

John William Carlin

MESSAGE OF GOVERNOR JOHN CARLIN TO THE KANSAS LEGISLATURE January 10, 1985

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

Last year, I stood before you and asked you to confront the "quiet crises" threatening our State. The overcrowding of our prisons had created a crisis that threatened the integrity of our criminal justice system. The absence of an organized effort to identify and clean up toxic wastes and to prevent their continued burial left unanswered questions of safety and health consequences. The rising cost of construction of the Wolf Creek Generating Station held the dark promise of unrestrained rate increases for electric customers. Most importantly, the State faced the prospect of a decline in the quality of public education without a major investment in teacher salaries. In each of these areas the Legislature responded. In each area a consensus for action was crafted, and the first steps to address the "quiet crises" were taken.

The critics of our system of representative democracy would say that crisis is required to move it to action. Such a cynical view asserts that only under extraordinary circumstances will elected representatives risk their own political self interests. We in Kansas should not settle for decision-making in a crisis environment since it forces action, but not necessarily long-term solutions.

I believe that you, as the elected representatives of the people of Kansas, are motivated by more than self interest. I believe that you are, first and foremost, concerned about the future of our State and its people. I believe that our system of government can articulate more than the limitations of the status quo; deliberate more than the politically safe and expedient; and act on more than the immediate pressure of a crisis.

Within our system of government, it is my responsibility to articulate a recommended direction for our State. I recognize the same cynics will claim that my recommendations to the 1985 Legislature are "out of step" with conventional wisdom because they are not confined by the limitations of the status quo; that the course I set is "out of step" with political expedience because it will require politicians to do more than follow the path of least resistance; and that the pace I set is "out of step" with what is practically possible because it looks beyond the immediate pressures of today to the strides Kansas must take if we are to move a step ahead tomorrow. In that sense, the recommendations contained in my Message to the 1985 Legislature are "out of step" because they exceed the pace that plods along in the middle of the pack. But Kansas must exceed that pace if we aspire to the excellence that is our heritage and the economic growth that is our hope for the future. We must move "a step ahead"--a step ahead of the perceptions that dampen our prospects for progress; a step ahead of our competition; a step ahead of crisis and uncertainty.

Perhaps the greatest obstacle to Kansas' taking a step ahead in economic growth is the negative perceptions that non-Kansans have of our State. While we know Kansas to be a forward-looking,

growth-oriented state that encourages the influx of business, industry and tourists, this is not the image we always project.

Perhaps the most widespread and inappropriate image of Kansas is that of a state that is flat and black and white--a place that a young girl named Dorothy was foolish to return to after all the color and adventure of Oz. We know that such unflattering perceptions are undeserved. But the black and white of our archaic liquor laws is the unwitting ally of this misconception when tourists and businessmen visit our State and find they cannot be served liquor by the drink. While we know that we have liquor by the drink in practice, if not on paper, business and tourist interests from other states do not; and, as a result, they sometimes choose to take their business, their investments and their jobs elsewhere. The prohibition on "open saloons," while conceived with the best intentions of temperance, prohibits little more than an accurate and positive image of Kansas and serves only to temper our prospects for economic progress.

We must not be deceived by claims that taking this step ahead for Kansas will make us fall behind in our efforts to decrease alcohol abuse. I share the growing concern about the abuse of alcohol, especially by those who drink and drive. But this concern should be addressed by enacting tougher penalties for persons who drive while impaired by alcohol overuse and by making more resources available to help treat alcohol abusers. My recommendations to the 1985 Legislature include proposals in both of these areas.

While we are one of only three states that continues to prohibit liquor by the drink, we are the only state in the Union which does not allow some form of multi-banking. This anomaly is another factor that creates the impression in the business community that Kansas is falling behind the rest of the country. Businesses looking for opportunities to expand and grow must know that accessible and affordable credit is available in our State. It is imperative that the Governor and the Legislature establish a banking structure which assures Kansans of the safety of their deposits and the availability of capital at competitive rates. Multi-bank legislation will allow us to meet these goals.

Only if Kansas can take these two strides to move a step ahead of the negative perceptions that have disadvantaged our efforts to attract new business growth will we be in a position to move a step ahead of our competition.

Kansas must compete for jobs and markets for its agricultural and industrial products. In the past, Kansas was the uncontested leader in the efficient production of wheat and private aircraft. Consequently, our economy thrived and depended on the aircraft industry and agricultural base for its vitality. Currently these two components of our economy are faltering. As the world economy had developed, we have faced increased competition in the markets for these and other products. Today, not only must we compete with Washington State and North Dakota, but with countries throughout the world. Other states have also felt the impact of these changes and have increased their efforts to corner new business growth and development.

To continue to grow and survive in the highly contested economic arena, Kansas must be a world-class competitor. Agriculture is one of Kansas' world-class industries. The economic of farming indicate that retaining this industry, as we now know it, requires immediate intervention

to assist our farmers through these difficult times. We must also expand our domestic and trade efforts in economic development. The legislative initiatives and budget recommendations I propose for Fiscal Year (FY) 1986 include program expansions in both the Department of Economic Development and the Board of Agriculture to pursue these goals.

"Economic development" must be broadly defined to include much more than the activities of the Kansas Department of Economic Development. If we hope to move a step ahead of our competition, we have to offer business interests much more than assistance in site location, tax incentives, or any of the traditional components of "economic development"--for every state offers these. We must offer them a distinctive Kansas community characterized by a high quality of life, an excellent educational system, a clean environment and a healthful social climate.

Last year, the Legislature took steps which carried us a good distance toward our goals to achieve excellence in these basic building blocks of our State's economy. We must recognize, however, that as we quickened our pace, most other states did, as well. What will distinguish Kansas is its ability to sustain the pace we set last year over the long run.

I am confident that the sum of my 1985 recommendations in these areas will take us a step ahead of the competition for economic growth, but the question recurs: "Can we sustain the pace in the long run?" If one assumes the status quo in regard to revenue, the answer would have to be "No."

We have all watched runners pull away from the pack in the turn only to be passed in the home stretch as they exhaust their energies. If we are to move a step ahead of our competition, we must be sure that we have the resources to go the distance or our steps will falter; and crisis will overtake us before we finish. We can only stay a step ahead of crisis if we are willing to account for the uncertainties we face as we press forward.

Ideally, the FY 1986 revenue estimate would allow the State to take a step ahead, to continue to pursue its financial commitments, to maintain state balances at prudent levels and not raise taxes. The erosion of the tax base made that ideal impossible. The State will lose \$45 million in current revenues as the result of the statutory sunset of the "booster tax." This resulted in a revenue estimate for FY 1986 that was only \$65.7 million above the previous fiscal year in which revenues had increased by \$110.2 million. The potential loss of another \$17 million in projected cigarette tax collections (reducing the overall revenue increase for FY 1986 to \$48.7 million) added more uncertainty to a revenue scenario that already was incapable of sustaining the investments necessary for growth.

Although it would violate the basic principle of a balanced budget, I could have attempted to construct a budget that spent down the State General Fund balances and used one-time revenue windfalls to finance ongoing commitments. This approach was pursued by the 1982 Legislature, against my urging, and resulted in the use of emergency allotments to cut state outlays, certificates of indebtedness to circumvent a cash flow crisis, and a series of tax increases. The obvious folly of such an approach would be even more ludicrous in view of a number of uncertainties in our revenue and expenditure assumptions that would suggest we should increase our State General Fund balances significantly:

(1) In each of the past four years, economic conditions have resulted in a downward revision of the revenue estimates on which budgets were based. These conditions which led to reductions in the estimates have not been completely eliminated.

(2) Large federal budget deficits create additional budget uncertainties. Changes in federal policy directly impact state revenues; and expenditures and congressional efforts to reduce the federal budget deficit will likely include a freeze or reduction in federal aid programs. The State will have to review affected programs carefully and either assume the costs of the cuts or reduce the level of services provided.. Whatever the result, congressional action probably will not be known until well after the adjournment of the 1985 Legislative Session.

(3) State courts have ruled that State government must provide additional reimbursement to nursing homes for services rendered prior to 1978. Although the amount of obligation is unknown, estimates are this settlement could cost the State several million dollars.

To pursue initiatives in education and other priority areas, to replace current revenues lost from the base and to allow responsible reaction to potential changes in federal tax policy, I recommend a one-half cent increase in the state sales and compensating use taxes. This additional contribution will not unduly burden anyone, yet all will benefit from improved education, enhanced economic growth and a cleaner, healthfull environment. This revenue measure will provide additional FY 1986 State General Fund receipts of \$86.8 million after statutory transfers to the State Highway Fund, Local Ad Valorem Tax Reduction Fund and City-County Revenue Sharing Fund. To offset any additional cost associated with the purchase of food by low income persons who are elderly, blind or disabled, I recommend that the Food Sales Tax Refund Program be expanded from the current \$10,000 limit to include households with annual income of \$13,000 or less.

Additionally, I recommend a speed up in the remittance of insurance premium taxes. This change will result in a one-time gain of approximately \$23.2 million in FY 1985.

Over one-half of the \$110.8 million in proceeds from proposed revenue measures for the two-year period FY 1985 and FY 1986 has been allocated to increasing the State General Fund operating balance. My expenditure recommendations, in combination with the consensus revenue estimates and the proposed revenue measures, provide for an ending FY 1986 unappropriated balance of \$141.4 million. This represents an increase of \$59.5 million over the ending FY 1984 balance.

By building the State General Fund ending balances, we can also put Kansas a step ahead of crisis and uncertainty and create a contingency for unexpected revenue downturns and reductions in federal aid. The overall impact of these budget recommendations is to allow adequate revenues to sustain the investments necessary for Kansas to take a step ahead of our competition.

These budget recommendations, in combination with the legislative initiatives I am recommending to improve Kansas' image, can create the progress that will move Kansas forward. But this Legislative Session is the key to our success or failure.

Having served in the Legislature, I am aware of the temptation to put off the difficult decisions "until next year" or "until the revenue picture is clearer." Having faced the problems posed by this Budget and Legislative Message, I was also tempted to avoid the difficult decisions and serve out my term in a relatively quiet and uncontroversial climate.

Looking back, the accomplishments of the last six Legislative Sessions give me, as Governor, and you, as legislators, much to be proud of. We have made the Kansas tax structure fairer by enacting a reasonable severance tax. We have assured the maintenance of our highway system by enacting a responsible highway funding package. We have cooperatively drafted legislation to contain energy costs for Kansas' natural gas and electric customers; and we have begun a major investment in improving the quality of education in Kansas. These are but a few of the achievements that we could point to as our contributions to Kansas. If we were to pause and let this Legislative Session slip by in relative tranquility, it would be easy to rest on our laurels.

It would also be easy to fall into the rank and file of partisan appeal and be complacent about the results of our inaction. But, looking ahead, it is obvious that if we march along to the quiet cadence of complacency our steps will surely fall behind those of our competitors; behind our own expectations of excellence; behind the uncertainties of today that, left unaddressed, are the crises of tomorrow.

Kansas cannot afford to come to a standstill for a year, a legislative session, or even a month. We must press forward at a quickened pace toward the excellence that is our heritage. As I stated before, mine is the responsibility to recommend. Yours, however, is the duty to deliberate. Yours, and only yours, is the authority to act. I can count a confident cadence, but you must set the stride. I hope you will, for Kansas, set a strong stride that will take us a step ahead.

ECONOMIC DEVELOPMENT

Every state in the nation is fighting to improve its economy. The nation as a whole continues to work through the recent recession in pursuit of fiscal stability and renewed growth. Competition among states, in the worldwide market, for business expansion, new investment and jobs has never been more intense. The future of our State and the quality of life we all want to ensure for our children is dependent upon how well Kansas fares in this competitive environment.

But the future we want to ensure will not occur unless we are willing to make the difficult decisions facing us. Our sister states are not resting on their past accomplishments. Likewise, we in Kansas must not rest on ours. Because our economy is agriculture based, we are not yet experiencing the same level of recovery as many other states. We must make investments now if we expect to keep up and move ahead. We must also take the steps necessary to promote a more progressive image. The old adage that "perception is everything" has special meaning for Kansas today.

Kansas suffers from an image problem. At best we suffer from a non-image, and the truth is that in many cases the image that we carry is a negative one.

Unfortunately, Kansas' image has been marred because our State has failed to take progressive steps to keep pace with all of the other states in a few areas which are of special significance to the business community. I am speaking here most directly about two issues--first, our State's archaic liquor laws which prohibit liquor by the drink and, secondly, our failure to afford the business community sufficient financial backing by allowing multi-bank holding companies in Kansas.

All that our outdated liquor laws accomplish is to confuse out-of-state travelers and business people who visit Kansas. In order to secure the most positive business climate possible, we must project an image of a progressive and vital state. In my opinion, based on the advice of many who understand the factors that influence business decisions to locate in a particular area, our antiquated liquor laws have a negative impact on the image of Kansas. They exemplify to many an unrealistic attitude which many fear will manifest itself in other aspects of the economy.

The Kansas Cavalry recently polled over 500 Kansas Associations and Industrial Development Professionals to ascertain what Kansas characteristics influence planners and participants of meetings or conventions. Survey recipients responded as to whether these characteristics are negative or positive in their influence. The image of Kansas perceived by non-Kansans (83.2 percent) and the present liquor laws (80.5 percent) were the most negative characteristics identified.

I find this negative perception of Kansas to be unfortunate. Through the promotional efforts of the Kansas Department of Economic Development (KDED), the Kansas Cavalry, the Travel Industry Association of Kansas and others, we are working to improve that image. We need to continue and increase our efforts. We have to show the rest of the world what Kansas is like. We have to prove to them what we all know: that Kansas is a good place to work, to live, to visit and to do business. We should no longer allow a technicality in our liquor laws to diminish our image in any way whatsoever. Kansas is one of only three states which has refused to deal openly with the realities of a modern society. I urge the 1985 Legislature to pass legislation which will allow the citizens of Kansas the right to vote on the elimination of the constitutional prohibition on open saloons.

All of us want a high quality of life. A major factor in reaching that goal is to attract and maintain a healthy business community. The image of Kansas to outsiders is hurting our efforts to do that. Large numbers of our brightest youth are leaving for job opportunities elsewhere. And statistics reveal a trend in Kansas toward an increasingly elderly population. We must find ways to reverse this out-migration and maintain the population balance necessary for a stable tax base. New business growth could help reduce the number of young Kansans who are leaving the State.

Over the past several months, I have discussed the multi-bank holding company issue with many bankers, businessmen, legislators and even other governors. From these many conversations, I have developed a very serious concern about the current strength and future stability of the commercial banking industry in our State. I am concerned about their continued ability to meet the essential credit needs of Kansas.

I fear that without accessible and affordable credit, every aspect of the Kansas economy will be hindered. Agriculture, business, commerce and the needs of consumers will all require credit to survive and prosper. The banking industry must be able to supply its share of that needed credit in the years to come, unhampered by the artificial constraints existing under our current laws.

I believe that it is the responsibility of the Governor and the Legislature of the State to establish a banking structure which will assure to all Kansans the safety of their deposits and, at the same time, the availability of adequate amounts of credit at competitive rates. I am convinced multi-bank legislation will help us meet these goals. During the past year, the Kansas Bankers Association and the Kansas Chamber of Commerce and Industry have both endorsed such legislation.

We have been fortunate in this State to have a banking industry of great diversity and competitiveness comprised of more than 600 commercial banks. Kansas bankers have been fiercely dedicated to serving the needs of Kansans. In the past few years, however, we have witnessed historic and unprecedented changes in the structure of financial institutions on a national and inter-national scale. We cannot ignore these changes, nor can we expect Kansas consumers and Kansas banks to be unaffected by them.

It is my opinion that we must end the conflict over bank structure issues which has divided the Kansas banking community and the Legislature in recent years. We must reach a solution which will serve the long-term interests of all Kansans in the years ahead.

In addition to these two major issues which impact directly on economic development in our State, there are other issues which address the more basic areas of state government's responsibility to encourage new growth.

"Economic development," in the most accurate sense, must be defined broadly to include a multitude of processes, policies and other activities. It is tied closely to the quality of life in a state and dependent upon such things as strong educational, highway and environmental programs. All of these programs require state support, and it is within this context that we must attempt to achieve balance as we pursue economic prosperity.

There is no building block in the economy which is more important to our State than our educational system. The business community is dependent upon a well-educated, highly-trained workforce; and our people are dependent upon the business community to provide the jobs necessary for their livelihood. Adequate investments in our educational system are critical to Kansas' potential for economic growth.

During my term, we have also begun an ambitious effort to repair highways throughout the State. Kansas' highways are integral to the State's economic life, and our efforts must continue in the coming years to maintain a high quality system.

Further, Kansas' natural resources and environment will continue to be important to our economic health; and water resources are becoming more valuable than ever. Sound planning

and management of our water supply and diligent efforts to protect the clean Kansas environment must be on high priority if Kansas expects to grow and prosper in the coming years.

The past few years have been ones of fiscal austerity for Kansas, as well as for all other states throughout the nation. In Kansas, we have managed our resources wisely and efficiently. We have contained the growth of state government throughout this period, while continuing to fund critical services and maintain the basic building blocks of our economy.

Through the actions of the 1984 Legislature and my Administration, we squeezed our resources for Fiscal Year (FY) 1985 to find the funding necessary to address the "quiet crises" that required attention in our educational, environmental and correctional systems. Through our prudent actions, we have been able to maintain the quality of life achieved through past investments. Measured and solid growth, however, as opposed to maintenance programs and management of crises, has always been the hallmark of Kansas government.

We have the opportunity to take "a step ahead" in the competition for new jobs and economic growth if we have the courage to increase our investment now.

The Kansas economy is not yet experiencing the recovery that was hoped for. In fact, the estimated revenue growth of four percent for the next fiscal year is the second lowest during the past ten years. In addition, the so-called "booster income tax" is scheduled to end this year. State government cannot sustain the loss of these substantial revenues.

I am further convinced that a mere "replacement" of these revenues will not provide us the level of resources needed to invest adequately in the basic building blocks critical to our State's economic recovery and future growth potential.

In constructing my budget and other recommendations to the 1985 Legislature, I attempted to look past the State's immediate, one-year needs and scrutinized closely the fiscal situation facing the State for FY 1987 and beyond. Given the fact that the Kansas economy tends to lag behind the national economy and that strong signals from the federal government indicate increased funding responsibilities for state governments, I believe that we must take action this year to secure the resources needed to move forward. Our aspirations for full employment, higher incomes, equal opportunity and a higher quality of life all require additional commitment and investment.

Current economic transitions and additional responsibilities under the New Federalism have created new roles for the states in economic development. Accordingly, the Department of Economic Development is playing an increasingly important role in assisting business development and stimulating economic activity through public/private partnerships. The Department's budget and staff have been substantially enhanced over the past three years to reflect the high priority my Administration has placed upon sustaining and improving developments efforts in our State. The following discussion highlights my recommendations for the Department for FY 1986:

DEPARTMENTAL REORGANIZATION

During the past year, a major effort has been undertaken to examine how the Department of Economic Development could best be organized to more effectively meet the State's economic development goals and objectives. As a result of that study, I recommend that the Department be composed of four divisions and two special offices under the Secretary: a newly consolidated Community Development Division; an Industrial Development Division; an enhanced Travel, Tourism, and Film Services Division; a new Division of Small Business; a newly created Office of Advanced Technology; and an elevated Office of Minority Business. The following highlights the most significant of the reorganizational changes:

Small Business

In an effort to focus on the importance of small business in the Kansas economy, I recommend that a separate Small Business Division be established. Kansas is largely a state of small businesses, and I feel a strong commitment to encourage and foster the entrepreneurial spirit. The Division will provide managerial assistance, one-stop permitting and technical assistance related to development finance.

To provide additional support to small businesses, Kansas is one of 11 new states, of a total thirty states, to participate in the national Small Business Revitalization Program. Last year, I recommended that money be placed in KDED's budget to implement this initiative through a contract with the National Development Council for training and technical assistance. For FY 1986, the Department will need \$80,000 to complete the training necessary for full implementation of this program. I recommend that the State General Fund provide \$30,000 of the funding needed. The remainder will be available through the federal government. The end result will be a staff of economic development professionals who are well-trained in loan packaging and who are able to coordinate the necessary federal, state and local economic development resources for business projects. Additionally, the Division will be involved in conducting state-sponsored training and marketing programs to build the capacity for economic development financing within the State, especially in areas where expertise has not historically existed.

