from participating in internal improvements, we are forced to sit idle and watch the conditions of our railroads deteriorate.

With bumper crops and inadequate rail service, the transportation of crops over our highways has increased considerably. No one knows better than the farmer the extra cost that results in shipping by truck. However, moving grain by truck is better than letting it rot on the ground. In an effort to assist the farmer in moving grain by truck during times of crisis, I propose legislation which would give the Governor the authority to increase temporarily the maximum load limits on designated routes in this state. This legislation would help alleviate the problems with moving grain in times of bumper crops and severe rail car shortages.

Even with the above measure, the problems of moving grain will not disappear. The lack of adequate grain storage facilities will continue to plague the farmer. While I was Speaker of the House, the first property tax exemption for on-farm grain storage facilities was approved. The exemption expires this year unless extended by the legislature. Therefore, I am recommending that the legislature extend the on-farm storage tax exemption period of eligibility three years.

Two years ago I was concerned that the assessment of farm machinery by the state exceeded the true market value of the machinery. In response, we enacted legislation to reduce the assessed valuation. Again last year legislation was passed to reduce the assessment of farm machinery. When I signed the legislation last year, I directed the Property Valuation Division to redraft the property valuation manual to reflect more accurately the value of the farm machinery. After consultation with numerous farm groups from around the state, the manual has been completed and should alleviate any need to reduce the assessment by legislation.

LOCAL GOVERNMENT

In Kansas we are fortunate to have a tradition of sound local government. This administration is committed to assisting local governments secure the resources they need to carry on that tradition.

As Speaker of the House, I sponsored legislation which earmarked 8 percent of the state sales and use tax and established the City/County Revenue Sharing Fund. Last year I recommended that this percentage be increased and will continue to assist cities and counties in finding new ways to meet their financial commitments.

This administration has taken some positive steps which will aid local government in fulfilling their sovereign obligations. The formation of a non-profit statewide housing corporation and a development assistance program for Kansas communities will expand the resources that local governments have to deal with local problems.

I am making several recommendations to the Legislature which will provide local governments with additional resources.

Our major initiative in my legislative recommendation is the repeal of the constitutional prohibition on internal improvements. Article XI, Section 9 of the Kansas Constitution prohibits the state from being a party to "works of internal improvement" except for highways and water conservation.

This section also has been interpreted as prohibiting the state from "passing through" federal funds to local governments. It is estimated that this year Kansas along with local governments will forego \$1.6 million in aid for airport expansion and public works.

In local government, as in state government, the conditions of streets and roads is of pressing concern, particularly as revenues fail to keep pace with the increasing costs of maintenance and construction.

While I was Speaker of the House, I sponsored the first appropriation of state money for the repair of potholes in city and county roads. I continued that commitment last year by recommending that \$5 million again be appropriated. Although these transfers have provided temporary relief, they are not a permanent solution. Therefore, I recommend that the sales tax exemption on motor fuels be repealed and that 35 percent of the taxes collected be ear-marked for the Special City and County Road and Bridge Fund. This will provide an additional \$17.5 million annually for local units to use in preserving their investment in roads, streets and bridges. Additionally, I recommend that local units which have adopted the optional sales tax be allowed to extend it to gasoline sales.

As we seek ways to increase the resources available to local governments, we must also avoid the imposition of new state mandates which automatically obligate their funds and reduce their fiscal flexibility. Today, I reaffirm the commitment I made last year not to impose new state mandates on local governments without careful scrutiny and adequate state reimbursement.

Finally to the cities and counties of this state, I reaffirm my pledge to assist rather than unduly interfere, to facilitate rather than mandate and to cooperate rather than coerce.

ECONOMIC DEVELOPMENT

In spite of the national trend to the contrary, the Kansas economy appeared to be even healthier in 1979 than in the previous year. Significant gains were made in the areas of population production income and employment.