The key to stimulating small business growth is the availability of long-term capital. An important goal of the new Division will be to work with the financial community in establishing an active Lender Commitment Program in Kansas. Other states have been very successful in effecting multi-million dollar set-asides for this purpose, exemplifying the public/private cooperation necessary to stimulate business growth.

High Technology

I recommend that the high technology function in KDED be transferred from the Community Development Division under the current structure and that an Office of Advanced Technology be created, reporting directly to the Secretary of the Department. The responsibility for developing a high technology strategy crosses divisional lines and should be coordinated with all programs throughout the agency.

Maintaining a competitive edge in the area of high technology growth requires the merging of industry and university expertise to address the economic needs and potentialities of our economic base and provide employment opportunities for our graduates in the scientific fields. Kansas ranks tenth in percentage of non-agricultural employment in high technology industries, with a competitive advantage over other states in such areas as agricultural processing and equipment, aviation, bio-technology, energy recovery technology, pharmaceutical chemistry and robotic engineering.

The Centers of Excellence Program initiated in FY 1984 has succeeded in bringing together both academic and industrial resources to concentrate on technical development areas critical to the State's economy. Through the Research Matching Grant Program administered through the Advanced Technology Commission, twenty research projects have been funded with over \$1.1 million in industrial support. Hundreds of new high technology jobs are being established in growth industries as a result of these projects. For FY 1986, I recommend that we continue the current level of state support of this program in the amount of \$610,000.

The second annual Kansas Technology Conference and Exposition will be held in April of 1985 to benefit Kansas companies, promote university research and provide employment opportunities for our graduates. A third Technology Conference is scheduled to be held in 1986. I recommend that additional funds be provided the Department above the current level of state support so that well-known speakers can be obtained to make the 1986 event a nationally-recognized high technology conference.

The recently established Midwest Technology Consortium will help identify the Midwest as a technological resource for the nation. States in the Midwestern Governors' Association will be participating in this consortium, and all have agreed to commit \$50,000 to initiate the efforts. Kansas has several unique strengths among Midwestern states that will attract support from the Consortium. I recommend for FY 1986 the funding necessary for Kansas to participate in the Consortium. Kansas' participation will further enhance our existing Centers of Excellence and provide a mechanism for marketing th technological research of our universities.

Minority Business

In an effort to increase the State's focus on minority business issues, I recommend that the Minority Business function be elevated to a special office reporting directly to the Secretary. This change will stimulate more interaction across all Divisions within the agency and represents an explicit commitment to promote more vigorously the development of minority business in Kansas.

The increased state support I recommended in FY 1985 and the awarding of a federal grant to the Minority Business Office will enhance our efforts to increase substantially the number of minority vendors participating in state procurement. The minority entrepreneur must overcome a number of obstacles when competing for federal and state contracts. I believe that this additional emphasis and funding for program activities will go far toward eliminating some of these barriers.

Travel, Tourism and Film Services

We have made significant progress in promoting Kansas as a travel opportunity and in providing information to tourists. Within the scope of this Division's activities, the Film Services Program, with minimal resources, has yielded substantial returns in additional revenues brought into the State and expanded job opportunities through attracting on-location film production. In light of current and potential economic benefit to the State's economy, I recommend increased funding for this program in FY 1986 to support efforts to promote Kansas as a viable film production site. I further recommend that Film Services become an official part of the Division's title to provide greater visibility and ready identification by the film industry.

Consistent with my long-term commitment to establish a comprehensive travel information network, I recommend that funding be provided in FY 1986 to staff and operate the fourth state-owned and -operated Travel Information Center located at South Haven. Through the cooperative efforts of the Kansas Turnpike Authority, the Department of Revenue and the Department of Economic Development, we can make this gateway information center a reality and a convenient source of information for travelers in Kansas.

DOMESTIC AND INTERNATIONAL DEVELOPMENT

The breadth of the Industrial Development Division's activities, on both the national and international front, reflects the dimensions of challenge posed in economic development. During these competitive times, we must not only focus our efforts and resources on retaining and expanding businesses already within our State, but we must also strive to attract national and international investment and trade opportunities. Our future growth and job generating capacity are dependent upon our State's ability to attain a viable position in an extremely competitive marketplace.

Domestic

Domestic development programs in KDED will continue to promote and support the location and expansion of manufacturing and other facilities in Kansas. The exceptional efforts of the Kansas Cavalry have supplemented those of the Department in attracting new businesses to Kansas. This group of dedicated Kansans deserves credit for having directly influenced many of the firms which chose Kansas as a place to do business.

In 1984, the State had approximately 132 new and expanding firms, creating nearly 4,500 new jobs and investing almost \$347 million in the Kansas economy. The 1983 statistics were similar.

We still face a distinct challenge in taking the necessary steps ahead to improve our image and increase investment in our State. If the State of Kansas is to show appreciable, long-term economic growth, we must start now to develop and promote our overall image. This cannot be accomplished over-night. There is no quick-fix. It will take a commitment of financial resources in the hundreds of thousands of dollars over a period of years and will need the support of future administrations.

In a comparison with all other states' expenditures for advertising to sell and promote their states, Kansas ranks among the bottom five. We must begin to develop an image campaign for Kansas. For FY 1986, I recommend that we increase KDED's Industrial Development Division's advertising budget to \$200,000. The additional funds will provide seed money for the Department to: (1) determine the kind of image we want Kansas to have and (2) develop a thematic background that not only KDED but professional developers and Kansas communities can use to sell our State in a comprehensive, unified manner. The common goal will be to bring Kansas positive recognition nationally and increase our competitive edge in the fierce competition for business development.

An integral component of the Department's economic development strategy has been the use of the Kansas Industrial Training Program. It is important for Kansas to demonstrate a commitment to meet the specific job training needs of new and expanding industries. Accordingly, in FY 1984, I recommended, and the Legislature approved, doubling the funding for this program to \$150,000. That funding was maintained for FY 1985; however, by mid-year all funds have been expended. Given the success of the program, I recommend a supplemental appropriation of \$75,000 for the remainder of the fiscal year. Further, I recommend an appropriation of \$350,000 to continue this level of effort for FY 1986. I also encourage KDED to work closely with the Department of Education's Vocational Education Administration in implementing this program.

International

State governments have truly become part of an international economy. Spurred by the potential for economic growth, states have become increasingly involved in export promotion and encouraging foreign investment. During the past year, my Administration has worked aggressively to develop trade opportunities in Europe, China, Japan and, most recently, Taiwan. The fostering of such relationships provides expanded opportunities for long-term investments in the future of Kansas.

During my first trade mission to the People's Republic of China five years ago, the seeds were planted for a Sister State relationship with Henan Province. Today, we are seeing tangible results of that partnership. Transactions during our most recent trip to the Province have the potential of injecting \$10 million into the Kansas economy; and this is just the beginning. I have signed an agreement with Chinese officials in which the Province has agreed to give Kansas first priority in all business dealings. Another important result of our recent trade mission to China was the first international exhibit from Henan Province at the Kansas State Fair.

My goal is to continue to put the State in the most favorable position to recruit investment and forge new trading relationships. Toward this goal, I recommend an increase of \$45,000 in the KDED budget so that the Department can enter into a contractual arrangement for foreign representation. Many states have fully-staffed, foreign offices to market their products and recruit business ventures. Kansas should begin to compete more vigorously in this market. I believe that the contractual arrangement recommended will provide a mechanism to increase the personal contact and follow-up necessary to ensure that the dollars which we are investing earn maximum returns. To further expand Kansas' participation in foreign markets, I recommend the addition of \$50,000 to enable us to enter the international advertising arena for the first time.

COMMUNITY DEVELOPMENT

An important part of the State's role in promoting economic development is assisting our local communities in their efforts to improve the basic development environment and to enhance economic activity.

Under the first year of state administration of the Small Cities Community Development Block Grant (CDBG) Program, 387 projects were submitted by cities and counties totaling \$98.7 million in funding requests. Of the \$16.5 million available for distribution, grants were awarded for Community Improvement and Economic Development projects to primarily benefit low and moderate income populations in the following major categories: Community Improvement projects funded included water, sewer, street and housing rehabilitation; Economic Development projects included infrastructure and business financing.

The State Economic Development Set-Aside portion of the CDBG Program is a departure from the federally-administered program and will result in the creation of over 2,000 jobs and \$30 million in additional leveraged project funds in all parts of the State.

We now have almost a year's experience with state administration of the CDBG program. We have learned much in this initial year and will modify and improve the program in our next year's efforts. Elected officials, development professionals and others from across the State have provided valuable direction on the design, implementation and improvements for the program. With their continued assistance, we will strive to ensure that the program is responsive to Kansas' needs.

The Kansas PRIDE Program continues to be an important part of the State's efforts to assist local leaders with community improvement. To date, 325 Kansas cities and towns have participated in either one or both of the program's two approaches: Community Achievement Awards and Blue Ribbon Recognition. The high standards set out in the PRIDE Pacemaker Status have allowed the communities and KDED to work cooperatively to increase local economic development activities on a statewide basis. This program has enthusiastic support from Kansas communities, and I recommend that we continue the current level of support for the program in FY 1986.

Activities of the Kansas Main Street Program over the past four years, the community service efforts of the Schools of Design of both Kansas State University and the University of Kansas and, finally, the National Main Street Teleconference of September, 1984, have combined to heighten a broad interest in downtown revitalization in communities across the State. In response to this substantial public interest, I recommend supplementing our current efforts with a contract with the National Main Street Center to provide additional technical assistance both directly and indirectly to Kansas communities. This resource has proven to be valuable to the nearly 20 states already participating in the program. With \$40,000 in state funds, to be matched in an equal amount by other sources, we can generate the funding necessary for Kansas' participation in the program. I enthusiastically support the creation of public/private partnerships, whenever possible, to achieve our mutual objectives.

HUMAN RESOURCES: EMPLOYMENT AND TRAINING

The State's increased role in economic development must be coupled with an equally increased role in employment and training policies. The Kansas workforce is undergoing significant changes as it adjusts to the trend toward more service employment and proportionately less employment in the manufacturing and industrial sector. The Kansas Department of Human Resources (KDHR), in cooperation with the Department of Education and the Kansas Council on Employment and Training, has made major efforts in the last year to strengthen and upgrade the Kansas workforce through the implementation of the Job Training Partnership Act (JTPA). This program has provided an opportunity for states to develop a partnership with private sector employers and local officials in addressing the problems of employment and economic change. Almost 5,000 Kansans have received some form of job training since the program was initiated over one year ago. I am particularly appreciative of the tremendous response and support from the private sector for this program. The efforts of the five Private Industry Councils (PIC) are largely responsible for the success of the JTPA program in Kansas.

While we have suffered few major plant closings in Kansas as compared with other states, those that we have experienced have been serious to the community and workers involved. In addition, Kansas has a growing number of farmers who have joined the ranks of the unemployed. To assist those affected in the transition when a plant closing or layoffs occurs, I have directed the Secretary of Human Resources to develop a Kansas Pre-Layoff Assistance Coordination Team (K-PACT). The coordination team will include representatives of business, labor and units from many departments in state government which provide technical and social services to unemployed individuals and affected communities. Due to changes in the economy, there will always be fluctuations as business and industry make adjustments in production. When these adjustments have to be made, the State must be available to respond rapidly to the needs of the workforce, the community and the business involved.

The level of unemployment in Kansas has improved in the past year, going from 6.3 percent in 1983 to 5.7 percent in 1984. The total number of persons employed in Kansas today, however, is 15,000 less than were employed in 1979.

We must be aware that, like the rest of the country, Kansas still has a great number of unemployed who have depleted their unemployment insurance benefits. Many have outdated skills or skills which are not required in the current job market. Social service and job training programs throughout the State are experiencing increased demand from this population. As slow growth in Kansas continues, we must remember that the pressure for economic growth and new jobs is greater than reflected by unemployment statistics.

There are a number of factors which influence business expansion and location decisions. Some of the more important ones are the stability of a state's unemployment insurance fund, which impacts on employer tax rates, and a state's worker compensation and unemployment policies.

Due to several factors, including a higher level of employment, a "freeze" on maximum benefit amounts and the actions of the 1983 Legislature which imposed a temporary surcharge on employers to secure the solvency of our Unemployment Trust Fund, the Fund in Kansas grew by 49 percent during 1984. This growth has prevented a need for reimposing a surcharge on employers' taxes and, in addition, has allowed tax rates to decline for the majority of employers

in the State. Kansas now ranks 11th among 50 states in the number of benefit months in reserves in the Fund.

With regard to problematic issues in our State's unemployment and workers' compensation laws, I directed the Secretary of Human Resources last summer to work closely with the Employment Security Advisory Council to find compromises, if possible, in the greatest areas of contention between labor and management. The most controversial of these include voluntary quits and a number of smaller issues in our workers' compensation policies. The Employment Security Advisory Council is composed equally of leaders from business, labor and the public sector. Based upon recent reports of the Council's actions, I feel confident that recommendations will be brought forward to be considered by the 1985 Legislature. Improvements in these areas should benefit both labor and business by making Kansas more attractive to prospective investors and adding new jobs to our economy.

Another issue, of critical concern to labor in the past, has been the lack of a clear definition of what constitutes the "prevailing wage" for public construction projects in Kansas.

To rectify this situation, I directed the Secretary of Human Resources in 1984 to proceed with a wage determination for public construction projects in Kansas. This determination will provide a current rate of per diem wage paid for each locality within the State. Some determinations may be complete as early as February of 1985, with the entire State completed by late spring. The Department is making every effort to solicit maximum input from businesses, as well as labor, in this process. This should ensure an equitable outcome for all parties involved.

In order to meet the staffing needs necessary for the prevailing wage project, the Department has had to reassign individuals in the agency. This arrangement cannot continue after the survey is completed and implementation begins. I, therefore, recommend that additional positions be approved for the Department for FY 1986 so that successful implementation of this important measure can occur.

Economic development is not an end in itself, but a means to an end. Kansas' diverse economic base has contributed to steady growth throughout the years, and our goal must continue to be to maintain a climate that fosters economic development and the next generation of economic enterprises. This will require that we continue our efforts to enhance our educational system and our job training efforts so that our youth can obtain the skills needed for tomorrow's jobs. It also requires that we do all that is possible to improve the image of our State and that we ensure a level of fiscal stability that provides us the resources needed to invest adequately in the basic building blocks critical to economic prosperity.

New competitors and opportunities are emerging. My goal is to put Kansas in the best position possible to take a step ahead on both fronts.

EDUCATION

I announced two years ago that education would be the top priority of my Administration for the remainder of my term as Governor of Kansas. My recommendations to the Legislature and my

activities across the State over the past few years, I believe, have demonstrated my commitment to making Kansas' educational system one of the best in the country.

With much assistance from the Legislature, local school districts and the support of academicians and Kansans throughout the State, we have accomplished a great deal. We have begun to approach our target of increasing Kansas' average teachers' salaries to a level which is competitive with comparable professions. This we must accomplish if we are to maintain and attract highly qualified young people to the teaching profession. We have, at the same time, increased certification requirements for educators to assure that the expenditure of additional resources yields improved quality. We have also begun a program review process to improve our institutions of higher education.

Beyond our efforts to strengthen our primary/secondary system of education, we began last year to address more adequately the funding needs of higher education. We must not lose ground. Our investment in our system of higher education must continue at levels sufficient to attain high quality. Higher education in the previous few years, like all other areas of state government, experienced lower levels of support than is necessary for the pursuit of excellence. Higher education will continue to be critically important to the social, cultural and economic well-being of our entire State.

Although we have done much, many challenges remain. Our educational system is the single most important building block in our system. It deserves constant attention to its needs so that quality can continue to increase and our young people will be adequately prepared for the jobs of the future.

The business community is dependent upon a well-educated, highly trained workforce, prepared with the skills to fill tomorrow's jobs. And our people are dependent upon the business community to provide the jobs necessary for their livelihood. Adequate investments in our educational system are critical to Kansas' potential for economic growth.

Included in my recommendations to the 1985 Legislature is a proposal for a much needed, new revenue source. In constructing my budget recommendations for the next fiscal year, I attempted to look past the State's immediate, one-year needs and scrutinized closely the fiscal situation facing the State for Fiscal Year (FY) 1987 and beyond. If we were to fund a budget for FY 1986 with revenues estimated from current sources only, we could not maintain the commitment to our educational system that is reflected in this year's appropriations. For FY 1987, the State's fiscal situation would be even more bleak; and, again, it would be education funding that would most probably suffer.

Given the fact that the Kansas economy tends to lag behind the national economy and that strong signals from the federal government indicated increased funding responsibilities for state governments, I believe we must take action this year to secure the resources needed to move forward. Our sister states are not resting on their past accomplishments. Likewise, we in Kansas must not rest on ours.

The following recommendations for FY 1986 have evolved from a coordinated effort on the part of my office, the Department of Education, the Board of Regents, educators and interested citizens throughout the State.

ELEMENTARY/SECONDARY EDUCATION

School Finance

For FY 1986, I ask that the Legislature approve budget limits of 106 and 112 percent and a \$67.1 million increase in general state aid and income tax rebate to fund local school districts. This will increase the State's support of the statewide U. S. D. budget from 45.7 to 47.2 percent. I further recommend that the Legislature take action to eliminate the effect of Senate Bill No. 436 on the distribution of general aid.

This level of support from the State will make possible an approximate 10 percent increase in Kansas' average teachers' salaries and holds the potential of moving Kansas' national ranking from 30th to 27th. The statewide property tax increase under this proposal is estimated to be approximately \$40 million. Assuming a normal growth rate in assessed valuations, the actual average increase in mill levies would be approximately 1.5 mills.

Districts responded positively this year to achieve an average 9.75 percent teacher salary increase; and, given adequate assistance from the State again, I believe they will continue with the second phase of a three-year goal to raise teachers' salaries to an equitable and competitive level.

The costs of providing a quality educational system continue to increase. While the State must ensure yearly appropriation levels which address the basic needs of the system, we must continue also to search for means of instilling efficiencies which will generate additional resources from within the system. A few years ago, a legislative interim committee studied thoroughly the issue of pupil/professional ratios in Kansas schools. The committee members proposed fiscal incentives to address some problems they identified in this complex area. If the 1985 Legislature decides to revisit the pupil/professional ration issue, my office is receptive to working with them to make reasonable improvements.

Special Education

I recommend that the State fund the excess costs of special education in FY 1986 at the 95 percent level. This will require an additional \$7.3 million from the State General Fund.

Further, I propose that the State begin to include four-year old, handicapped children in need of pre-school special education services in the equalization aid formula. I further recommend that the program be an optional one, not mandated, thereby assisting those school districts which have a demand for such services. The estimated cost of this initiative for FY 1986 would be \$614,000. The Department of Education estimates that 20 percent of the children in this category would participate in the program the first year. Based on these estimates, the statewide property tax increase resulting from implementation of this program would be less than 1/10th of a mill.

This proposal has evolved from the dedicated and thorough work of the Task Force on Pre-School Handicapped Children, appointed by me in 1983 to assess the benefits of early education and training for the handicapped. Their work is supported by a multitude of national reports in which experts and professionals in the area of special education attest to the advantages of early intervention. Advantages accrue not only to the children who will be better served and, thus, better prepared to live as independently as possible, but to the State in the form of lesser demand for assistance to this group in later years.

Bilingual Education

The State Bilingual Education Act was established in 1979 to provide state funds in the amount of \$150 maximum per child to help establish and maintain a Bilingual Education Program. This Program was designed primarily to develop the English language skills of educationally deprived pupils, to reduce the educational deficiencies of such pupils and to integrate such pupils into regular educational programs. The State has a responsibility to rectify the language deficiencies of those students unable to speak or understand English.

The 1980 Census estimate of the Kansas minority language population is 185,000 or 7.8 percent of the total population. The school-age minority language population in Kansas is estimated to be 44,000 or 9.3 percent of the total 5-17 year-olds. There has been a major influx of Vietnamese and Indo-Chinese into Kansas, as well as a 17 percent increase in the growth of the State's Hispanic population over the last decade.

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

In 1984, 46 school districts provided instruction in 49 languages to 4,414 L. E. P. students. Resources devoted to bilingual education in our State have been limited to the point that programs are not adequately meeting the needs of population. I, therefore, recommend a \$25 increase to bring the entitlement maximum up to \$175 per child. To further improve the State Bilingual Education Program, I recommend we set aside 1 1/2 percent, or \$11,290, of the total bilingual education appropriation for improvements in the administration of the program.

We must strengthen and expand the Bilingual Education Program and use teachers dedicated to achieving educational equity and excellence through bilingual education. It is a cost-effective, community-inspired attempt to help children who face enormous education risks.

Academy for High-Achieving Youth

During the past year, the Commissioner of Education appointed a committee to study the advantages of creating a special program to better develop and stimulate the learning climate for high achieving youth in Kansas. This Committee has come forward with a proposal that follows closely models of programs which have proven successful in several other states. I am very

supportive of their proposal to establish a Kansas Honors Academy and have included \$150,000 in my budget recommendations for FY 1986 to fund such a program in the summer of 1986.

The program is designed to be a four-week, residential, summer experience and will emphasize interrelated academic studies, including mathematics, the humanities and arts, and science. Areas of emphasis will be selected annually, with the goal being a balanced program to meet the needs of the students who will be participating. Criteria will be established to select a diverse representation of the Kansas population--specifically, to include a balance of race, sex and geography. Sites for the Academy will be chosen each year and will vary among the institutions of higher education.

Through this program, we can begin to better recognize, motivate and challenge students in Kansas who are high achievers.

Competency Based Testing

Last year, I recommended, and the Legislature approved, the reenactment of a program of Competency Based Education (CBE) Testing in our State. I believe that this program has proven beneficial to teachers and school districts in assessing student achievement and in guiding curriculum development. I have, therefore, included \$237,500 in my budget for continuation of the program in FY 1986.

Teacher Quality Programs

The 1984 Legislature endorsed, through legislation or joint resolution, three programs recommended to increase the effectiveness of teachers in our public school system. Funding was provided in FY 1985 to begin validating a certification test for new teachers in Kansas which is to be implemented in the Spring of 1986. My FY 1986 budget includes the funding necessary for the Department of Education to complete the validation process begun in the current year. If funded, this recommendation will eliminate the need for any increase in teacher certification fees. I do not believe it appropriate to charge teachers for the cost of trial testing in the validation process.

The second program, an intern program intended to improve the skills of new teachers in Kansas, was endorsed by the Legislature in a concurrent resolution. In the resolution, the Department of Education was directed to present to the 1985 Legislature a plan for carrying out this program. I have reviewed the report of the Department and am impressed with the five-year implementation plan proposed. I have included in my FY 1986 budget the funding needed to initiate the first phase of the five-year plan.

The third program, supported by legislation during the 1984 Session, is an Inservice Program designed to increase the effectiveness of teachers already in the system. The program I recommended last year included first time support from the State General Fund, to be matched by local districts opting to participate. For FY 1986, I recommend that \$1.5 million be appropriated to the Department to support this worthwhile effort. This level of funding should be

adequate to assist the number of districts estimated to participate in the first year, if state funding is available.

Community and Parental Involvement

I feel strongly that lasting improvements in education can only be achieved through increased community involvement with schools. In the spring of last year, I appointed a Kansas Task Force on Partnership in Education to represent our State at a national convention. The Task Force remains active in promoting partnerships involving the private sector in sharing resources between schools and communities.

Involvement of patrons, business and professional groups, agricultural interests, labor groups, educators, elected officials and other community members should be pursued by all school districts. Many districts across the State benefit from community participation derived from Community Education Councils and Citizen Advisory Committees. I urge those districts which have not yet formed such groups to do so.

Parents must also be partners in their child's educational experience. I urge all parents to be actively involved in facilitating academic progress by their children and others through involvement with schools. Educational achievement is gained through high expectations, and parents are best suited to provide high goals for their children.

Asbestos Program

The federal Occupational Safety and Health Administration regulations require virtually all private employers to take precautions to prevent asbestos exposure to their employees. A second and more recent set of Environmental Protection Agency (EPA) regulations apply specifically to primary and secondary schools and require all public and private schools to inspect, sample and analyze friable materials to determine if asbestos is present. In the wake of this second issuance, there is a threat of civil penalties, with up to \$25,000 in fines for each violation by school districts that have not met the new minimum requirements. There is also growing alarm among those who must work in areas of potential exposure and among the parents of school children about the presence of asbestos in our schools.

As the designated lead agency, the Department of Human Resources has been assisting school districts with inspections. The Department, however, is severely understaffed to meet the demand. I have directed that a cooperative agreement among three departments be arranged to meet the increasing demand for state assistance with inspections required by EPA. The Kansas Department of Health and Environment (KDHE) has been designated as the lead agency and will be assisted by the Departments of Human Resources and Education in developing a state plan for dealing with the problem as required by EPA.

In recognition of the immediate need to respond to the requests from school districts for inspections necessary to meet EPA requirements, I have approved emergency expenditures in the current year by KDHE to train two technicians to carry out the inspections mandated by EPA. Under my direction, the State will coordinate future plans regarding a Kansas Asbestos Control

Program with the University of Kansas which will be implementing a program for environmental personnel training. My budget for FY 1986 includes funding for an Environmental Engineer and a Chemist within KDHE. Through these efforts we can evaluate and prevent harmful asbestos exposure to Kansans now and in the future.

VOCATIONAL EDUCATION

The vocational education system in Kansas contributes significantly to our goal of ensuring a skilled workforce. The increasing complexities of a highly technical age demand a rapid response from our vocational education schools; and their ability to respond is dependent upon the level of support they receive from the State as they strive to fulfill their mission. My FY 1986 budget includes recommendations to continue all of our aid programs to the various vocational education training institutions.

It is critical that our vocational schools maintain and secure up-to-date equipment, critical to providing the training necessary in today's advanced technological work arena. For FY 1986, I recommend that the State provide \$1.5 million in capital outlay aid so that our vocational schools can proceed to provide quality education to Kansas students seeking careers in technical areas.

COMMUNITY COLLEGES AND WASHBURN UNIVERSITY

We are fortunate in Kansas to have an excellent network of community colleges which serve a large number of students throughout the State. The pursuit of excellence in our educational system requires that we take a comprehensive approach and that we provide a level of state support which will allow all components of the system to move forward.

Accordingly, I recommend that the State increase by \$1 the amount of state credit hour aid, state out-district aid and out-district tuition provided to community colleges and Washburn University in FY 1986. In addition, it should be noted that this increase will provide a \$1.50 increase in vocational credit hour aid to community colleges. I further recommend that the state credit hour aid for law school hours at Washburn be funded at 1 1/2 times the rate of undergraduate hours. In postsecondary education, instructional costs vary by level and by discipline. The costs to Washburn University of providing a law education are higher than for undergraduate hours, and the State should recognize this differential in the funding structure for the school.

INDEPENDENT COLLEGES

The independent colleges are another important component of our system of higher education in Kansas. They provide excellent educational opportunities to thousands of Kansas youth. These institutions are privately-financed and receive no funding assistance from the State other than through scholarship programs.

The Tuition Grant Program, which provides scholarship monies to students who meet both the academic and need criteria, has remained at the same level of state support for several years. Further, there are stronger signals currently from the federal government that federal student assistance funds will be decreased in the near future. At the same time, many of our young

people are finding it increasingly difficult to secure the resources required for a college education. In light of these factors, and in recognition of how important it is that we assist our youth to obtain the highest level of education possible, I recommend that the State increase its support of the Tuition Grant Program by \$200,000 in FY 1986.

REGENTS UNIVERSITIES

In the area of salaries and benefits for faculty, students and classified employees at our Regents institutions in FY 1986, I recommend the following:

Faculty: A six percent increase in salaries and an increase of one percent in the State's contribution to faculty retirement benefits;

Students: An increase of six percent in the regular student salary pool and an additional \$471,000 for graduate student stipends; further, an increase in the graduate student fee waiver, from 60 to 75 percent; and

Classified Employees: (See Pay Plan proposed in "Public Employees" section of this document.)

These recommendations, I believe, are critical to our goal of maintaining highly qualified staff and graduate students in our universities.

The success of our institutions of higher education is measured, to a large degree, by the caliber of students attracted to our universities and retained in our State to pursue careers. Kansas does not perform well on either of these measures. Kansas loses two-thirds of its National Merit Scholars to colleges in other states, and we are all familiar with statistics which show the continued out-migration of our college graduates. We must begin to address these issues. The Board of Regents has proposed, after much study of the factors contributing to these problems, that the State provide a scholarship program, based solely on scholastic merit, which will serve as an incentive to attract more top scholars to Kansas universities. I strongly support this proposal and have included \$250,000 in my FY 1986 budget to establish a Regents Distinguished Scholars Program. The Board has further recommended that a portion of the funding for this program be dedicated to providing scholarships to students who choose education as their major course of study. This aspect of the proposal is consistent with other efforts we have begun to enhance the quality of the teaching profession in Kansas. It, therefore, has my utmost support.

In addition to recommending a six percent increase in other operating expenditures (OOE) for our Regents universities for FY 1986, my budget contains approximately \$401,000 for systemwide academic computer needs. The universities' OOE and special equipment needs are equally as important to the success of our schools as are adequate compensation levels for staff and student assistance. We must strive to maintain a continuous balance over time among all the major components upon which an excellent system of higher education is dependent. Given the appropriations for FY 1985, we have begun to provide a level of OOE support which will allow

our schools to begin the much-needed process of replacing and upgrading instructional equipment. My recommendations in this area for the next fiscal year will continue the progress we have begun.

The quality of the libraries at our Regents universities is another area which correlates closely with the quality of instruction available. For a number of years now, the Regents schools have stressed the need for increased funding to expand their library acquisitions. We cannot continue to ignore this fundamental need. The budget I am recommending for consideration by the 1985 Legislature includes approximately \$773,000 to address the current inadequacies in our State universities' library network. I encourage the Regents schools to coordinate their acquisitions with the recommend expansion of the Interlibrary Loan Program.

Medical Center

For the University of Kansas Medical Center, I support proposals by the Center to establish two new programs in FY 1986. My budget recommendations include \$260,000 to fund a Center on Aging to coordinate research, education and patient care programs that address problems associated with the aging process. I further recommend that \$375,000 be appropriated to the Medical Center to create an Occupational and Environmental Health Center which would focus on the effect of toxic substances and other chemicals. The funding for these types of program improvements at the Medical Center are available in the Medical Center's Hospital Fee Fund, which exceeded estimates in the past year. I feel strongly that the Medical Center should be allowed to utilize a portion of the excess fees generated for program enhancements and/or equipment purchases. This policy will provide an incentive for the Center to continue efforts to expand the market for its service.

Other Program Improvements

Emporia State University

My budget recommendations for Emporia State University (ESU) include funding for three new programs in FY 1986 each of which is intended to either improve the quality of teacher education or to assist local school districts in improving the quality of elementary and secondary education.

First, I recommend that \$300,000 be approved at ESU for the establishment of an Education Service Center. This Center would provide a statewide coordinated exchange of information, training and support for local teachers and administrators. This program is one component of a Program for Excellence in Educational Research and Service which was recommended by consultants who contracted with the Board of Regents to review the Schools of Education in our State. The service component will also identify outstanding Kansas elementary and secondary teachers who would spend a semester working with teacher educators and future at our colleges and universities. Additionally, outstanding teacher educators at Kansas colleges and universities will be identified to teach in the State's elementary and secondary schools for a semester. This exchange will promote better working relationships between university teacher educators and local practitioners.

Secondly, I recommend that \$87,406 and one position be added to the ESU budget to train students in the College of Education in the proper uses of microcomputers in the classroom.

Finally, I recommend \$81,563 and 2.5 positions at ESU to improve the supervision of instruction given student teachers. Two new faculty positions would permit more frequent and intense consultation with student teachers and their supervising teachers. This increased exposure will markedly improve the quality of instruction received in local schools.

University of Kansas

For FY 1986, I recommend that \$678,000 be approved to establish an Education Research Center of Excellence at the University of Kansas. This is the second component of the Program for Excellent in Educational Research and Service recommended in the consultants' report to the Board of Regents following a review of our Schools of Education. The research component will conduct intensive studies of classroom teaching and learning in the State's elementary and secondary schools. That research will include developing models of effective teaching in the State's diverse educational environments, isolating criteria that correlate with future success as elementary and secondary teachers in order to attract highly qualified students into the teaching profession, identifying the pedagogical skills necessary for preparing effective teachers, and determining factors which will improve our schools through curriculum redesign. Most of the research funds will be awarded to educational researchers at Kansas' public and private universities on a competitive basis.

Pittsburg State University

For Pittsburg State University (PSU), I recommend that \$130,983 be appropriated in FY 1986 for the extension of an Academic Services Center, to provide a cooperative outreach program to area community colleges. Under this program, PSU would provide courses of study at local community colleges that would not otherwise be available to residents in the community. These courses would be third and fourth year level courses, which the community colleges are unable to provide.

Wichita State University

I recommend that \$74,939 in state funds be provided in FY 1986 to maintain operation of the Cooperative Education Program at its current levels. This program, the administrative costs of which were previously financed by federal funds, places students in jobs with private enterprise that are related to the students' academic program. The program has grown from an enrollment of 46 students in its initial year to a present enrollment of 548 students. The additional monies recommended would finance one-half of a clerical position and 2.5 unclassified positions.

Kansas State University

A State General Fund appropriation of \$1,094,000 is recommended for FY 1986 to finance an addition to the J. R. McDonald Ion-Atom Collision Laboratory. This addition will house equipment to be purchased with an estimated \$5,150,000 in federal funds. The new equipment

will provide Kansas State University with a unique facility for basic research in sub-atomic physics.

Capital Improvements

My recommendations for expenditures in FY 1986 from the Educational Building Fund total \$12.5 million, but most of these funds have already been appropriated or are proposed for projects previously approved. The recommendation includes funds for two new projects: the renovation of Snow Hall at the University of Kansas and purchase of a new telephone system for Kansas Technical Institute. Construction funds are recommended for projects that previously had received appropriations. These include the Chemistry Building and Weber Hall, both at Kansas State University, and renovation of Martin Allen Hall, both at Fort Hays State University. The recommendation also includes funding to continue construction of Ablah Library at Wichita State University.

I urge the Legislature to give careful consideration to recommendations I have proposed for education for FY 1986. They address needs which are fundamental to our goal of establishing a top quality system and will sustain and build upon the progress made possible by the actions of the 1984 Legislature.

REVENUE AND TAXATION

Kansas stands at a crossroads with respect to taxation and the level of public services in 1985. We must decide between the politically expedient route and that which is right for the long-term future of the State. It would not be impossible to formulate a budget for Fiscal Year (FY) 1986 which calls for no increase in state taxes by using one-time windfall revenues for ongoing operations and reducing State General Fund operating balances to less than a desirable level. Such a budget, however, would be short-sighted and unwise fiscally and would serve only to heighten the fiscal pressures that will face the 1986 Legislature.

Such a budget would necessarily ignore the pressing needs of many Kansans. It would not allow us to make the required investment in elementary, secondary and higher education, and it would leave our public assistance programs at less than adequate levels. It would ignore the needs of public employees for a fair and equitable pay structure and would cause us to fail in meeting our responsibilities in agriculture, business development, natural resource development, conservation and protection of the environment, corrections and state government capital improvements. Beyond this, it would leave the State with no ability to respond to reductions in federal funding for programs that are vital to our citizens. In short, a budget with no new revenue source would provide Kansans with far less than they desire or deserve.

As in the past, my Administration will not shrink from its responsibility to recommend a budget that provides the revenues required to meet the public service needs of all Kansans. As we do so, however, we will retain our fundamental and long-standing commitment to fairness and equity in state and local government tax policy. We will also continue our drive for effective, efficient and impartial tax administration.

FISCAL OVERVIEW

The past eighteen months have seen a return of some stability to the state government revenue picture. Actual FY 1984 State General Fund revenues exceeded slightly (0.5 percent) the revised estimate for receipts made in November, 1983. Also, the November, 1984, re-estimate of FY 1985 revenues revised the projections made a year earlier downward by only \$17.9 million, or 1.1 percent. The downward revisions occurred principally in the individual income and retail sales taxes where actual FY 1984 and early FY 1985 receipts had fallen short of estimates. Those reductions were offset partially by increased estimates for interest earnings on idle funds.

It would be a mistake, however, to assume that Kansas has enjoyed a booming economy recovery from the 1981-1982 national recession. The agricultural industry remains depressed because of low commodity prices, high real interest rates and suppressed export markets. Many retail and service sectors oriented to and relying on agriculture also suffer the effects of the depressed agriculture industry. In addition, total nonagricultural employment has yet to recover to its 1981 levels. After adjustment for all changes in law, FY 1984 State General Fund receipts exceeded the recessionary levels of FY 1983 by an estimated 8.4 percent, and FY 1985 estimates project only a 7.1 percent growth over FY 1984. This compares with an annual growth rate in excess of 10.0 percent from 1971-1982.

Neither should one expect a substantial improvement in the rate of economic growth and recovery in the near future. Potential federal government deficits of \$200 billion annually through the end of the decade serve to dampen prospects for substantial economic growth. The Consensus Revenue Estimation Group expects that economic growth as measured by real (inflation adjusted) Gross National Product throughout 1985 and 1986 will be one-half or less than the 7.0 percent rate expected in calendar year 1984. In addition the Group estimates that Kansans' personal income will increase by only 6.7 percent in 1985, the second lowest rate of growth since 1967, and that unemployment will remain constant at 4.9 percent in FY 1985 and 1986.

These economic forecasts substantially influence FY 1986 State General Fund revenue estimates. The Consensus Revenue Estimating Group projects that FY 1986 revenues will total \$1.723 billion, an increase of only \$65 million or 4.0 percent over FY 1985 levels, on a current law basis. Because the estimates must be made on the basis of current state and federal law, this cast contains two important features that must be considered.

(1) It assumes that the provisions of 1983 Senate Bill No. 436, limiting the amount of federal taxes that may be deducted by certain taxpayers, will expire at the close of tax year 1984 as specified in the original legislation. This has the effect of removing roughly \$45 million from the revenue base.

(2) It also assumes, that as specified in 1983 House Bill No. 2106, the state cigarette tax rate will increase from 16 to 24 cents per package with the scheduled expiration of an 8 cents per package federal tax on September 30, 1985. This feature adds an estimated \$17 million to FY 1986

revenue, but we must remain mindful that the U. S. Congress will review this matter fully as it seeks ways to reduce the federal deficit this session.

The effect of the FY 1986 revenue outlook is to leave state government short of the resources I believe are required if we are to meet our obligations for education, human services, environmental protection, public employees and other areas. This is particularly true when one views our responsibilities not only from the perspective of FY 1986, but FY 1987 and through the end of the decade.

For this reason, I recommend that legislation be enacted to increase the state retail sales and compensating use tax rate from 3.0 percent to 3.5 percent. This measure will generate an estimated \$97.5 million annually and, if used judiciously, will enable the State to make measurable progress toward the goals I have sought since my first election.

The decision to seek an increase in the sales tax rate was not reached easily. It was arrived at only after a thorough review of all possible means of reducing expenditures and after reviewing other revenue options. It was my determination, however, that a one-half percentage point increase was a broadly-based measure that would not have significant adverse effects on any particular economic sector. Even at 3.5 percent, the Kansas state sales tax rate will be lower than the large majority of states levying the tax, and the total state and local tax burden in Kansas will not be out of line with that in other states. In addition, with the increase, the sales tax will constitute roughly its historic proportion of all State General Fund revenue and reduce what was becoming an over-reliance on the individual income tax.

To alleviate the impact of the tax increase for those who can least afford it, I recommend an expansion of the Food Sales Tax Refund Program in 1985 from \$1.3 million to \$4 million. I further recommend that eligibility criteria for the program be changed to conform with that required for the Homestead Property Tax Refund Program. The effect of these changes will be to increase the household income limit to \$13,000 from the current \$10,000 and to include households with a dependent child under 18 years of age. The individual refund amount available under the program I am proposing will be determined on a more progressive basis and will increase as income levels decrease.