The Kansas population, according to the most recent statistics, increased by 21,000 people up from 2,348,000 to 2,369,000 in 1979. The Kansas gross state product increased 14.7 percent from \$21.4 billion in 1978 to \$24.6 billion in 1979. Personal income increased 14.5 percent from \$18.5 billion in 1978 to \$21.2 billion in 1979. Farm income increased 25 percent between 1978 and 1979.

Some economists tell us that the long predicted recession is already upon us. Yet the unemployment rate for the State of Kansas dropped to 3.1 percent this year as opposed to 3.2 percent in 1978. Employment registered significant gains increasing 3 percent from 1,132,400 to 1,168,600 in 1979. As of mid-December of 1979, 96 new industries had located in Kansas and scores of Kansas industries expanded their operations in the state.

Despite the many positive developments in the Kansas economy in the first year of this administration, some problems remain. More specifically, the areas of concern involve housing, capital investment, community assistance and increasing the skills level of the current Kansas labor force.

A piecemeal approach to the resolution of these problems will not suffice. Their persistence and pervasiveness require that they be treated in the context of an economic development program--a program that seeks to improve and protect an already sound and diversified economic structure. In pursuing this goal, this administration hopes to further insulate the Kansas economy from the instability of national economic events and in so doing, continue to provide a high level of meaningful employment to our citizens.

Housing is probably the single most significant factor in attracting new industry and developing existing businesses in our state. Kansas, however, has a shortage of adequate housing which severely restricts not only our potential for economic growth but also the options of our state's citizens as they attempt to acquire an adequate home.

The current credit crunch has also critically affected the housing industry. For the foreseeable future at least, construction costs will continue to increase and mortgage rates will remain high.

Earlier this year I outlined a 5-point program designed to increase resources in the housing area. A key provision in my proposal was the establishment of a not-for-profit state housing corporation to issue tax exempt revenue bonds to finance housing projects. Funds from the issuance of these bonds will be used by private developers and local housing authorities to finance the construction of low income multi-family housing. The responsibility for this task was

assigned to the Kansas Department of Economic Development. The corporation has been formed and should be in a position to issue bonds this spring.

Although the federal government has presently pre-empted our state's usury ceiling, the state's usury law needs to be changed to provide more flexibility for adjusting to changing interest rates and at the same time protect the consumer from unreasonable interest rates. I do not favor a total repeal of the usury law but rather a usury limit that is periodically adjusted as federal interest rates increase or decrease. Action on the legislation should be taken after full hearings, but it is important that a decision be made before the next construction season so that housing construction will not be inhibited. We must provide Kansans with the resources they need to realize their individual goals and Kansas businesses the flexibility to continue their current trend of healthy expansion.

Another key to developing our state's economic resources is expanding our efforts to develop existing businesses. Evidence indicates that the birth of new firms and the expansion of firms already existing accounts for over one-half of all new jobs in Kansas. The economic development policy of this administration cannot afford to ignore existing as well as potential resources in Kansas communities. I have, therefore, directed the Department of Economic Development to begin to concentrate on the development of existing, internal economic opportunities.

I also recommend the design and implementation of an expanded community development assistance program to help local leaders, businessmen and citizens in developing their local economy.

All too often in the past, state government has addressed problems with centrally administered programs which have failed to recognize and accommodate the special problems and resources of individual communities. At times our perspective has been too broad to give us an appreciation for the details which in the end can make a program ineffective at the community level. Therefore, the program I am recommending will provide teams of technical assistants who will go to the communities and work with them in designing and implementing their own development strategies.

In the area of economic development as in other areas of state government, the constitutional prohibition against internal improvements has arbitrarily prevented the development of meritorious state programs and restricted the resources available to the state and local units. The funds which we lose in housing, public works and other areas could be put to good use in addressing many of the economic development needs of the state. I ask, therefore, that this legislature begin the process necessary to repeal Article XI, Section 9 of the Kansas Constitution.

Another need which this administration is seeking to address this year is the elevation of the skill level of the Kansas work force. Although our low unemployment rate is one of the greatest strengths of the Kansas economy, it has restricted the expansion of some businesses and industries since they cannot obtain the necessary skilled work force.