I am also renewing my recommendation that state law governing the payment of insurance premium taxes be revised to require the remittance of estimated payments in June and December of each year. Each estimated payment would be equal to 50 percent of a company's prior year's liability, and an annual reconciliation would occur at the time of filing the annual report as required by law. This change will treat insurance premium taxes more nearly like most other state taxes and will bring Kansas policy in line with that of most other states. Based on current estimates, this change should result in a one-time revenue gain of approximately \$23 million in FY 1985. This will increase the projected ending State General Fund balance for FY 1985 to somewhat in excess of \$120 million, a more realistic level than that which we have experienced in recent years. This will serve to offset unexpected revenue shortfalls and, barring unforeseen economic changes, should negate the need for certificates of indebtedness in FY 1986.

TAX ADMINISTRATION

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

In particular, I recommend that five additional field auditor positions be dedicated to the corporation income tax area so that our coverage can be increased. Our effort in this complex area in recent years has been reduced because of unsettled legal and policy questions and budget restrictions. We have now, however, arrived at equitable solutions to complex problems, and it is important that we increase our field audit capability to ensure that major corporate taxpayers are in compliance with Kansas law and filing requirements. Based on past experience, it is estimated that each corporation auditor, when fully trained, can disclose almost \$1 million in additional liability annually on an investment of about \$30,000.

I also recommend continuation of Project Fair Share begun in FY 1984. This project is a concerted effort to identify individuals who legitimately owe Kansas income taxes, but are not now filing returns. The project works extensively from federal tax audit adjustments, listings of federal income tax returns with Kansas addresses, and other records of income earned in Kansas to identify potential taxpayers. In its first 17 months, the project has collected over \$2.6 million in additional liability on an estimated investment of roughly \$210,000.

I further recommend the approval of three additional positions to expand the Fair Share concept to the income tax withholding area. This team would work closely with the Kansas Department of Human Resources and the U. S. Internal Revenue Service to ensure that all Kansas employers register, collect and remit the appropriate withheld taxes from their employees. Through effective inter-agency cooperation, we can ensure that all employers are operating in accordance with the law.

Finally, I recommend the resources necessary to allow the Department of Revenue to continue the development and implementation of major revisions in the automated systems utilized to process tax and motor vehicle transactions. In FY 1985, the Department will complete the programming and testing and will begin to process two taxes--transient guest and retail sales--under the Kansas Business Integrated Tax System (K-BITS), a major, multi-year systems development project aimed at integrating and improving the collection and processing system for business taxes. Further taxes will be implemented under the K-BITS system for business taxes. Further taxes will be implemented under the K-BITS design in FY 1986. As implementation proceeds, K-BITS will begin to produce tangible benefits for business taxpayers and for the Department in its processing, collection, compliance and audit functions.

Sufficient resources are also recommended to allow the Department to continue the development of the Vehicle Information Processing System (VIPS). This project, begun in FY 1983, is designed to revamp the system for processing vehicle title, registration and related transactions. The system will operate through a network of computer facilities in each county treasurer's office and will provide much improved service to vehicle owners and increased efficiency at both the county and state level. The detailed design work for the system will be completed with consultant assistance in FY 1985, and programming and testing will begin in FY 1986. Actual

implementation of VIPS is scheduled to begin in late FY 1987. No further consultant assistance will be used in either the VIPS or K-BITS projects.

LOCAL TAXATION

The general property tax continues to be the mainstay of local government revenue systems, accounting for over 80 percent of all local tax revenues. It is, however, often the most inequitable tax paid by Kansans, and it is widely acknowledged that our current system of property taxation fails to meet constitutional requirements. Pending legal actions seeking reappraisal of all property, federal intervention on behalf of certain industries, and continuing legislative efforts to grant special tax exemptions and alter appraisal methods for certain classes of property are all evidence of the frustration with the current system. These are not solutions in and of themselves, however; they only underscore the need for a comprehensive approach to the reform of our current property tax system.

Most observers of our current structure recognize the need to reappraise all real property in the State so that current values can be established and maintained in a consistent fashion. Only through this process can we equalize assessments within a class of property and eliminate the most blatant inequities in our current structure. The principle of tax fairness demands that like property be treated in a like manner and that inequities not exist within a single class of property. As a matter of policy, my Administration will redouble its effort to achieve intra-class equalization.

The application of reappraised values, however, without classification would create a far larger problem than it would remedy. To do nothing but reappraise would result in a massive shift of the property tax burden to homeowners and farmers. The consequences for these property owners, as well as for local governments, including elementary and secondary schools, would be devastating. It is, therefore, mandatory that the process of reappraisal be accompanied by legislative approval of a proposed constitutional amendment providing for the classification of property for tax purposes. A classification amendment would allow us to assess different classes of property at different rates, thus allowing reappraisal to eliminate intra-class inequities, but limiting the devastating inter-class shifts that would otherwise result.

The 1984 Legislature dealt diligently with the subject of classification, but was ultimately unsuccessful because of an inability to agree on an underlying philosophy to guide its deliberations. The 1985 Legislature is presented with what I believe to be a very real opportunity to bring this issue to a successful resolution. The Kansas Tax Review Commission, chaired by Lt. Governor Thomas R. Docking, has, since its inception, devoted the bulk of its efforts thus far to the review and analysis of the property tax area. The Commission has concluded that the reappraisal of all property is necessary to an equitable property tax structure. They have also concluded that a constitutional amendment providing for classification should be adopted by the Legislature and presented to the voters concurrently with the approval of reappraisal legislation.

The Commission has further recommended that the classification amendment should provide for three classes of property: (1) regulated public utility property to be assessed at 30 percent of value, (2) all other income producing property to be assessed at 20 percent of value, and (3)

single-family and multi-family residential property to be assessed at 10 percent of value. Under the proposal, agricultural real estate would be appraised on a use value basis and assessed at 20 percent of use value. Recognizing that a comprehensive approach such as this will necessarily involve some shifts in the property tax burden, the Commission has also recommended that, to the degree possible, the proposal should be phased in over a ten-year period.

I want to thank and commend the members of the Commission for their hard work and thoughtful analysis. I endorse strongly the principles embodied in the classification proposal and urge the Legislature as a matter of high priority to give early and favorable consideration to a concurrent resolution for a constitutional amendment to classify property that is similar to that recommended by the Commission. While there may be differences regarding the details, the principles and tax policies underlying the Commission proposal are sound and should be included in any resolution adopted by the Legislature.

The particular strengths of the Commission proposal of which the Legislature should be mindful include:

- It substantially minimizes shifts of the property tax burden among classes of property, particularly when compared to the distribution that would obtain with uniform and equal assessments.
- It recognizes that ownership of property is not the indicator of ability to pay that it was in the 18th and 19th century and that differences in property taxation can appropriately be made on the income-producing capability of the property.
- It treats similar income-producing property in a similar fashion so that economic distortions are minimized and discrimination does not occur among businesses based solely on whether they own personal or real property.
- It significantly reduces reliance on personal property taxes.
- It utilizes a phase-in period to moderate the effect of such property tax shifts as do occur.
- It is a system that is understandable and sensible to the average taxpayer.

Adherence to principles and policies such as those recommended by the Kansas Tax Review Commission will enable us to deal effectively and successfully with the classification issue. We can then proceed to set in motion the machinery for updating real property values and to restore credibility, fairness and equity to our property tax system.

Effective governance requires a commitment to principles and a spirit of cooperation among all involved. In no area is this important than in taxation. Kansas has a rich history in this regard. If we can approach the issues I have outlined today in the same cooperative manner, we will indeed

improve the fairness of our tax system and enable government to continue providing the quality of services that Kansans desire and deserve.

AGRICULTURE

Kansas, situated at the heart of the world's bread basket, is dependent upon agriculture for continued success and prosperity. This industry accounts for a major proportion of the business generated in Kansas and provides the base of the cultural heritage of our State. Recognizing the importance of agriculture is essential, but being committed to the welfare of the farmer is even more critical.

STATE ISSUES

Water

Agriculture is dependent upon the natural resource base of Kansas. Since this base represents a non-renewable, we must pursue activities that protect our future by ensuring the viability of our natural assets.

The Kansas Water Authority and the Kansas Water Office will introduce to the 1985 Legislature a comprehensive State Water Plan that I directed them to prepare. This plan is designed with conservation, protection and development of our water resources as its touchstone. I urge the Legislature to support this historic plan. I commend the Water Authority and the Water Office for the fine work they have done in preparing this plan for presentation.

Although the Water Plan addresses many of the needs we have in the area of water resource development and conservation, some initiatives need to be addressed before the plan is officially adopted. I recommend that the Legislature appropriate \$500,000 in additional funding for water resource land treatment programs and \$200,000 in additional funding for the Water Shed Construction Program in FY 1986. These enhancements supplement programs which are consistent with the scheme as outlined in the Water Plan. Both programs are administered by the Conservation Commission and will be targeted to areas of specific need as outlined in the plan.

In the last two years, the Division of Water Resources in the Board of Agriculture has made significant progress in reducing the backlog of water permit applications and perfections. I support these efforts and recommend an additional \$288,000 for FY 1986 to be used for contractual services to assist in further reduction of the backlog. The backlog should be eliminated within five years.

The Division of Water Resources is also responsible for operation of the State Dam Safety Program. For FY 1986, I recommend that the Legislature appropriate money for the reinstatement of this program. This program will allow the regular inspection of a number of high-hazard dams around the State. This program is also consistent with the Water Plan and is an important preliminary step in managing water resources effectively.

I further recommend an appropriation of \$225,000 for the Attorney General to the continue with litigation concerning depletion of the Arkansas River.

The development of a plan to manage our vast water resources is an ongoing process. Although the Water Plan is now ready for introduction, research efforts must continue. To ensure that this occurs, I recommend an additional \$200,000 in FY 1986 for research projects to be conducted by the Kansas Water Office. I further direct the Water Office to use a portion of the funds for research on the Dakota Aquifer.

Laboratory Services

The Board of Agriculture, with its many regulatory functions, relies heavily upon laboratory services. The consolidated laboratory utilized by the Board is in need of new equipment and capital upgrading to ensure effective testing and safety of employees. I recommend \$116,000 to be used for capital improvement needs to provide the necessary safety upgrades. I also support the purchase of new, technologically-advanced equipment for the laboratory as requested by various divisions of the Board.

Marketing

Agriculture has become an industry of major international significance. Following a period of rapidly expanding exports in the 1970's, the last few years have seen a leveling off or decrease in our agricultural exports. Although many of the reasons for the declining exports are beyond the control of the individual states, there are many things that can be done at the state level to increase our marketing effectiveness.

I have participated in three successful trade missions in the last year--one to China and Japan, one to Europe and one to Taiwan. These contacts are necessary to forge profitable trading partnerships. In addition to these official visits, appropriate initial contacts and effective follow-up must be pursued. The Marketing Division of the Board of Agriculture must be provided the necessary resources to undertake this function. As our need for more markets continues to grow, our commitment to the Marketing Division must also grow. I recommend an increase of \$100,000 in the Marketing Division's budget for FY 1986. These funds will be used for market development in Eastern Europe and the Middle East and for a new international marketing specialist position in the Division.

Farmers' Assistance, Counseling and Training Service (FACTS)

Many Kansas farmers are facing economic problems unmatched since the Great Depression of the 1930's. Low commodity prices, high real interest rates and lagging exports all contribute to these problems. Farmers today face an industry as complex as any in the nation. It is truly international in dimension and capital intensive in nature. As the complexity of the industry increases, the need for sophisticated skills in financial planning, investment packaging and farm management also heightens. Concurrent with these changes are increased requirements for receiving private and public financing. These and other pressures have converged to create an unstable agricultural economy in which even "goods" farmers are facing severe economic stress.

The FACTS program is designed to provide a clearinghouse for information on available assistance and to provide new services currently unavailable to Kansas farmers. This program would be located within the Board of Agriculture. A toll-free telephone line will provide farmers with ready access to the staff. The staff will be prepared to make an assessment of the needs of the individual farmer and provide that farmer with a list of people and organizations who can be of the most help. Whenever possible, this program will utilize existing resources in the areas of financial management and planning, farm management assistance and other types of support services needed by farmers. The staff at FACTS will also be equipped to offer these types of services if an appropriate referral agency cannot be located. In addition to the above-mentioned services, legal assistance will be provided through the FACTS program for those who are in need of the advice and counsel of an attorney. The services offered will focus primarily on the financial needs of farmers; but we cannot afford to examine the financial issues in a vacuum. FACTS is an attempt to consolidate the array of services needed by farmers who find themselves in financial straits.

In addition to the referral component of FACTS, the in-house staff will be charged with examining laws, rules and regulations and other provisions that affect the ability of farmers to access necessary capital. Currently, there is no state agency charged with such a function, and the time has come to ensure that Kansas' farmers are getting the assistance they are entitled to receive.

By utilizing the resources of the State Cooperative Extension Service, Kansas Legal Services and other such groups, we can begin to coordinate on-going assistance efforts. Providing the additional resources needed to conduct analyses of current finance programs will enable us to more adequately serve the needs of the State's largest industry.

Several other states, including Montana, Nebraska and Minnesota, have implemented programs similar to this and have been pleased with their success. By placing this program within the auspices of the Board of Agriculture, we can ensure that the program is designed to address the specific needs of Kansas farmers. I recommend that \$409,000 be included in the Board of Agriculture's FY 1986 budget for the implementation of the FACTS program.

NATIONAL ISSUES

Agriculture is this country's largest industry with assets totaling more than the assets of the steel, automobile and housing industries combined. Because of agriculture's importance in size and function, most agricultural policy is developed at the federal level.

In my role as Chairman of the National Governors' Association, I am working to elevate agriculture to a prominent place on the national agenda. In pursuing that goal, I have created a Task Force on Long-Term Agriculture Policy made up of traditionally recognized agricultural states and many non-agricultural states. Through the efforts of this group, I hope to communicate the importance of agriculture not just to those in the Grain Belt, but to the nation as a whole. Only through such efforts to build consensus among urban and rural states can we expect to achieve success with agricultural programs considered by Congress.

In 1981, I created the Kansas Agricultural Working Group to advise me on the problems facing agriculture and to propose solutions to the agricultural dilemma this country faces. This Group carried to me important and rather simple advice. This country and its farmers need stable and long-term policy that is not in a state of constant change. Most other major industries benefit from government policy that is predictable and relatively stable. Agriculture, on the other hand, is subject, at the very least, to policy that changes every four years and in the last few years, once a year. No major industry can grow and prosper in such an environment. This Working Group convinced me that what agriculture needs most is dependable agricultural policy.

The nation's governors agreed by adopting at their annual meeting a resolution that calls for the creation of a quasi-independent commission charged with developing and recommending long-term agricultural policy for this country. This recommendation is particularly critical this year, because Congress is faced with passing new omnibus agricultural legislation.

Not only should Congress convene such a commission, but it should also take a new approach to developing the 1985 farm bill. Programs authorized in this bill should be designed to be ongoing rather than automatically ending in four years or less. If a program is working, it should not be changed. Current law requires that at least every four years new agricultural legislation be passed. Even when the programs are simply renewed, this uncertainty creates an environment that is wholly unsuited financial planning.

1985 is an important year for agriculture. Federal deficit reduction efforts may be the single most important piece of agricultural legislation that Congress will address. The federal deficit keeps pressure on interest rates and undermines our export efforts because of the strong dollar. The 1985 farm bill is critical to the health and continued success of the agriculture industry. I pledge to devote time and energy to seeing that agricultural issues are fairly and adequately addressed by Congress.

Getting people to recognize the importance of agriculture to the state and national economics is one of the major challenges we face. Today, agriculture is more than the quaint family farm of yesterday. Agriculture is the management of our national resources, the backbone of our economy and the strength of our rural communities. Agriculture must be at the top of our agenda if we are to maintain our position as the capital of the world's bread basket.

PUBLIC EMPLOYEES

The heart of state government is embodied in the corps of public employees representing the part of state government most directly in contact with the people of Kansas. Without their efforts and sense of dedication, our goals in the executive and legislative branches of government would prove largely ineffective. Today, I am proposing a change in the current pay plan structure for state employees--one which will serve as a major step toward a more equitable system of employee compensation.

THE PAY PLAN

In order to assure that the structure through which state employees are compensated reflects consideration of issues relevant to those employees, my budget recommendations for Fiscal Year (FY) 1986 include a new salary plan that emphasizes a job-rate concept, includes a modified pay matrix and changes the basis upon which employees are granted step increases.

Background

In FY 1981, a pay plan was implemented. This pay plan was designed to be performance-oriented, and movement through the steps was based on employee performance evaluations. Under that plan, employees could receive as much as a three-step increase for outstanding performance. During FY 1981, however, the bulk of available funding was expended for adjustments to bring the pay plan into line with the labor market and to place employees on the new matrix.

Due to fiscal constraints since the development of the plan, full funding for merit increases was only available in FY 1982. This lack of funding for step movement has created a morale problem among state employees. Concerns have also developed during the past three years regarding the difficulties that administration of the current merit system presents, even if fully-funded.

Specifically, the suspension of movement through the steps since FY 1982 has resulted in an accumulation of employees on the first three steps of the pay ranges. As a result, newly-hired employees are earning the same salary as their more experienced colleagues. Further, implementation of the current evaluation system has evidenced widely varying results from agency to agency. Such a system raises obvious questions of equity across agency lines. With agency evaluation policies varying widely, the fiscal impact of full funding presents potential problems with no assurance of achieving equity.

Because of the problems I have mentioned, I recommend adoption of the following pay plan. This plan has been developed with cooperation and input from the Governor's Cabinet, the State Employees' Advisory Committee and the Kansas Association of Public Employees (KAPE).

Proposal

- (1) Each job classification within the Kansas civil service will be linked to a "job rate," which is defined as the rate of pay sufficient to retain a competent employee.
- (2) The "job rate" will be established by the prevailing or market rate for the job, as determined through surveys, and adjusted as necessary based on other considerations such as state classification system equity, applicant availability and fringe benefits.
- (3) The "hiring rate," or starting salary, will be no lower than the "job rate" in recognition of the fact that "new hires" are not performing at full performance level.

(4) As employees gain experience in their job classes, they will be allowed to move toward the "job rate," if their job performance is "satisfactory."

(5) After attaining the appropriate "job rate" for their current job class, employees will be granted additional salary (step) increases to retain them in state service, if their job performance is "satisfactory."

(6) Any exceptional performance awards (merit pay) will be separate from the pay plan.

The Pay Matrix

The new pay matrix is a modification of the current matrix; longevity steps have been removed, as have steps 4 and H. This new matrix consists of ten steps. Movement through the matrix will be governed by the "time-on-step" concept and require "satisfactory" job performance. This concept differs substantially from a "time-in-service" approach, because salary increases, i. e., movement through the pay matrix, will be based on the time an individual has been on a particular step of a particular range. An employee starting at step A would reach the maximum (step G) of the salary range in 20 years, if this employee remains in his/her job class.

| <u>Step</u> | <u>Time-on-Step Requirement</u> |
|-----------------|---------------------------------|
| A (Hiring Rate) | Six months |
| 1 | Six months |
| B | One year |
| 2 | One year |
| C (Job Rate) | One year |
| 3 | One year |
| D | Five years |
| E | Five years |
| F | Five years |
| G | Five years |

Maintenance of the Plan

Once the pay plan is established, maintenance will be required to ensure the integrity of the plan. Each year, the Division of Personnel Services will conduct salary surveys and complete additional analyses necessary to maintain the pay plan. The focus of these activities will be on the job rate assignments for specific job classes. Proper job rate assignments will be determined by comparing step C (job rate) of the assigned salary range for a specific job class to the current market rate for similar positions. The Division will identify the proper market for the class being studied and will conduct the study within this market. The salary survey results will serve to identify those job classes that need additional, in-depth analyses. These analyses will include the

consideration of the survey results and any other factors that are pertinent to the salary range assignment of the job class in question, including internal alignment and consistency within the state classification system, applicant availability and fringe benefit comparisons.

When it is determined that a class requires a salary range adjustment, the change will be allowed for at the front-end of the budget cycle. Additionally, it may be desirable to propose an adjustment to the entire pay matrix. Any such action could be included in the budget recommendation.