The vocational technical schools of our state are a very useful resource in solving this problem. They are in a position to know what the personnel needs of the industries in their area are and provide classes accordingly. The rapid progress in industrial technology over the past few years has antiquated much of the equipment these schools use for instruction. Therefore, I have included in my budget a one year grant of \$1.5 million to vocational technical schools for capital expenditures. Today I am also calling on the vo-tech schools to initiate new and intensify existing cooperative efforts with local businesses and industries to utilize private enterprise's resources in on-the-job instruction.

Finally, I believe that this administration must encourage the development of Kansas' foreign trade potential. High inflation and dollar devaluation have increased the demand for American products and made them more competitive. This situation can only help promote the development of more markets for Kansas products. Our exploratory trade mission to the People's Republic of China established meaningful grounds for future trade relations with one of the greatest potential markets for Kansas products and technology.

While the overall state of our economy is sound, we cannot afford to sit idle. It is necessary that government and business combine their efforts to maintain this sound economy so that Kansas may continue to attract new businesses as well as develop businesses already here.

SOCIAL WELFARE

My administration is committed to developing an independent lifestyle for those who are traditionally dependent on the state for support. The principle philosophy on which our initiatives are based is that each individual needs to develop and maintain his or her sense of self-sufficiency.

The lack of alternatives to institutional care has at times forced the elderly of our state to leave their homes and communities. As mentioned in the section of the message on Aging, my budget includes expansions in the homemaker chore service and home health programs - - programs which assist our older citizens in maintaining their independence and remaining in their homes.

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

Another group which has traditionally been served with programs which perpetuate dependence instead of independence are the physically handicapped and developmentally disabled citizens of Kansas. These individuals would often be able to work if personal services were available. These services include assistance in dressing, food preparation, bathing and transportation. Therefore, I

have instructed the Department of Social and Rehabilitation Services to institute a pilot Personal Care Assistance Program to encourage independence among the disabled.

This administration also recognizes the importance of Independent Living Centers for the handicapped individual. An Independent Living Center is a community-based nonprofit, nonresidential program which is controlled by the disabled consumers it serves. It provides services directly and coordinates referral services to help severely disabled individuals attain self-determination and minimize their dependence upon others. Failure to provide independent living rehabilitation services has resulted in many individuals either returning to the rehabilitation roles or being institutionalized.

Recently, this administration acquired a federal grant for the development of an independent living program for the disabled in northwest Kansas. This program, and the one being established in Lawrence, should be pursued actively. I recommend continued state funding for both programs.

For many families to achieve a degree of self-sufficiency, day care must be available. Day care enables parents who might otherwise have to stay at home, and be maintained by state assistance, to become productive members of the Kansas work force. Because day care providers are faced with increased costs due to inflation, I recommend a five percent increase in the daily care rate.

Although these programs strive to encourage independence, we must realize that there are those who, for an interim or extended period, must depend on the state for support of one type or another. We must insure that they are able to meet their essential needs.

Last year, I recommended and the legislature approved, a five percent increase in the general assistance rate. I recommend a five percent increase again this year so that the gains made last year will not be lost because of inflation.

Finally, the state is committed to maintaining children in as homelike an atmosphere as possible. Its programs encourage family unity and stability. If these efforts fail, every effort should be made to place children in family foster homes. To help in recruiting and maintaining family foster homes, I propose a five percent increase in the rate of reimbursement paid to foster care providers.

In summary, I believe these programs will encourage individuals to develop independent lives without denying those who need our assistance, the support which is essential.

ENVIRONMENT

Interest in environmental quality has become more than just a concern over the destruction of our natural resources. It has become an interest in providing healthy and enriching surroundings for Kansas' citizens--a concern that Kansans live in an environment which provides adequate natural, cultural and recreational resources.

One of our greatest environmental concerns is the area of natural resources. Our natural resources are limited; and their continued availability and quality is tenuous. The balanced use of the state's land, water, air and energy resources is the key to maintaining the state's current productive capacity and to preserving the general quality of life in Kansas. It is essential then, that the state act with sensitivity to preserve and protect the quality of its natural resources for future generations.

Water resources are critical to the state's future growth and development. The federal compliance dates that require completion of the State Water Plan are quickly approaching. Therefore, I recommend that we approve the necessary funding which will implement the State Water Plan in time to meet the compliance dates.

Man's relationship to the environment must be constantly assessed if we are to live and prosper. We must balance our needs for goods and services against the reality that their production can cause environmental damage. This is particularly true of our air quality. We must insure that our state's law and programs dealing with air are adequate enough to insure that the economic growth in Kansas is quality growth.

Like our state's natural resources, the availability and quality of our cultural and recreational assets is a key to attracting new businesses and to maintaining the health and vitality of our communities. It is also an important factor in the individual growth and development of Kansans.

I am making several budget recommendations this year which will develop and expand Kansas' cultural resources.

First, I recommend a three-year plan appropriation to finance the construction of a new museum for the Kansas State Historical Society. It is important that we preserve the artifacts and exhibits which reflect our heritage. It is also important that they be housed in attractive and accessible surroundings so that as many Kansans and out-of-state tourists benefit from our historic collections as possible.

Also, with the repeal of the constitutional prohibition on internal improvements, we will gain access to federal funds for historic preservation. We will be able to utilize the funds to preserve various historical sites around the state.

Secondly, I am recommending major expansions in some of the Kansas Arts Commission's programs. This expansion of the Touring Arts Program, Artists-in-Residence Program, and Community Arts Administrators Program will allow more Kansas communities to develop cultural experiences for their citizens.

Finally, it is important that we provide the cultural and educational resources of public television to all Kansans. Therefore, I have included funding in my budget for the development of public television stations in Hays, Garden City and Chanute. I urge the Legislature to give careful consideration to the various options for further expansion of the network so that we can provide this service to Kansans in as efficient a manner as possible.

The provision of adequate recreational resources within our state is also an important concern as more Kansans remain in the state each year due to the energy crisis. Therefore, it is imperative that we provide quality outdoor recreational opportunities to all Kansans. To develop forms of recreation which consume less energy, I have directed the Kansas Park and Resources Authority to increase trail development at state parks. I urge the legislature to enact legislation I will submit to encourage the development of trails on public lands.

We should also protect fish and wildlife resources so that we can continue to enjoy them in the future. In order to increase wildlife enforcement during peak hunting periods, such as pheasant season, I support legislation authorizing the Director of the Kansas Fish and Game Commission to appoint deputy game protectors. This action will ease the current overload on game protectors when large numbers of out-of-state hunters come to Kansas during hunting season.

ELECTIONS

As I said last year, operation of a democracy requires participation of its citizens. We should examine our election laws to insure that artificial roadblocks to participation are not present. I recommend an election law reform dealing with voter registration in order to provide for a wider segment of the people of Kansas to have the opportunity to participate in determining the direction government takes.

I propose a voter registration by mail program which would allow an individual to request a voter registration application from his or her county clerk. The request could be either in person, in writing, or by telephone. In order to discourage the possibility of voter fraud, I also propose that such applications be signed by the applicant under penalty of perjury. County election officers could continue to maintain a system for checking applications.

CONCLUSION

The challenge for state government is clear as we embark on a new decade. It is the challenge of formulating programs and policies which address the complex problems of the 1980's. It is a challenge we must meet because the problems exist in areas which are basic to our way of life.

I have presented you with a budget and legislative program which I believe builds on the successes we have already achieved but which also considers the need for initiatives which prepare for the demands of the future. The responsibility for action is now in your hands.

I am convinced that if we work together to meet this challenge, our cooperation will produce more than viable solutions to the problems which we face. It will also create the beginnings of new confidence in our potential, strengthened faith in our abilities, and renewed assurance of our prospects for the future.

Towards this end, I offer you not only a challenge, but also a pledge that I will maintain the lines of communication and the flexibility necessary to concerted action.

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