Pay Matrix Summary

The proposed pay plan is an improvement over the current pay plan. The new plan recognizes the value of experienced employees to the State of Kansas by differentiating them from newly-hired employees. It is designed to improve employee morale by providing predictability. Additionally, it incorporates the fundamental philosophy of a job rate established to reflect market conditions. It thereby ensures that the State will remain competitive with other employers and that the job rate established will maintain equity within the classification system.

Adoption of the proposed pay plan will enhance significantly the State's ability to guarantee its employees an opportunity to advance through the pay matrix. This movement will be included annually in agency budgets, thus providing stability and predictable increases for employees.

Implementation of the new pay matrix in FY 1986 will require a total appropriation from all funds of \$27.2 million. The State General Fund portion would be \$17.8 million. This funding level will accomplish the matrix conversion for all classified state employees and provide an equivalent percentage increase for all unclassified employees, other than those in the Board of Regents' system.

EXCEPTIONAL PERFORMANCE AWARDS

As part of my employee compensation proposals for FY 1986, I recommend exceptional performance awards of \$500 to each employee who meets the criteria for such an award. The sum of funding I have included in my FY 1986 budget for this program is sufficient to allow exceptional performance awards to 20 percent of the workforce. Valuable employees should be recognized for their contributions. Recognition is most beneficial to employees when it is an identifiable form of compensation. A simple check awarded just to top-performing state employees provides such recognition.

SECRETARIAL STUDY

Over the past two years, a study of the classified Clerk Typists I and II, Clerk Stenographers I and II, and Secretaries I, II and III was completed by the Division of Personnel Services. The study evaluates current classes and includes recommendations for improvements to make the pay for these classes competitive with the private sector and to provide a better career ladder. Guidelines were developed also to achieve greater equity in the evaluation of these positions. It

is imperative that salary upgrades, based on the newly-developed classes, be included in order to bring state government salaries more closely in line with comparable jobs in competing markets.

Results of this study further indicate a clear need to create a series job classes that more accurately reflect secretarial duties and the skills appropriate to contemporary, more automated office environments.

After careful review of the findings in the Secretarial Study, I recommend that provisions of the study be funded in FY 1986. This will require an appropriation of \$2.5 million from all funds-- \$2.0 million of which will come from the State General Fund.

BUDGET SUMMARY FOR TOTAL FY 1986 PAY PLAN PROPOSALS

The total funding recommended for the new pay matrix and performance awards in FY 1986 amounts to an approximate 5 1/2 percent increase in state employee pay. The funds proposed to adjust secretarial pay are in addition to the 5 1/2 percent and bring the total increase of my pay proposals for state employees in the next fiscal year to almost 6 percent.

OTHER EMPLOYEE PROGRAMS AND BENEFITS

During my Administration, I have supported the development of programs for state employees which provide them a better work environment.

In July, 1984, I established a Cabinet Sub-Committee on Employee Health Promotion and Wellness to promote and implement the Kansas Employee Assistance and Health and Wellness Program.

The "Health Promotion PLUS" Program is designed to promote the adoption of healthful lifestyles in order to improve job satisfaction and performance and to reduce health care costs. This program is staffed by the Department of Health and Environment and Social and Rehabilitation Services. Staff members will assist state agencies by providing support services at the worksite in the form of technical assistance, training program planing and development. This program, as well as others that reach out to assist public employees, shall continue to have my full support.

For FY 1986, I propose the following retirement benefit enhancements for state employees. I recommend that the amount of optional group life insurance available for purchase by state employees through payroll deductions be increased from \$50,000 to \$100,000. Further, I propose that one or more additional survivor options be provided for members who retire under the Kansas Public Employees Retirement System (KPERs). This will allow members to select the options most beneficial to their needs. I will give careful consideration to any additional recommendations that evolve during the course of the 1985 Legislative Session.

It is imperative that state government maintain a quality workforce. This has been an ongoing of my Administration. The proposals I am submitting for consideration by the 1985 Legislature are

positive measures necessary to ensure fair and adequate compensation and benefits to Kansas state employees.

ENERGY AND ENVIRONMENT

Measures initiated in the first six years of my Administration for protecting the Kansas environment have positioned the State well to take further steps ahead in the next year. Growth for Kansas is dependent upon sound and reasonable environmental policies, and a safe and healthful environment is legacy to which our children and their children have a right. It is also a basic element of Kansas life that is important to businesses for the future and for their employees. Thus, I will continue to emphasize those activities designed to protect the valuable natural resources of Kansas.

ENVIRONMENTAL ISSUES

Kansas Environmental Plan

Our State's improvements in hazardous waste laws have been exemplary, but much remains to be done. In Fiscal Year (FY) 1986, I ask again legislative approval of a prohibition on the land burial of hazardous waste so that we may better protect the quality of our precious groundwater from which 80 percent of Kansas water use originates. To further strengthen Kansas' hazardous waste program, I also request eight new positions in the Kansas Department of Health and Environment (KDHE) for expansion of groundwater testing to identify unknown groundwater pollution sites so that remedial action can be taken. In addition, I recommend an expansion of the funding for the State Superfund and propose additional regulation on the use of deep well injection of hazardous waste.

While recommending the ban on burial of hazardous waste to the 1984 Legislature, I noted that the technology has been developed to dispose more safely of these wastes. As a state, I believe our policy should be to encourage the use of alternates to land burial such as reuse, recycling, treatment or incineration.

Addressing the potential threat to groundwater from existing waste disposal sites will require that the 1985 Legislature continue what was begun in 1984. I recommend that \$200,000 be transferred from the State General Fund to the State Hazardous Waste Clean-Up Fund (State Superfund). The fund, created last year, is needed to inspect, monitor and clean-up sites where necessary. In addition, I recommend that \$300,000 be transferred from the Sponsored Project Overhead Fund to the Superfund, thereby making \$500,000 available for hazardous waste projects.

In the summer of 1984, the Hazardous Waste Injection Well Task Force was formed. The Legislature should take a close look at the suggested limits and regulations by KDHE based on the Task Force work.

Water Plan

The Kansas Water Authority and the Kansas Water Office have completed the development of the State Water Plan. I recommend that the 1985 Legislature adopt this important water policy plan. The plan includes sections on management, conservation, quality and development of our State's water supply.

Adoption of this plan will begin needed basin planning efforts, resulting in additional implementation funding next year. Several water program measures, consistent with the proposed plan, were assigned a high priority by the Kansas Water Authority. I recommend that the Legislature appropriate \$500,000 in additional funding in FY 1986 for cost-sharing land treatment measures and \$200,000 in additional funding for the Water Shed Construction Program.

I will continue to support the joint Kansas Corporation Commission/Department of Health and Environment oil field inspection activity to ensure that we maintain the controls necessary to minimize the potential negative effects of current and past brine disposal practices.

I recommend eight additional staff for the Kansas Water Protection Program to implement new pre-treatment programs for water and wastewater. These new positions for KDHE will improve our capacity to assist county governments in the preparation of water and wastewater treatment plans, to conduct toxicity screening of point source discharges and to administer a permit program involving federal facilities throughout Kansas.

ENERGY ISSUES

The State's energy programs, since the Kansas Corporation Commission (KCC) assumed responsibility for such programs, have continued to focus on improving energy conservation habits, with special emphasis on energy measures designed specifically for small businesses and low income households. The KCC has established practical energy programs to assist those who have the most difficulty in planning and budgeting for energy needs. Moreover, current energy programs have improved the State's ability to address effectively future difficulties that may be encountered in energy costs or supply.

Natural Gas

At the present time, there is a nationwide surplus of natural gas. This surplus has resulted in a moderation of natural gas prices, with relative stability having been maintained for over a year.

Effective January 1, 1985, most federal price controls on new natural gas will be lifted. Because of the current surplus, it appears that there will be no immediate "fly-up" in consumer prices. The Kansas Natural Gas Pricing Act also expired January 1, 1985. This legislation, recommended by my Administration, has saved Kansas consumers an estimated \$134 million dollars throughout its existence. Close scrutiny must be maintained to ensure that Kansas consumers enjoy ready access to natural gas at fair, non-discriminatory prices.

Wolf Creek

The preeminent energy issue facing Kansas is the responsibility associated with the construction, completion and commercial operation of the Wolf Creek Nuclear Generating Plant. I was pleased to work with the 1984 Legislature to grant additional powers to the KCC needed in preparation for the current rate setting process.

Last year's House Bill No. 2927 gave explicit authority to the KCC to protect consumers from the costs associated with excess capacity. I believe there must be an assertion of ratepayer interests in shifting excess cost liability and avoiding rate shock. The KCC hearings are the proper place for that to take place while maintaining stability in the provision of electric service. We must continue to monitor what is needed to accomplish this objective.

As Chairman of the National Governors' Association, I have appointed a Task Force on Nuclear Power Plant Financing. The tremendous costs of such plants, and the fact that several states are faced with similar economic concerns, has resulted in productive sharing of information. The Task Force has not completed its work, but it will be reporting on ways to assist in holding down utility rate increases due to nuclear power plants.

While the KCC deliberations are critical, the Department of Health and Environment also will be assuming additional responsibilities. The operation of a nuclear power plant within the State will require additional staffing, equipment and instrumentation to ensure that we can adequately meet emergency preparedness responsibilities. I, therefore, recommend three additional staff, including a Public Health Physicist and specialized monitoring and emergency response equipment in KDHE's budget for FY 1986.

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

SOCIAL AND REHABILITATION SERVICES

SOCIAL PROGRAMS

As in previous years, the plight of the disabled, the at-risk young, the poor and the infirm elderly continues to preoccupy this Administration. The need to assure safety in childhood and dignity in advancing age is a responsibility which lies with equal weight upon all of us.

Though some segments of the economy are showing strength, the chronic problems of domestic abuse, poverty, hunger and financial dependency continue to be pervasive. A major segment of our population once again requires assistance in facing and dealing with problems which, unhappily, some individual citizens cannot manage alone. Unpaid medical bills, hungry children or debilitating illness are problems of the instant, requiring urgent and priority attention.

Compounding the challenge is the fact that assistance from other sources, such as the federal government, continues to dwindle even as demands upon the Kansas Department of Social and Rehabilitation Services (SRS) continue to increase. Even with effective attempts to control fraud and bolster efficiency, this portion of the state budget shows an increasingly dangerous strain.

Clients who are made ineligible for a given SRS program through a change in law or regulations are likely to reappear in some other program administered by the Department, demonstrating the delicate balance which exists among these programs.

General Assistance and Aid to Dependent Children

Keeping families together, even in the face of serious financial obstacles, is one goal of the General Assistance (GA) and Aid to Dependent Children (ADC) Programs. No increase in the level of benefits was forthcoming for Fiscal Year (FY) 1984; a three percent increase was possible in FY 1985. The resultant hardship on families dependent upon these programs must be addressed. While these programs are costly, they are critically important to the clients who are served, providing the difference between a spartan existence and the stark reality of cold and hunger.

Escalating home heating costs have been especially devastating for public assistance recipients. To date, no action has been taken to recognize the effects of rapidly rising energy costs on Kansas' General Assistance and Aid to Dependent Children families. I, therefore, recommend a six percent increase in FY 1986 for each program with a resultant additional State General Fund expenditure of \$2,348,494 for Aid to Dependent Children and \$567,007 for General Assistance.

While any increase in these programs is costly, I recommend two modifications which will provide funding in GA and ADC, as well as for additional funds for other urgently needed programs.

I recommend elimination of the Transitional General Assistance (TGA) Program, with the provision that approximately 25 percent of the TGA clients who are in need of continued services and medical assistance be transferred from TGA to General Assistance. This will require a State General Fund expenditure of \$1.6 million for medical assistance and \$1.4 million for cash benefits.

Since TGA clients are between the ages of 18 and 55 and are classified as employable, this group constitutes the least at-risk population in any of the SRS programs. Savings from this program will be used, in part, to reinforce other SRS programs serving Kansans who are exposed to greater jeopardy.

In addition, I recommend a series of bills which will bring Kansas into conformity with newly-enacted federal laws regarding child support enforcement. Though the amount to be recaptured under these proposed statutes is at present unknown, it could be substantial.

Foster Care and Day Care

Any child who is deprived of the care and protection of an adult is endangered, both physically and emotionally. The Foster Care and Day Care Programs provide a short-term haven to children who would otherwise be exposed to abuse or to the danger of unsupervised hours.

Previous loss or reduction of funds from all sources, coupled with the increased need for these programs, requires a strengthening of financial support. As a consequence, I recommend for FY 1986 a ten percent increase for each of these two pivotal programs. This recommendation will require an additional State General Fund expenditure in FY 1986 of \$1,344,807 for Foster Care and \$353,252 for Day Care providers.

Adult Services

Not the least of the functions of the Adult Service Program in SRS is to help maintain or restore the self-esteem of clients who, often for the first time, require these services. For Kansans who have always been independent the need to seek help is difficult. The ability to maintain themselves in their own homes or in their home communities, with some help from the Department, is fundamentally important for human as well as fiscal reasons.

Employment assistance for clients is one facet of the Adult Services Program. I recommend funding the Job Club Program which will enhance the probability that some recipients of money and service from SRS can be removed from the rolls.

I also recommend a sum of \$1.8 million to help provide 24-hour licensed nursing child for Intermediate Care Facilities.

In keeping with the objective of maintaining as many elderly Kansans in their own homes for as long as possible, I recommend funding in FY 1986 for State Nutritional Programs, centers as well as mobile meals. Nutrition sites and Meals on Wheels are important services to large numbers of elderly Kansans in virtually every part of the State.

Often, a modest amount of help for the elderly suffices to keep them in a home setting, providing a psychic benefit for them and substantial monetary savings for the State.

Children and Youth

The State must continue its vigilance for the safety and happiness of our children. Those of our youngsters who have the security of a strong and protective family network to help ward off the dangers of early childhood are the fortunate children. Many of our children are not blessed with strong family ties.

Those young Kansans deserve and require our special help. Programs to identify and correct child abuse are in places and working, albeit true that poverty, desperation and fear among adults assures that abuse among children will continue. The improvements I am recommending in the Foster Care and Day Care Programs will, along with constant monitoring and refining of abuse reporting laws, help contain the abuse of children.

School-age children under the jurisdiction of SRS require special school arrangements. Present regulatory and funding arrangements are insufficient to allow the Department to contract for these necessary services. My FY 1986 budget contains a level of funding sufficient to address the needs of such children.

MENTAL HEALTH AND RETARDATION SERVICES

Some 400,000 Kansans are afflicted with some level of mental illness or retardation. This number vastly exceeds the capacity of the four state institutions for the mentally retarded at Winfield, Parsons, Topeka and Norton and for the four state psychiatric institutions at Topeka, Larned, Osawatomie and Kansas City.

Fortunately, Kansans have available 28 community-based programs for mentally retarded and other developmentally disabled people and 31 Community Mental Health Centers distributed over the State.

These community centers are specifically authorized to give care to those patients who cannot enter the state institutions because of space restraints or to those who, leaving the state institutions, require added treatment before full reentry into the community.

I recommend that state funding for these community mental health and retardation centers be set at 50 percent of a center's eligible income, as authorized in K. S. A. 65-4401 et seq. This reinforcement of the community programs will require the expenditure of an additional \$3.5 million in FY 1986. I further recommend \$200,000 to fund other residential programs for the mentally ill and mentally retarded.

Federal regulations require a certain level of direct care staff in state hospitals before accreditation is granted. Kansas is in jeopardy of not fulfilling federal standards in all of our institutions. In order to prevent the loss of substantial amounts of federal aid dollars, I recommend 28 positions for state mental retardation institutions at a cost of \$366,000.

REHABILITATION SERVICES

This Legislature shares, I believe, the satisfaction I feel in the SRS Independent Living Program, which was created in 1978. Thousands of Kansans have been able to participate in the life of their communities, even though they may have some disabling condition which would, without this program, require institutional care. I recommend a modest \$11,777 increase in state support for this program in FY 1986 which will provide a match for federal funds, bringing the total expansion of this program funding to \$117,766.

The federal government provides funding for state matching for Vocational Rehabilitation Programs, another effort which helps provide SRS clients with the opportunity to become contributing members of their communities. A full match will require \$425,649 in FY 1986. I recommend the appropriation of this sum.

ALCOHOL AND DRUG ABUSE

Alcohol and Drug Abuse Services (ADAS) within SRS is the focal point for all alcohol and drug abuse programs within the State. The Interdepartmental Coordinating Council on Alcohol and Other Drug Abuse (ICC), created at my direction in 1983, provides a forum for interaction

between state agencies involved in some phase of alcohol or drug abuse programming. I am pleased with the work of the ICC and encourage its further efforts.

Alcohol and drug abuse are diseases that require special approaches. We must offer services to those who suffer the debilitating effects of these diseases. We must also work diligently to prevent the irresponsible use of alcohol and drugs that leads to dependency.

In the treatment area, I recommend the appropriation of an additional \$200,000 in FY 1986 to be used as grants-in-aid to local programs that provide the bulk of services offered in the State. Recent years have seen an increase in the costs of operating such programs. We, in Kansas, can be proud of the fine network that has developed to provide these important programs. We must recognize the increased costs which have occurred and appropriate the additional funds necessary to maintain our treatment efforts.

One area of special treatment programming that has been overlooked in Kansas is youth-oriented services. For FY 1986, I recommend an appropriation of \$150,000 to ADAS to be awarded to Johnson County Substance Abuse Services, Inc., for the development of a residential youth program. Through aggressive fund raising, from both the private and public sectors, this organization has been able to raise the funds to establish this greatly needed treatment facility. The new adolescent treatment program will be available to all Kansas youth in need of specialized treatment. This program represents the kind of public-private partnership that can yield necessary services by maximizing the use of available dollars.

I am proud of the efforts of ADAS in the area of prevention programs. Innovative initiatives such as the School Team Training Program, the Server Education Program and other similar educational activities hold the key to success in reducing alcohol and drug dependence. I am committed to the pursuit of effective public information programs which enhance the ability of all Kansans to make responsible decisions regarding alcohol and drug consumption.

These efforts in prevention and treatment, coupled with appropriate criminal and administrative sanctions, will serve Kansans well. We must face the issues of alcohol and drug abuse in the twentieth century with twentieth century approaches. We can no longer afford to ignore the reality of today's society. This integrated approach represents the only effective way to reduce the pain and suffering caused by irresponsible substance abuse.

MEDICAL ASSISTANCE

Early and appropriate medical treatment for SRS clients in need of such services has remained a high priority through the years of my Administration. The medical community has given good cooperation with the Secretary of SRS in devising ways to contain the high costs of such programs.

While the State has made good progress in keeping these costs at a manageable level, the sensitive balance between adequate medical care and appropriate and reasonable recompense for providers requires constant attention. On occasion, adjustments need to be made.

My recommendation for FY 1986 for MEDIKAN and MEDICAID is to continue these programs at the same level as the previous year, but with three important exceptions.

First-day hospital costs, by their nature much higher than for subsequent days, have not been factored adequately into payment for providers. I recommend that this discrepancy be addressed by the addition of \$600,000 in State General Funds for this purpose. This \$600,000 will be matched by funds from other sources for a total of \$1,200,000 as an adjustment upward for more expensive first-day costs.

I recommend, also, a State General Fund increase in FY 1986 of \$152,068, to be matched as well by other funds, for providers of dental services to qualified recipients.

My recommendation of \$1.6 million for medical costs only for those Transitional General Aid clients who will be transferred to the GA Program has been mentioned previously in this Message.

ENERGY ASSISTANCE PROGRAMS

Programs which assure heat for homes in winter, cooling in summer and attention to the weatherization of housing have been augmented rules and regulation formulated by the Kansas Corporation Commission. These efforts are designed to prevent service shut-offs during the most severe cold weather months. Since hypothermia, especially among our elderly population, can be life-threatening, it is imperative to continue these programs. For FY 1986, my budget continues funding for the Low Income Energy Assistance Program (LIEAP) and the Low Income Weatherization Program.

The Department of Social and Rehabilitation Services continues its vigilance concerning the relatively few who would take illegal or unscrupulous advantage of state social programs through fraud or other misuse of the funds allocated to these activities. While Kansas remains in the forefront in efforts to prevent fraud, we continue to believe that every possible dollar must be channeled to eligible and deserving Kansans who look to us to provide the help to sustain their lives and their sense of self-worth.

SRS allows us to fulfill the one governmental function which is truly humane in its force.

HEALTH

This year marks the one hundredth anniversary of public health in Kansas. This tradition of support for public health has reaped many benefits for Kansans. Many diseases that were once common killers and now virtually eradicated. Although the role of public health has changed over the years, the importance of public health organizations to the overall health care delivery system has not diminished.

Local health departments have made access to basic health services a reality for all Kansans. In this centennial year, I salute the accomplishments of public health services in Kansas and

encourage public health organizations to approach the new health challenges with the same vigor and commitment that Kansans have come to expect.

AID TO LOCAL COUNTY HEALTH DEPARTMENTS

We must take strides to keep our state funding current with the demands being placed upon local health departments. For Fiscal Year (FY) 1986, I recommend an increase of \$270,000 in State General Fund dollars to be distributed to local health departments through the formula approved by the 1982 Legislature. This would accomplish one-half of the amount set out in that formula, resulting in 37.5 cents per capita or at least \$3,500 per county.

In addition, new dollars in my FY 1986 budget will allow for an expansion of the Healthy Start Program that is currently operating in nine counties. Healthy Start provides health care for newborns and their mothers in order to avoid costly postnatal care. The increased dollars will be used to provide prenatal home visits to reduce infant mortality rates and expensive postnatal care. This \$104,926 will further allow several additional new counties the opportunity to begin Healthy Start Programs.

Another important source of funds to local health departments is the Women, Infant and Children (WIC) grant. This money is available for programs that directly affect pregnant women and their children. Through efforts funded by the WIC and Healthy Start Programs, we can continue to make significant inroads into problems associated with infant mortality and high-risk pregnancies.

I further recommend that legislation be passed to allow local county health departments that contract with the State to conduct food and lodging inspections to take their contract amount out of the license fee before it is remitted to the State. This would accelerate distribution of money to the counties and could reduce administrative costs. I also recommend an increase in the amount budgeted for reimbursing those counties that are currently conducting the inspections for the Kansas Department of Health and Environment (KDHE).

ADULT CARE HOMES

One of the many regulatory functions performed by KDHE is oversight and licensing of nursing homes. Although I encourage the use of non-institutional alternatives whenever possible, effective oversight to ensure quality care in nursing homes is critical.

The population of citizens 65 years of age and older is rapidly growing in Kansas. This group, especially those in adult care homes, has a proportionally higher number of chronic disorders and functional disabilities than any other single population group in the State. In addition, changes in the Medicare payment system are resulting in earlier hospital discharges of individuals still in need of medical care. The staffing standards for the Intermediate Care Facilities (ICF) of Kansas must be raised to handle effectively the changing health needs of the population in ICFs. I recommend that the State require licensed nursing coverage to include a minimum of one licensed nurse, 24 hours a day, 7 days a week in each ICF. If this twenty-four hour licensed nursing coverage is provided solely by licensed practical nurses, registered professional nurse

consultation would be required for four hours each week. This recommendation allows ICF patients with varying levels of nursing needs access to appropriate care. Additionally, this proposal assures that care is provided by licensed nursing professionals qualified to make the necessary judgments about how to provide the best possible care. While certified aides provide valuable services, they are trained only to assist licensed nursing staff and should not be considered as a substitute for licensed nurses.

I also recommend passage of legislation that would establish a procedure for decertification of medication aides and nursing home aides when they are found to have violated certain standards or established procedures. We have in place license revocation processes for nurses, doctors and other health care professionals; but no such procedure exists for medication aides and nursing home aides. This measure is important in ensuring that quality staff is caring for our citizens in adult care homes. Consistent with the goal of quality care, I recommend the improvement in our system of civil penalties for violations of licensing requirements in adult care homes. Current law is inadequate to discourage these violations, because the provisions for penalties are time-consuming and cumbersome. We must enact a policy that effectively deters these violations.

Another issue directly affecting the quality of care in nursing homes is the management of the homes. When a home is unlicensed, insolvent, or when the safety of residents is threatened, the Secretary of Health and Environment may be required to assume receivership of the home. The demands on existing resources in KDHE are costly. I recommend the law be changed to allow courts to appoint other entities to operate the homes under these conditions so that the resources of the Department can be better used for oversight and other regulatory activities. By developing a registry of licensed nursing home operators, the process of interim management could be significantly streamlined.

I offer continued support for efforts of KDHE in the inspection of nursing homes and the Nursing Home Visitor Program operated by some counties. The Department is concentrating on the refinement of an effective and timely nursing home complaint process. The coordination of this effort with similar programs in the Kansas Departments of Social and Rehabilitation Services (SRS) and Aging (KDOA) is encouraged so that we can continue to improve the care of Kansans in nursing homes.

ENVIRONMENTAL HEALTH

Too often in today's society, health threats may be generated by the very technology that improves our lives. Isolation of the sources of potential health threats and methods for alleviating their destructive effects constitute new challenges in public health. In order for the State of Kansas to be equipped to handle these new challenges, I recommend the creation of a Center for Occupational and Environmental Health at the University of Kansas Medical Center in FY 1986. Research and technical assistance at the Center will focus on the effects of toxic substances and other chemicals that we encounter as a part of daily life. This Center will help equip us to deal with this new public health problem.

Asbestos exposure is a problem of such magnitude that it must be addressed as a public health hazard. Human exposure to airborne asbestos can occur whenever asbestos-containing materials

are damaged, pulverized or disturbed, either intentionally or through the natural processes of deterioration. The primary sources of potential asbestos exposure in Kansas are believed to relate to the past use of sprayed-on thermal insulation, acoustical and decorative ceiling coating, pipe insulation and the continued use of asbestos brake linings. From a public health standpoint, it appears prudent to behave as if asbestos fibers are carcinogenic even at very low exposure levels and to proceed with the development and implementation of all feasible safeguards to protect Kansans from unnecessary exposure.

The federal Occupational Safety and Health Administration regulations require virtually all private employers to take precautions to prevent excessive exposure of their employees. A second and more recent set of Environmental Protection Agency (EPA) regulations apply specifically to primary and secondary schools and require all public and private schools to inspect, sample and analyze friable materials to determine if asbestos is present. In the wake of this second issuance, there is a threat of civil penalties, with up to \$25,000 in fines for each violation. There is also growing concern among those who must work in areas of potential exposure and among the parents of school children about the presence of asbestos in our schools.

The Department of Human Resources, under my directive, has been doing all it can within current resources to address what the State can do regarding this problem. The Department of Health and Environment has performed analyses of samples for asbestos and provided what technical assistance it could regarding corrective options.

The limited resources available to both of these agencies have prevented them from responding in a timely and effective manner to the many asbestos-related requests for assistance received. A growing demand is being placed upon the State to provide technical assistance for inspections and renovation work in problem areas.

I have directed that a cooperative agreement among three departments be arranged to meet the demand for state assistance with inspections required by EPA. KDHE has been designated as the new lead agency and will be assisted by the Departments of Human Resources and Education in developing a state plan to deal with the problem as required by EPA.

In recognition of the immediate need to respond to the requests from school districts for inspections necessary to meet EPA requirements, I have approved emergency expenditures by KDHE, in the current fiscal year, to train two technicians to assist in carrying out the mandated inspections. Under my direction, the State will coordinate future plans regarding a Kansas Asbestos Control Program with environmental personnel training done by the University of Kansas. For FY 1986, I recommend that funding for environmental engineer positions and a chemist be approved for KDHE. It is important that the State begin immediately to develop a coordinated program to evaluate and prevent harmful asbestos exposure to Kansans.

MIGRANT AND REFUGEE HEALTH

In July, 1983, I created a Cabinet Sub-Committee on Migrant Concerns. I charged this group with the task of identifying specific needs of this community and to make recommendations concerning ways to address those needs. This Sub-Committee presented its final report to me in

September, 1984, and recommended that a State Migrant Coordinating Council be established. This group will be made up of representatives from each agency serving the migrant population and will be responsible for developing three local coordinating councils designed to integrate services within each local area.

The State Migrant Coordinating Council will work to (1) develop a standard definition of "migrant" to clarify service eligibility and communication, (2) expand health services in the areas serving the largest migrant populations, (3) expedite receipt of social services, food stamps and cash assistance requests, and (4) emphasize bilingual education, English as a second language and cultural understanding by educators. I support the recommendations of this Cabinet Sub-Committee, and I will work to get the State Migrant Coordinating Council started on its tasks as soon as possible.

HEALTH PROMOTION

The concern over quality health care and rapidly rising costs must be addressed through a variety of measures. One of the most important and long-term methods of ensuring a healthy population is through health promotion activities. Kansas has been recognized nationally by the Department of Health and Human Services as a pioneer in innovation of these kinds of programs.

In July, 1984, I established a Cabinet Sub-Committee on State Employee Health Promotion and Wellness to promote and implement the Kansas Employee Assistance and Health and Wellness Program.

The "Health Promotion PLUS" Program is designed to promote the adoption of healthful lifestyles in order to improve employee job satisfaction and performance and to reduce health care costs. This program is staffed by the Departments of Health and Environment and Social and Rehabilitation Services. Staff members will assist state agencies by providing support services at the worksite in the form of technical assistance, training, program planning and development.

I wholeheartedly support these programs which promote long-term solutions to many of the dilemmas we face in the health care arena.

EMERGENCY MEDICAL SERVICES

The 1984 Legislature passed a law that transferred the Division of Emergency Medical Services (EMS) from the Department of Health and Environment to the Highway Patrol. This move allows for closer integration of EMS activities with the emergency services offered by the Highway Patrol.

Emergency medical personnel in Kansas are among the best trained and most qualified in the country. In order to continue to prepare candidates for emergency medical certification adequately, additional training equipment is critically needed. I propose an increase of \$120,000 in the Emergency Medical Services budget for FY 1986 to be used for the purchase of new training equipment to ensure that candidates are properly trained and tested.

CRIPPLED AND CHRONICALLY ILL CHILDREN

Last year, I established the Cabinet Sub-Committee on Pre-School Handicapped Children. This group, made up of the Secretaries of Health and Environment, Social and Rehabilitation Services and Administration, the Commissioner of Education and a member of the public, is developing a plan for early identification and tracking of infants at risk for handicapping conditions. The purpose is to develop and coordinate local services needed for these children as they enter their school years.

I further recommend that three categories of treatable disorders be expanded under the provisions of the Crippled and Chronically Ill Children's Program for FY 1986. These disorders are: seizure disorders, severe visual impairments and craniofacial anomalies. These specific diseases are subject to successful treatment if identified and treated early.

I also recommend legislation be passed to continue to improve the implementation of the amended newborn screening law that requires mandatory tests for infants for hypothyroidism, phenylketonuria and galactosemia. In this proposal, I recommend that the testing be done by the State Public Health Laboratory to ensure uniformity of testing measures, quality assurance and performance evaluations. This consolidation could assist in tracking the information and improving the access to essential programs so that high-risk infants are assured preventive therapy within the critical 30 days after birth.

The special needs of our young children deserve thoughtful consideration. Early intervention and proper treatment can assure these unfortunate children the best possible chance for a healthy and productive life. Our initiatives in the Healthy Start Program will further enhance these efforts.

HEALTH CARE COSTS

The issue of health care cost containment and access to quality health care continue to be of great concern to Kansans. In this environment of rapidly changing health care delivery, the State must be in a position to evaluate these changes and address the needs that arise because of them. The Statewide Health Coordinating Council (SHCC) has devoted a great deal of time in pursuit of the nature and impact of these changes. In order to assist the efforts of SHCC and to inform other state leaders of the changes and their associated problems, I have asked the National Center Health Services Research (NCHSR) to conduct a conference in Kansas. Soliciting input from experts in the health care research field will help us chart the future direction of health in Kansas.

Promoting a healthy citizenry is an important responsibility of state government. The provision of public health services is an excellent example of state and local cooperation. My recommendations this year will help us to achieve the goal of a healthy Kansas as we enter the next century of public health. An investment in the future health of Kansas citizens is an investment that will pay dividends for years to come.

AGING

We are at a turning point in our State's future. We can choose either to maintain the status quo or step ahead, investing in excellence, productivity, self-sufficiency and security. Older Kansans comprise an essential part of my choice for increased investment in our future.

In Kansas, the number of older citizens is growing and they are comprising a larger portion of our total population. The role that Older Kansans play a decision for our future is also growing. We must be mindful of this important asset we possess.

NUTRITION ISSUES

The State Meals Programs are the most basic services that can be provided the elderly. Whether congregate or home-delivered, these meals increase choices the elderly can make regarding their future. These choices often mean remaining in the community and outside an institutional setting. My immediate goal for nutrition programs in Fiscal Year (FY) 1986 is support for the frail elderly by extending the In-Home Meals Program to meet the growing and increasing demand for in-home services. Earlier release from hospitals, a desire to remain at home and an ever-growing proportion of citizens over 75 have substantially increased demand for this vital service. The In-Home Meals Program has proven to be a cost-effective community-based service assisting physically or mentally frail elderly to be self-sufficient. The majority of participants are economically needy, frail, over the age of 75 and live alone. I recommend that this program be extended in FY 1986 to meet increased demand throughout the State. This represents an investment in early assistance that lessens the need for more costly services later.

I also recommend the continued maintenance of the Congregate Meal and Supportive Transportation Program administered by the Kansas Department on Aging (KDOA). Through efficiencies, 3.5 million meals are being served to over 57,000 older people in 97 counties at a cost lower than in 1981. This program has effectively improved the quality of life for the elderly. It has also reduced social isolation and diverted many from more costly services. The Congregate Nutrition Program will continue to be utilized as a primary focal point for delivering health and nutrition services. Cost savings, cost controls and greater efficiency have allowed the extension of this service to seven additional counties in 1984.

In order to continue compliance with federally-mandated reporting requirements for certain meals programs, I further recommend additional staff resources at KDOA in FY 1986.

EMPLOYMENT ISSUES

Over the past year, the State has made substantial progress toward expanding public and private sector recognition of the vital need for Older Kansans in the work force. We have two options as we face the future--utilization of the skills and talents of our older citizens or loss of their knowledge and skills. I support and encourage removal of barriers to work for older citizens. To accomplish this, we must continue to provide adequate training and job development.

The opportunity to work is essential to maintaining dignity and adequate income. I support the maintenance of the Older Kansans Employment Program which has placed 1,391 older people in jobs--450 in jobs in industry and an additional 941 in jobs that match skills with need. This is a

creative program that matches older people who need work with older people who need services. These services are on a pay-for-service basis.

Another state initiative is the Job Training Partnership Act (JTPA) Older Workers Program. During the past year, in recognition of the existing strength of our Older Kansans Employment Programs and the need for efficient consolidation of the administration of targeted employment initiatives, I support the transfer of the JTPA Older Workers Program from the Department of Human Resources to KDOA. Through a cooperative agreement, KDOA will integrate the JTPA three percent Older Workers Program into the existing statewide aging network. The Department of Human Resources continues to have lead responsibility for the administration of the entire JTPA grant, but now the Older Workers Programs will be coordinated with current aging efforts in KDOA. KDOA will work with the local Private Industry Councils to ensure success of these programs for citizens over 55.

COMMUNITY-BASED ALTERNATIVE CARE

As the proportion of Kansans over 65 continues to grow, we must proceed with developing low-cost, effective means of providing the services required by this group. We must continue to focus on non-institutional alternatives because they offer the best potential for efficient and humane delivery of services.

Community and home-based services are now being utilized throughout Kansas. An important tool used to develop an alternative long-term care service system is the Home and Community Based Services Program operating under a waiver to the Medicaid Program. I support renewal of the Medicaid waiver application.

Efforts are continuing to develop a network of home and community-based services for non-Medicaid eligible individuals. Within the past year, KDOA has initiated a case management system for frail Older Kansans through selective long-term services. These efforts deserve continuing support.

During 1984, the Department awarded special Older Americans Act project grants to each area agency in order to improve and expand their in-home services in the areas of case management, innovative community long-term care, family caregiver support and health promotion. The purpose of these grants is to develop replicable programs supported by local funds that place priority on services that assist the frail elderly to remain healthy and independent in their own homes.

We must also ensure that adequate protective services are provided to adults remaining in their homes and communities. Currently, adult protective services are provided by the Department of Social and Rehabilitation Services (SRS) in non-institutional settings without any specific statutory authority. Thus, investigations and remedial actions involving abuse, neglect or exploitation of non-institutionalized adults are not subject to the same protections as institutional cases.

I, therefore, recommend legislation be passed in 1985 to create an Elderly Abuse Reporting Act. This protection service is critical since non-institutional adult protective service cases both outnumber institutional cases and have a higher confirmation rate. It becomes vital that specific, mandated responsibility be given to investigate and resolve reports of abuse, neglect or exploitation.

INSTITUTIONAL CARE

Although I encourage the use of non-institutional alternatives for delivery of required health care services and other types of support, we must not neglect the need for quality care in nursing homes throughout the State.

Nursing home residents are becoming increasingly needy and disabled. There are strong indications that the residents in Intermediate Care Facilities (ICF) are requiring more complex care than ever before. The staffing standards for the ICFs in Kansas do not effectively handle these increased disabilities. In order to ensure the protection of residents and provide adequate care to the most vulnerable elderly, I support requiring licensed nursing personnel on all shifts in ICFs. Adequate supervision of personnel and adequate care for the resident are imperative.

As part of our continuing commitment to serve the elderly population, we must ensure protection for vulnerable and potentially at-risk individuals. Since 1980, Kansas law has required the reporting of abuse and neglect of adult care home residents. Legislation is needed, however, to include a penalty for persons who have any information about abuse or neglect and fail to report it. Without such a provision, suspected cases of abuse or neglect may go unreported.

I support the efforts of the Kansas Department of Health and Environment (KDHE) to inspect nursing homes and develop an effective and timely complaint process. The coordination of this effort with similar programs in SRS and through the Nursing Home Ombudsman's Program at KDOA must be encouraged.

HEALTH CARE

Health care issues continue to remain high on the agenda of concerns among the elderly. The high costs of health care pose a special problem for our Older Kansans.

Programs developed to contain health care costs must include adequate health promotion and information activities. Good health practices for Older Kansans substantially contribute to a higher quality of life, as well as to a great reduction in health care costs. I have designated the Kansas Department on Aging as the lead agency, working with KDHE, to develop a coordinated plan to promote good health for Older Kansans.

The Department on Aging has worked closely with the Kansas Medical Society to promote adequate health promotion. In addition, KDOA and the Medical Society have encouraged Kansas Physicians to sign up for the federal Medicare Assignment Program. Sixty-one percent of Kansas physicians enrolled last year. I urge KDOA to continue these efforts to abate health care costs through public information.

The Department has concentrated its mandated information functions on assisting older consumers in making informed health choices through the KDOA newsletter, the Advocate, through participant surveys and the booklet, Benefits and Rights for Older People. Further information on health care costs and physicians who accept Medicare assignments is provided through the toll-free ASK line.

In order to address the systemwide needs for effective medical care at a reasonable price, I am requesting assistance from the National Center for Health Services Research. The Center will present a conference in Kansas for health care leaders in 1985. This conference will address questions of access to care, indigent care and the long-term care system. By soliciting input from professionals in the field of health care research, we can devise a program to more adequately meet the needs of Kansans.

One health condition that deserves special attention is Alzheimer's Disease. Nearly one-half of nursing home expenditures are attributed to this neurological illness. The impact on victims and their caregivers is devastating. To help shape a comprehensive and coordinated public policy in this area, KDOA will establish an Alzheimer's and Related Disorders Commission. This Commission will document the magnitude of problems faced by victims of Alzheimer's Disease and their families and determine service availability across the State. Their report is due back to the Secretary of Aging by December 31, 1985.

The special health needs of the elderly require specialized research and planning. In support of this need, the University of Kansas Medical Center is establishing a special Gerontology Center to coordinate research, education and patient care programs that address problems associated with the aging process. The \$260,000 appropriation I recommend will provide the necessary support to make this program possible.

UTILITY COSTS

Utility costs remain a preeminent concern of Older Kansans. Too often, low-income elderly are forced to divert funds from their food and health care budgets to meet their high utility bills. Since federal policy is a major determinant of utility costs, I will take an active role as Chairman of the National Governors' Association to work toward a consumer-oriented federal utility policy.

At the state level, the rate cases associated with the Wolf Creek Generating Station will continue to be crucial utility issues. As Governor, I have supported both legislation and supplemental appropriations necessary to give the Kansas Corporation Commission (KCC) the tools to deal effectively with perhaps the most complex, and certainly the largest, rate case in Kansas' history. Kansans of any age should not be burdened with utility costs stemming from excess capacity and/or mismanagement.

Kansas has done much to assist its older citizens to cope with high utility bills and related issues. One program, KDOA's Operation WINTER WATCH, has received national recognition. WINTER WATCH is a community education program which deals with hypothermia and other winter hazards.

The Department of Social and Rehabilitation Services, through its Low-Income Energy Assistance Program (LIEAP) and the Low-Income Weatherization Program, provides substantial benefits to Older Kansans, who comprise over 40 percent of the participants in these programs. I continue my support of these important programs.

In 1984, the KCC implemented the Kansas Conservation Bank Program to encourage the installation of energy conservation measures in Kansas residences. This principal reduction loan program will assist many low and moderate income families in coping with high utility bills. As Governor, I encourage Kansas utilities and financial institutions to participate in this program and help ensure its success. In 1984, KCC also strengthened its Cold Weather Rule which provides certain protections to utility customers at risk of serve disconnection.

COMMUNITY AND CITIZEN INVOLVEMENT

The second annual session of the Kansas Silver Haired Legislature was convened in November, 1984. The 125 legislators, through intelligent and thorough deliberations, passed strong bills supporting the frail and vulnerable elderly. Included in their package was continued support for 24-hour, licensed nursing personnel in intermediate care facilities and a strong elderly abuse act. I support and recommend the implementation of these measures in FY 1986. The Silver Haired Legislature is committed to the goal of providing senior citizens with the opportunity to present their recommendations for state policy and giving them a voice in the legislative process. As Governor, I am pleased that the State Advisory Council initiated the Silver Haired Legislature.

Other Older Kansans, through the Kansas Coalition on Aging's Policy Retreat, the American Association of Retired Persons' (AARP) Legislative Committee, and the Kansas Citizens' Council on Aging, also provide strong examples of active citizen participation.

The Department on Aging has a variety of statutory functions including development of a coordinated system of services for the needy elderly. In addition, the Department is mandated to develop private resources for the provision of programs. Investments must be made to develop these private resources. I, therefore, recommend an extension of that capacity and recommend that KDOA develop a program that will leverage private funds through a Business for Better Aging Program. This will allow for the expansion of services to Older Kansans while limiting state appropriations.

Further, the Business for Better Aging Program would assist in the development and coordination of the Seniors Helping Seniors Program which will train and channel senior volunteers in the provision of community services for the elderly. I believe these efforts, for a small investment, will ensure a better future for the next generation of Older Kansans.

Efforts to increase the involvement of private citizens and private businesses are crucial to the success of our goal to make Kansas a better place to live. By utilizing the resources and talents available in the private sector, government initiatives are enhanced. I applaud these public-private partnerships and urge their future development.

Kansas' aging community is one of our finest assets. We must encourage the development and protection of these valuable citizens. Through employment programs, alternative-based care and improved institutional care, we can ensure that our aging population is properly protected.

MINORITY ISSUES

Minorities in Kansas are a people on the move. Given the circumstances under which they settled in this country, Blacks, Hispanics, Asians and Native Americans have made tremendous strides and contributed most to our society. They have stepped into the mainstream of American life and are becoming a major political and economic influence in Kansas.

My Message to the 1985 Legislature includes specific recommendations and highlights important advances in minorities' social, economic and political life. This section should serve as a tool for strengthening and maintaining ongoing initiatives in the State. Although ethnic minorities have access to the wide range of state services available, my Administration has, nevertheless, attempted to address some of their specific concerns. The following outlines the programs that best address the specific needs of the minority community.

STATE MIGRANT COORDINATING COUNCIL

On July 18, 1983, I established a Cabinet Sub-Committee on Migrant Concerns to address the needs of migrants in the State of Kansas. In September, 1984, the Sub-Committee completed its final report resulting from public hearings and surveys of governmental and voluntary support programs available to migrants during 1983 and 1984.

I recommend replacing the Cabinet Sub-Committee on Migrant Concerns with a State Migrant Coordinating Council made up of representatives from each agency serving migrants. These agencies include the Kansas Department of Health and Environment (KDHE), Human Resources (KDHR), Social and Rehabilitation Services (SRS), the Board of Agriculture and the Department of Education. The State Council will work with local councils to enhance the linkage between the provision of state and local services. Interagency coordination should be a priority in providing services to migrants with increasing emphasis being placed on participation by local communities. I encourage efforts to ensure that migrant problems are identified and resolutions incorporated into program planning by the various state agencies involved.

I support the recommendations of the Cabinet Sub-Committee on Migrant Concerns to develop a statewide definition of migrants, to prepare a service resources directory and to provide additional state assistance to migrants with relocation, housing inventory, education, day care, health, transportation and emergency services.

HEALTH SERVICES

During my Administration, a number of preventive health services have been targeted to high risk populations and minorities--including Blacks, Hispanics, Asians and Native Americans.

Black infant mortality reduction projects have been initiated by KDHE in Geary, Sedgwick, Shawnee and Wyandotte Counties, which have 80 percent of the Black births in Kansas. These projects, along with the other maternal and child health services, have decreased the state Black infant mortality rate from 22.1 per 1,000 births in 1981 to 16.8 per 1,000 births in 1983.

There are now eleven Adolescent Maternity and Infant Care Projects in Kansas, serving 750 adolescents under 18 years of age and their infants. These projects are designed to decrease infant mortality, avoid repeat pregnancies for a year and promote continuing education of the mother. These projects have resulted in fewer low-birth weight infants, a lower infant mortality rate and fewer repeat pregnancies within one year. Resumption of education and completion of General Education Diplomas have also increased for adolescents served in these projects.

Cooperation between state agencies is critical in serving the diverse and special needs of the State's minority populations. For example, the Kansas Departments of Health and Environment and Education continue to work together to ensure that the parents of any child entering Kansas schools for the first time are provided information regarding sickle cell screening and counseling services.

With the assistance of local agencies and an aggressive affirmative action plan, minority participation in nutrition services through KDHE's Women, Infants and Children (WIC) Program totaled 36 percent in 1984. One special project in Northeast Kansas has been designed to focus on the special needs of Native Americans.

Hypertension is much higher in the Black population than in the general population. Just as cooperative efforts among state agencies result in improved services for minority populations, so do public/private partnerships. Cooperative efforts among state agencies and Black churches in Wichita are designed to improve hypertension screening services for Blacks in the community. These efforts were made possible through a federal contract made available to the University of Kansas Medical Center.

Progress has been made in meeting the health needs of Kansas minorities. Yet, more needs to be done. We must, for instance, maintain our commitment to provide comprehensive prenatal care. It is estimated that for every \$1 spent on prenatal care, \$3 in cost is avoided. We must also continue our increased outreach efforts in WIC, in our teenage pregnancy care projects, in Healthy Start and in our public/private partnerships to reduce Kansas' Black infant mortality rate.

SOCIAL SERVICES

The Federal Community Services Block Grant (CSBG) Program funds a network of Community Action Agencies and a Migrant and Seasonal Farmworker Organization (Harvest America, Inc.) To provide an array of services in 44 counties. Agencies involved in carrying out these activities have a measurable and significant impact on poverty--including activities to help low-income people secure and retain employment, attain an adequate education, make better use of available income, secure adequate housing, obtain emergency assistance, remove obstacles to self-sufficiency, active greater participation in the community and make use of other available programs.

The State Economic Opportunity Office reduced the percent of funds spent for administration of these programs between FY 1982 and FY 1986 and targeted more funds for direct services. I encourage all state agencies to continue efforts to minimize administrative costs so that every dollar possible can be utilized for direct services.

Refugee Assistance Program

The primary goal of the federally-funded Kansas Refugee Resettlement Program in SRS is to promote economic self-sufficiency and effective resettlement for refugees within the shortest possible time after entrance into Kansas. This program coordinates the effective use of support services, cash and medical assistance.

During FY 1984, approximately \$2.5 million in cash assistance and \$1.3 million in medical assistance was provided to eligible refugees. The average number of refugees receiving cash assistance in each month of FY 1984 was 2,048. The number of persons receiving assistance has been decreasing by an average of 78 persons each month. This is a result of the time limit on refugee-funded assistance and the number of refugees that are aided in becoming self-sufficient.

In FY 1984, approximately \$600,000 was spent on social services for refugees--double the amount in previous years due to successful application for special federal grant funds. Federal funding was secured for the continuation of refugee services in the current fiscal year, and SRS will make application again for FY 1986.

EMPLOYMENT AND BUSINESS SERVICES

The employment progress of racial minorities and other protected individuals in the state workforce has been studied by the Equal Employment Opportunity (EEO) Office. The EEO Office reports that progress has been achieved despite the economic conditions and changes in federal data collection procedures. For those agencies under the executive branch of state government, the number of racial minorities grew from 2,249.5 (10.6 percent) in 1982 to 2,348 (11.82 percent) in 1984. According to the 1980 Census, racial minorities comprise 9.46 percent of the population in Kansas.

I remain committed to achieving meaningful affirmative action with an emphasis on career development for Kansas state employees. In the Mid-American Report from the U. S. Commission on Civil Rights, Kansas was recognized for its development and implementation of a State Affirmative Action Plan which the Commission considered to be a model for other states. We have made significant progress in the area of minority employment and business opportunity. The following outlines ongoing and recommended programs that will enhance our efforts.

Training Programs

To achieve the employment equity goals outlined in my Affirmative Action Plan, all state agencies are encouraged to support programs designed to eliminate discrimination. Through initiatives such as the Governor's Trainee Program and the Governor's Fellows Program, Kansas could become a model for the nation. These programs offer opportunities to become involved in

state decision-making in a way that is not afforded many individuals. I encourage minorities to take full advantage of opportunities for advancement through these programs.

This year, the Kansas Department of Transportation (KDOT) will announce a Mentor/Protege Program and will release guidelines for participation in the program. The Mentor/Protege Program will allow already established prime contractors to take disadvantaged business enterprises or women's business enterprises and work with them so that they can become established contractors in their own right. This mentor/protege relationship is the method by which many of today's prime contractors originally started their own businesses and is important if we are to ensure that minorities and women who begin construction firms under the assistance of a federal mandate still have a viable operation when that mandate is withdrawn. This program is a fine example of an innovative way to assist minority businesses to take advantage of already established programs. KDOT offers a variety of programs to ensure that minorities are fully integrated into the highway construction and maintenance bidding process.

Direct Assistance

Within the Department of Transportation, ongoing efforts have been in effect to bring more minorities and women into the business world of general contracting. These efforts were accelerated as a result of the 1982 Federal Surface and Transportation Assistance Act, which mandated that not less than ten percent of the amounts authorized by the Act be expended by small business concerns owned and controlled by socially and economically disadvantaged individuals. KDOT awarded in excess of twelve percent of the Federal Highway Surface Transportation Assistance Act contracts to disadvantaged and women's business enterprises in 1984.

Last year, I recommended that Kansas establish a State Highway Fund Set-Aside Program for minority businesses to supplement the federal program. I ask that the 1985 Legislature give this proposal further consideration in the current Session.

My recommendations to more effectively meet the State's future economic goals and objectives include the elevation of the Minority Business function in the Kansas Department of Economic Development (KDED) to a higher level, reporting directly to the Secretary. Coordinating, leveraging and combining local, state and federal programs has resulted in a broad spectrum of assistance and service to minority enterprises through the Office of Minority Business. As we strive to achieve equitable employment in existing businesses, we must be aware of the need to stimulate minority employment in new and expanding businesses. The creation of a Minority Business Office will stimulate more interaction across divisions in KDED. It further represents my explicit commitment to promote more vigorously the development of minority businesses in Kansas.

In addition, the increased state support I recommended in FY 1985 and the awarding of a federal grant to the Minority Business Office will enhance our efforts to increase substantially the number of minority vendors participating in state procurement. The minority entrepreneur must overcome a number of obstacles when competing for federal and state contracts. I believe that this additional emphasis and funding for program activities will go far toward eliminating some

of these barriers. This increased emphasis in the Office of Minority Business will foster a positive image of the diverse language, cultural and entrepreneurial assets that minority businesses provide in Kansas.

Other Employment and Business Efforts

I am proud of the accomplishments of my Administration in employing minorities in state government. I will continue to direct my Cabinet to "take the extra step" on employment and advancement of minorities in policy and decision-making positions. I will also continue in my efforts to appoint individuals representing a cross-section of the community to Kansas' advisory committees, boards and commissions.

EDUCATIONAL SERVICES

Bilingual Education

English-speaking ability is critical to school completion and the ability to compete in Kansas society. In 1979, I signed into law the Kansas Bilingual Education Act to meet the special needs of children with limited English proficiency and to facilitate their integration into the regular public school curriculum. Because of its negative connotation, I recommend that the phrase "Educationally Deprived Pupils" be replaced in the bilingual statute with "Limited English Proficient Students."

Resources devoted to bilingual education have been limited to the point that programs are no longer adequately meeting the needs of this population. I, therefore, recommend a \$25 increase to bring the entitlement maximum up to \$175 per child. To improve bilingual education program management, I recommend that 1 1/2 percent of the total bilingual education appropriation, or approximately \$11,000, be set aside to enhance the administration of the program. The detailed explanation of this program expansion can be found in the Education section of this document.

Refugee Education

A \$252,830 federal grant award has enabled the Department of Education to provide a Transition Program for Refugee Children. During the 1984-85 school year, 1,648 Indo-Chinese and other refugee children were provided assistance in elementary and secondary schools.

Kansas Migrant Education Program

The Department of Education administers the Chapter I Migrant Program. This program provides funding to local educational agencies, private and non-profit, to meet the special educational and supportive needs of children of migratory families engaged in agriculturally-related work. The State of Kansas received an allocation grant of \$2,009,185 for FY 1985. Approximately 33 regular school programs and eight summer programs will provide services to the 5,500 school age migrant children for the 1985-86 school year.

The programs and recommendations detailed in this section of the Message, coupled with the continued support of the Kansas Commission on Civil Rights and the Kansas Advisory Committee on Mexican-American Affairs, can contribute to the strengthening of the status of minorities in Kansas. One of my goals as Governor has been to foster an environment of opportunity and equality for all Kansans. I hope my 1985 Legislative Message and recommendations provide the framework from which the minority community will continue to strengthen and prosper.

PUBLIC SAFETY

One of the most important responsibilities of the State is to ensure the safety of its citizens. Matters of criminal justice and public safety underlie the security of our social and economic life. My Administration has sought to ensure that our State's criminal justice system performs as cohesively and productively as possible and that it is capable of responding to the demands placed upon it. This is not an easy task. The very nature of criminal justice and public safety guarantees the necessity for constant vigilance on the part of state government.

CORRECTIONAL SYSTEM

One year ago, prison overcrowding was one of the most immediate and difficult problems facing state government. Relentless increases in the prison population created the prospect of crisis by the summer of 1984, when the number of inmates was projected to exceed the maximum capacity of the corrections system. The situation demanded immediate attention, and several steps were taken in response. Emergency measures were quickly approved to add bedspace, including the establishment of pre-release centers at Topeka and Winfield, and expansions at Kansas State Penitentiary and the State Industrial Reformatory. Other short-term projects were approved--including expansions of the State Security Hospital at Larned, the El Dorado Honor Camp, and the Wichita Work Release Center--that served to increase available capacity. Sentencing penalties for Class D and E felonies also were modified to reduce maximum prison terms for certain non-violent crimes. Equally helpful were the provisions outlined in Senate Bill No. 289, passed by the 1984 Legislature, that established incentives for mid-sized counties to participate in the Community Corrections Act.

The actions taken in 1984, when combined with previously approved projects to expand capacity at the Penitentiary, the Reformatory and the Kansas Correctional Institution at Lansing, have the effect of increasing total maximum correctional capacity by 1,200 beds during the Fiscal Year (FY) 1984-1986 period. This major expansion of capacity will relieve the immediate pressure on the corrections system.

I do not, however, contend that we have totally addressed prison over-crowding problems in our State. There is an indication that population figures in the months of December, 1984, and January, 1985, will be higher than projected. Although population figures are traditionally higher during the early winter months, past experience dictates the necessity to monitor closely the trends of prison populations in order to assess accurately the future bedspace needs of our State's corrections system. With this in mind, I propose the following:

Population Management

I ask the Legislature to join the Department of Corrections in monitoring closely the inmate population trends in the months ahead. After careful analysis, we should be able to agree as to the appropriate course of action necessary to avoid the kind of problems we faced last year. I will be prepared to recommend to the 1985 Legislature for their approval those measures deemed necessary to address future overcrowding problems.

I further suggest that the consultants' report on the State's correctional system be carefully studied by both my Administration and the Legislature. This report was requested by the Legislature last session and recently made available for review.

Aside from the question of available bedspace, it is equally important that we not lose sight of other major factors that impact upon the effective management of our State's correctional institutions.

For FY 1986, I recommend an additional 67 positions, 46 of which are necessary to staff new facilities and additional security posts that will be established, and 21 of which are necessary to address increased program and administrative needs. These additional positions are clearly necessary in light of the increased demands being placed upon program and institution operations by the anticipated population level for FY 1986.

I also recommend that hazardous duty pay be provided to additional non-security personnel who, because of their duties, have close and continuous contact with inmates.

Community Corrections

The Community Corrections Act of 1978 allows for diversion of non-violent, non-habitual felony offenders from our prisons to community-based programs. Because these programs have proven effective in dealing with non-violent felony offenders, I recommend that funds be appropriated to expand the Community Corrections Program to include Douglas and Saline Counties and a consortium of Crawford, Cherokee and Labette Counties in FY 1986. Included in the budget I recommend are the necessary entitlements for those counties presently participating in the program, as well as funding necessary for the reentry of Johnson County into the program in July, 1985.

COURT OF APPEALS

The appeals process in Kansas ensures the right of the individual to a fair opportunity and easy access to the judicial appeals process. There has been a dramatic increase in the number of cases received for hearing before the Kansas Court of Appeals. This trend has resulted in a substantial backlog of cases pending before the Court. To address the problem, the Court has implemented a system of temporary panels utilizing retired judges on a short-term basis. Although this practice has been of benefit, it has failed to have significant impact on the accumulation of cases.

In order to facilitate the effective operation of the Court of Appeals. I recommend the addition of two judge positions to the Court in FY 1986. I believe that this addition would serve to enhance the Court's capacity to eliminate the current backlog and the ability to process new cases in a more timely manner.

EMERGENCY SERVICES

The 1984 Legislature passed a law that transferred the Division of Emergency Medical Services (EMS) from the Department of Health and Environment to the Highway Patrol. This move allows for closer integration of EMS activities with the emergency services offered through the Highway Patrol.

Emergency medical personnel in Kansas are among the best trained and most qualified in the country. In order to continue to prepare candidates for emergency medical certification adequately, additional training equipment is critically needed. I propose an increase of \$120,000 in the Emergency Medical Services budget for FY 1986 to be used for the purchase of new training equipment to ensure that candidates are properly trained and tested.

My FY 1986 budget also includes the addition of three dispatcher positions for the Adjutant General to provide agency capability to monitor a toll-free emergency line on a 24-hour basis. This emergency line will be coordinated with other state agencies to respond to emergency situations. In maintaining a posture of preparedness with regard to the impending operation of Wolf Creek Generating Station, this recommendation would, in conjunction with other program enhancements in the Kansas Department of Health and Environment and the Highway Patrol, provide an integrated plan of response in a time of emergency.

HIGHWAY PATROL

Our Kansas Highway Patrol has been a source of great pride. The dedication and service of the Patrol is exemplary. I am disturbed, however, by the level of compensation awarded Kansas troopers as compared to that received by troopers in surrounding states. Many other states' compensation packages for troopers include subsidies for on-the-job meals and uniform cleaning expenses. These provisions seem more than reasonable. To improve the compensation package for Kansas troopers, I recommend for FY 1986 that funds be appropriated to provide monthly stipends for meals and uniform cleaning expenses incurred by them in the performance of their duties.

DRINKING AND DRIVING

A topic receiving a great deal of deserved attention is the tragedy of drunk drivers. The irresponsibility of persons who choose to operate motor vehicles while in a state of diminished responsiveness due to drugs or alcohol results in unnecessary deaths and the destruction of property. We must continue our aggressive approach to reduce the incidence of drunk driving.

I recommend two legislative changes which will enhance our capability to keep our roads and highways free of drunk drivers. First, a new offense, Operating While Impaired (OWI), should

be established in our criminal code as an alcohol-related offense. This offense would be the proper charge for persons operating a motor vehicle with a blood alcohol content (BAC) of between .07 and .09 percent. The proposed penalties for this offense are 24 hours in jail or \$125 fine or both for the first offense. The creation of this new offense would provide judges and prosecutors with an offense that indicates alcohol-relatedness in cases where the BAC is less than .10 percent. Of major import in the creation of this new offense is the documentation of a history of alcohol-related offenses which will assist judges in sentencing decisions. An OWI statute was originally recommended by the Governor's Committee on Drinking and Driving, which I appointed in 1981. Support for the establishment of this offense is also found in the recommendations of the Interdepartmental Coordinating Committee on Alcohol and Other Drug Abuse.

My second recommendation is to change the drinking and driving criminal statute to provide that statutorily specified BACs are "per se" violations of this statute. Current law makes these statutory limits prima facie evidence but does not provide that these levels actually constitute criminal behavior. Many states have adopted this proposal and have reaped benefits from reduced trial time and more timely prosecution of these alcohol-related offenses. Further, this "per se" designation is needed to make Kansas eligible for federal dollars that can be used for alcohol and drunk driving-related programs. The Attorney General has opined that, in effect, the current law is a "per se" law. But to ensure that the federal government adopts this interpretation and to reduce some pressure on our court system, we should make our law a clearly "per se" provision.

There are numerous other changes in the drinking and driving statutes that must be made to ensure that the original intent of the Legislature is adequately fulfilled. My 1985 legislative package on drunk driving includes a series of minor changes that will close several loopholes in the law that are allowing offenders to escape appropriate penalties.

Toughening our drinking and driving laws is only one approach to dealing with the problems of alcohol and drug abuse in our society. Additional efforts in the areas of prevention and treatment of alcohol and drug abuse must accompany changes in criminal sanctions. My recommendations in this area can be found in the Social and Rehabilitation Services' portion of this Message.

Public safety and our criminal justice system warrant our constant attention. Maintaining the effective management of these areas is critical to the health and well-being of our citizenry. My recommendations for FY 1986, I believe address the system's needs in a responsible fashion. I ask the Legislature to join me in ensuring the continuation of quality programs in this area.

TRANSPORTATION

Our transportation system plays an important role in the continued vitality of the Kansas economy. Maintaining the more than 10,000 miles of roadway in Kansas is an ongoing effort and necessary to sustaining the State's economic base. The effectiveness of our State's transportation system is critical to our economic future.

EFFICIENCY MEASURES

Last year, the Kansas Department of Transportation (KDOT) utilized, for the first time, a recently developed project priority optimization system. This system evolved from continuous requests for objective project selection criteria and has proven effective. Systems such as this reflect the ongoing efforts of KDOT to utilize funding resources in the most effective and economical manner. In light of federal highway monies held in abeyance, prudent management of available resources will continue to be increasingly necessary.

There are a number of funding sources which contribute to KDOT's total revenue base. One of the major sources is the motor fuels tax, an area that was studied carefully by a special interim committee which made recommendations to the 1985 Legislature.

In the past, the State has provided a direct incentive for the production of gasohol by allowing a motor fuels tax exemption when blended. The incentive has been effective as revealed by current statistics which show an increasing proportion of all motor fuels tax receipts now coming from gasohol sales. Rapid increases recently in the consumption of gasohol have out-stripped estimates and resulted in significantly decreased estimates in total motor fuels tax receipts. This, coupled with federal actions this year to increase the subsidy for gasohol, led the interim committee to conclude that the State should act now to stabilize our motor fuels tax receipts. I support the conclusions of the committee and recommend that the 1985 Legislature take action to decrease the exemption for gasohol in Kansas by one cent. Due to the federal policy change, no net effect on consumer prices or in the total subsidy available to ethanol producers will result. Motor fuels tax revenues, however, can be expected to increase by \$3.2 million as a result of a one cent subsidy decrease for gasohol.

In order to continue implementation of KDOT's five-year highway plan, I recommend expenditures of \$271,023,697 in FY 1985 and \$233,660,697 in FY 1986 for highway construction and maintenance. In addition, I recommend appropriations of \$64,543,012 for FY 1985 and \$63,939,000 in FY 1986 to local units of government to support maintenance programs for local roads and city connecting links.

In keeping with efforts to streamline the Department and ensure efficiency, I further recommend \$135,000 in FY 1986 to fund KDOT's Comprehensive Pavement Management System. This system is utilized to determine project prioritization based on road conditions and needs.

As an important first phase of updating the technical capabilities of KDOT, I recommend that \$1.6 million be appropriated for the acquisition of Computer Aided Design, Drafting and Mapping (CADD/CAM) equipment. This equipment addition will increase the design and mapping capability of the Department. The new technology will enhance the production capacity of the engineering staff by an estimated 18 percent and will allow the agency to respond to changing programs more efficiently.

FEDERAL DOLLARS

In no area is the federal/state cooperative relationship more apparent than in our transportation program. The federal government supplies significant dollars to the State of Kansas for road and bridge improvements, urban and rural public transportation, highway traffic safety, rail

rehabilitation and aviation planning. Additionally, the federal government targets funds for special study projects and discretionary funds for roads and bridges for which the states may apply. While the process is extremely competitive, my Administration has performed well in obtaining these funds for our State. Kansas has received over \$185.2 million in federal road and bridge discretionary funds over the last six years of my Administration. During the federal FY 1984, we received \$18.1 million in bridge rehabilitation and replacement discretionary funds for the Kansas River Bridge in Kansas City and \$36.7 million in interstate discretionary funds for uncompleted segments of the interstate system. We also received \$9.5 million in additional obligation authority to expend existing funds. For federal FY 1985, we have received thus far \$14.4 million in interstate discretionary funds.

RAILROADS

Upon taking office six years ago, one of the first crises to confront my Administration was the bankruptcy of the Rock Island Railroad. That bankruptcy threatened to disrupt service to hundreds of shippers all across Kansas and to cost Kansas millions of dollars in lost employment and business.

I am pleased to report that, since May 15, 1984, all of the major Rock Island lines are back in service. This return of service was made possible by the Southern Pacific's purchase of the Tucumcari Line, the KATY's purchase of the O-K-T Line, and the Mid States Port Authority's purchase of the Northern Rock Island Line. With these purchases, 903 miles of the Rock Island line in Kansas were returned to service.

All of these purchases were supported and assisted by the State of Kansas. Most recently, the State took the unprecedented step of guaranteeing 50 percent of the Federal Railroad Administration's loan of \$18 million to the Mid States Port Authority for the purchase and rehabilitation of the Northern Rock Island Line. This guarantee was necessary to ensure a return of service. The state loan guarantee was based upon the recommendation of KDOT and approved by the Legislature.

Additionally, the State has had significant involvement in evaluating the effect of the recent rail mergers. In the case of the Union Pacific/Missouri Pacific rail merger, we ultimately concluded that approval of the merger was in the best interest of the State. Our support, however, was contingent upon the granting of trackage rights to the KATY and to the Rio Grande Railroads in order to preserve competition and protect the public interest. We were pleased that the Interstate Commerce Commission reached those same conclusions in its decision in that case and approved the merger based upon the granting of trackage rights.

We are now faced with a proposal by the Santa Fe and the Southern Pacific Railroads to merge their operations under common control. As we did in the Union Pacific/Missouri Pacific merger, the State must carefully weigh a number of competing factors that will bear upon our decision. Consequently, when this merger application was announced, I directed the Kansas Department of Transportation to conduct a thorough analysis of the merger's impact on the State and to recommend to me what the State's position on this merger should be. After more than a year of

study, the time to take a position is drawing near. The State will file its position with the Interstate Commerce Commission by March, 1985.

Despite the development of other modes of transportation, rail service continues to play an essential role in the Kansas economy. I recognize that the viability of a railroad operation serving Kansas cannot be analyzed strictly within our State's borders, but must be viewed as an integral part of the greater system of increasingly fewer and larger transcontinental carriers, supplemented by regional carriers and shortlines. The decisions we face will become more complicated, but essential if we are to maintain our commitment to a high quality transportation program.

SAFETY

The growing cost of motor vehicle accidents is a major health problem of such high cost and potentially disastrous impact on personnel that it can be ignored by no employer. Motor vehicle crashes represent the number one cause of both lost work time and on-the-job fatalities.

Later this year, I will announce a seat belt policy for state employees. The policy will mandate the use of seat belts for all state employees while on state business, either in state vehicles or personal cars. Additionally, I intend to work with the chief executive officers of Kansas corporations to encourage them to establish seat belt programs for their own employees.

In the meantime, the Legislature and my Administration should work together to determine the proper role of state government in determining seat belt policies for all citizens of the State. As a first step toward encouraging the use of seat belts by all Kansans, I recommend that legislation be passed in the 1985 Session to permit evidence of non-use of passenger restraints in a damage action arising from a motor vehicle accident. This still allows personal choice, but also protects society at large from the enormous expense that a choice for non-use can cost.

AVIATION

Aviation represents one of the largest industries in the State. Through the Division of Aviation in KDOT, we are able to work with the aviation industry and with local airports to provide an effective system.

My Administration works with the 158 public-use airport facilities in the State, encouraging them to take advantage of the Federal Aviation Administration's Airport Improvement Program and apply for funding to upgrade their facilities. Through the active guidance of KDOT to local airport authorities, we have been able to assist in bringing \$28.9 million to the State since 1982 for airport improvements.

In the future, the Department will continue to assist in encouraging tourism in the State by developing and distributing aviation directories and aeronautical charts which interface with our state road and tour maps.

The importance of our transportation system cannot be overstated. As we enter an era of federal cutbacks, it is more important than ever that the Legislature and the Administration work together toward the common goal of ensuring Kansans a modern, efficient and responsive transportation system.

CULTURAL AND RECREATIONAL RESOURCES

Historical tradition, artistic creativity and immense recreational opportunities are valuable features of Kansas life which need constantly renewed recognition and protection.

Kansas has a unique place in the Nation's historic, cultural and recreational life. The expansion of the country westward, the documents and artifacts which characterize those times, the collections, private and public, of paintings and books, and stretches of country virtually unchanged over the centuries all provide a richness that has an attraction for Kansans and all Americans.

The benefits which accrue to the State in terms of improvement in our quality of life, as well as in the improvement of our commercial and financial base, are difficult to exaggerate.

This Administration is dedicated to the idea that much of what we have saved and collected from past years is worthy of preservation for the present and future citizens of the State and, thus, for the Nation at large.

Land which has been untouched by the plow and undisturbed by the builder cannot, once it is furrowed or built upon, be restored. Dead streams and silted lakes provide only the memory, not the reality, of pure habitat for fish and wild fowl. The historic site, important in past lives and present pleasure, once leveled, cannot be restored. Libraries, museums and galleries also provide a present linkage with the past and future which Kansans want preserved.

Kansas, rural and urban, use and enjoy the cultural, historic and recreational resources of our State. The administration and preservation of these resources are in the keeping of agencies which are as diverse as the resources themselves.

THE KANSAS ARTS COMMISSION

Since its inception in 1973, the twelve-member Kansas Arts Commission has done much to focus attention and to provide direction for programs dedicated to increasing the quality and extent of the arts available to our citizens. Hundreds of musicians, painters, poets and actors have been able to display their talents to thousands of Kansans in communities over the entire State under the auspices of the Kansas Arts Commission.

Since the Commission's primary function is to provide funding for local programs, while serving as the conduit for federal and state matching grants for local contributions, the need to maintain an appropriation from the State General Fund is apparent.

Funding also needs to be continued for the Commission's major grant categories (Area Arts Resources, Artists in Residence, Touring Arts and Local Arts Agencies), the Governor's Artists Competition and project programs for special constituencies such as the aged, the handicapped and minorities.

I recommend an increase of \$150,000 in state funding for arts grants in Fiscal Year (FY) 1986. This will allow the Commission to provide added support to Arts Resources and the Touring Arts Program.

Of the \$150,000, I recommend \$50,000 for each of the next three fiscal years which will allow the Commission to match an equal amount of federal funding from the National Endowment for the Arts (NEA). These funds will enable the Commission to qualify for a new NEA pilot program supporting local arts agencies.

Since a major portion of the funding for these programs comes from local sources, the Arts Commission provides an instrument which allows a truly cooperative partnership among local, state and federal agencies.

KANSAS STATE HISTORICAL SOCIETY

Nearly 100 years ago, the Kansas State Historical Society was created for the purpose of preserving materials related to Kansas history. In the intervening years, the Society has become an integral part of the historical community, amassing a vast collection of artifacts, documents, photographs and other items of interest to historians and scholars nationwide.

The program of the Society, directed by a Board of Directors, has culminated in the construction of a new museum located at I-70 and Urish Road in Topeka, which gives a visible demonstration of the support the people of Kansas have shown.

The Museum will phase-in exhibits over the next year and one half on a schedule which, when completed, will allow the display of a wealth of material which will exemplify Kansas history in a setting matched by few, if any, other states.

In order that the exhibit construction may proceed at an orderly pace, I recommend for FY 1986 the sum of \$700,000 for museum exhibit construction to be matched in part by a challenge grant provided by the National Endowment for the Humanities.

While I share the deep interest in the sites which illustrate our historic past, I feel an urgent need to make some judgment, cooperatively with the Legislature and the Society, about how many of these sites warrant continued expenditure and support from the State.

Of the eighteen historic sites now in possession of the State, a number are in bad structural condition and have suffered from neglect; some attract only minimal attention and few visitors. As a consequence of these factors, I recommend \$60,200 for the development of an Historic Properties Preservation and Restoration Program which will evaluate and study all historic property with emphasis on the cost of capital improvement required for each site, the historic

value to the State, the cost of reinterpretation of the site and other factors. Alternatives to state ownership could then be considered based upon standard and relevant criteria.

Other sites or buildings which are not owned by Kansas demand attention if they represent some architectural or historic value to Kansas. I recommend the addition of one position for the Society staff to facilitate work on the rehabilitation and reuse of historic commercial buildings in cities and towns in Kansas.

The Memorial Building on 10th Street in Topeka requires immediate attention to correct a condition which constitutes a public hazard. The ornamental cornices which grid the top of the building are in danger of collapse. I recommend a supplemental appropriation from the State General Fund in FY 1985 of \$78,600 to be added to the \$250,000 appropriated by the 1984 Legislature for repair of the cornices.

The Society has in recent years embarked upon a project illustrating the value of folklife in Kansas. The Folklife Festival has generated interest to a degree which warrants state general funding of a Folklife Coordinator, which I recommend for FY 1986.

THE STATE LIBRARY

For well over a century, the State Library has served as a repository and resource center for books and documents important to the various branches of state government and to the citizens of Kansas. An information source of major significance, the Library also performs various other services which make it a catalyst for libraries of every size and purpose over the entire State.

Recent major improvements have come from the work of my Committee on Library Resources which made recommendations resulting in far greater access to the materials in the collection. While I am proud of the work of the Library, no institution of this nature, whether public or private, can remain vital without improvement of its collection and expansion of its services.

Library programs for the blind and physically handicapped population are an integral and important service of the State Library. In recent years, however, local libraries have borne an increasingly heavy share of the costs of such services. I recommend a modest grant-in-aid fund of \$25,000 for FY 1986 to alleviate the burden placed upon local libraries.

In addition, I recommend first-year funding in FY 1986 of \$1.2 million for the Interlibrary Loan Development Plan. This will allow reinforcement of the collections of local libraries through a coordinated acquisition process leading to greater access to more materials by library patrons. Through increased acquisitions and use of the Interlibrary Loan Network, all Kansans will benefit from the expanded statewide collection.

I further recommend the addition of a half-time Library Assistant I position whose task will be to search out bibliographic errors in the Kansas Union Catalog. An added \$10,000 will be necessary to provide vendor costs to pay for corrections. These sums, though modest, are necessary in order to assure the accuracy of the Catalog.

THE PUBLIC TELEVISION BOARD

Public radio and television have become effective and commonplace means for the dissemination of culture. In order to stay current with increased needs for stations under the direction of the Board, I recommend for existing public television stations a continuation of station grants of \$375,000 in FY 1986. I further recommend a grant for Instructional Television of \$50,000 and an additional \$37,500 earmarked for television replacement equipment.

I recommend a State General Fund expenditure of \$75,000 for existing public radio stations in FY 1986, to be distributed through a formula which would provide a slightly larger share for the one community-based licensee, with the remainder divided equally among the four institutionally-licensed stations.

I recommend \$199,310 for FY 1985 for the completion of the Southeast Kansas TV translator project. The grant recommendation for the one new television station in the system, KOOD-Bunker Hill, is \$225,000 for both FY 1985 and FY 1986.

Space in the air waves is a finite resource which must be utilized and guarded. These sums will provide the means to maintain existing programs and extend to some degree the coverage of the system.

THE KANSAS STATE FAIR

Every year, some 300,000 Kansans attend what is for them one of the recreational and educational high points of the year--the Kansas State Fair. A high point of the 1984 Fair was the Chinese Exhibition which attracted thousands of visitors.

In the seven decades since its creation, the Fair has grown steadily and has broadened its appeal to the extent that urban as well as rural populations enjoy it.

While the operating costs for the Fair are funded by receipts from activities and events, capital improvements and special maintenance projects are primarily funded by the State General Fund. I recommend for FY 1986 \$652,502 in program expenditures for maintenance of the Fair's physical plant. I further recommend capital improvement expenditures of \$250,000 in FY 1985 and \$1,250,000 in FY 1986. A major portion of the expenditure in FY 1986 will be for the renovation of the grandstand on the Fairgrounds.

The 343,000 admissions, the 9,102 competitive exhibitors and 604 commercial exhibitors and concessionaires at the 1984 Fair demonstrate how popular and valuable this event is.

THE KANSAS FISH AND GAME COMMISSION

The many thousands of Kansans and visitors who flock to the fields, streams and lakes of our State attest to the effectiveness of the Fish and Game Commission in its mandated responsibility for the conservation of our aquatic and terrestrial wildlife resources. The public has optimum use

of these resources in a series of programs which are noted nationally by conservationists and sportsmen.

The economic impact which results from the availability of nearly 240,000 acres of public hunting grounds, from 3,646,000 fishing days and from 2,414,000 hunter days can hardly be over-estimated. Because the Fish and Game Commission derives its income from the sale of hunting, fishing and trapping licenses and from boat registration fees, the economic boon to Kansas occurs with no expenditure of the State General Fund monies.

Add to these benefits the Commission's work with non-game species, safety programs and education activities and one can easily see the scope of the work done by this important agency.

THE PARKS AND RESOURCES AUTHORITY

Kansas' state parks and lakes provide an unending source of recreation and pleasure to great numbers of people. The wide variety in purpose and location of these state sites offers a choice of activity which is remarkable.

Twenty-three state parks covering 28,569 acres attracted 4.3 million visitors last year. State investment in the previous fiscal year amounted to over \$16 million. Total investment, including state, federal and private funds, was in excess of \$36 million.

Maintenance of this vast investment, as well as improvement of existing facilities, places an increasingly heavy burden on state resources. This Administration, while renewing its commitment to our park and lake system, believes that we must pause momentarily to examine how extensive Kansans wish this program to be.

Hillsdale Lake, a worthwhile project in Miami County, awaits development. While I support this project, I have provided no funds for its development until the Legislature, the Governor and the Authority have the chance to make long-range provision for existing parks and to state our priorities for future additions to the system.

The quality of life for Kansans and the attraction for visitors from other places are strongly enhanced by our resources for cultural and recreational activities. The Capital itself has an historical tradition and great cultural value which is part of our cultural treasure, sometimes too familiar a surrounding for us to remember its worth.

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