



**State of Colorado**  
EXECUTIVE CHAMBERS  
DENVER

RICHARD D. LAMM  
Governor

STATE OF THE STATE ADDRESS

By Gov. Richard D. Lamm

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I would like to welcome you back, on this first day of what I hope will be a short and productive session.

I am pleased to tell you today that the condition of the State of Colorado is excellent. Our economy and fiscal soundness are the envy of most states in the Union.

Our strength and well-being gives us the opportunity to solve a number of problems facing us in the short run and guarantee continued prosperity in the future. We are fortunate in that the problems we do have are the Problems and Challenges of Success: challenges of growth, not decline; challenges of surplus, not deficit.

I will be calling upon you today to deal with five major challenges our success has created. But before I present these challenges, allow me to outline--for a few moments--the good news concerning the condition of the State.

1977 saw Colorado complete its recovery from the low point of 1974. The new office buildings rising almost monthly in Denver, the new energy production occurring on the Western Slope are graphic indicators of the general strength of the Colorado economy.

All the statistical indexes, with the exception of agriculture, are glowing.

Colorado per capita income continues to grow faster than the national average, while unemployment runs substantially less than the national average. In 1976 and 1977, we created--by new or expanded industries--many times the new jobs created in 1974. Moreover, our snow is back, the ski industry is having a banner year, and there is substantial reason to believe we have survived the brunt of the drought.

State government continues on a course of rapid improvement. Our Division of Employment and Training was recognized by the Federal government as having improved from one of the worst programs in the Nation to one of the best in little more than a year. Our program for employing welfare recipients is now rated by the Federal government as the best in the Nation. The welfare rolls have been cut by over 20,000 in the last two years.

Looking at Correctional Industries, where three years ago few, if any, inmates were working 8-hour days, today over 720 are enrolled in meaningful work programs. While we have not solved the problem of our antiquated maximum security prison, our institutional escapes are the lowest in five years.

In the Revenue Department, foreign corporate tax assessments went in one year from \$4.8 million to \$22.2 million, thanks to a new program that put the heat on delinquent out-of-state corporations.

There are similar success stories in almost every agency, and I would like to publicly thank all State employees for their dedicated efforts in helping

to bring about these improvements. We can be proud together of those State employees who effectively serve this State.

With success, however, comes challenge. These are much more bearable than the problems of decline, but they can, however, be extremely troublesome.

Let me talk first about air pollution.

The Front Range "Brown Cloud" grows into a more serious problem day by day. It's frequency and magnitude can no longer be ignored. Air pollution is far more than a matter of aesthetics; its solution is inextricably tied to our future economic and physical well-being.

The price of living in an air pollution basin is coming due and must be paid.

The problem does not lend itself to easy solutions. Over ninety per cent of this pollution comes from automobiles that we all use in our daily lives. Growth and the use of automobiles over the past few years is a reflection of our successes. When the office towers rising in downtown Denver are finally completed, over 30,000 new workers will be inhabiting them. I think all of us would agree that this will be an exciting economic boost for the core city of Denver. But at the same time, this means an additional 30,000 persons will be fighting their way to work every morning, creating more traffic snarls and more pollution.

The situation is getting worse. In 1976, the carbon monoxide levels for the Denver metro area exceeded safe health standards on more than 100 days. On some days, the levels were three times worse than the acceptable standard.

In previous years, I have introduced a number of bills designed to cope with some facets of this problem. These include the establishment of a Department of Transportation, a revamping of the specific ownership tax on motor vehicles which would reward drivers of more efficient vehicles, and the inspection and maintenance bill which you passed last year.

I believe the time is ripe, and that the public demands stronger action in this area. Ultimately, the solution to our pollution problem lies in the hands of the Federal government, which has consistently delayed and rejected attempts to establish cleaner, more efficient Federal automobile standards.

But, if we wait for the Federal government to fulfill its responsibility in this area, Denver will choke to a standstill. We must take whatever actions are available at the state and local levels to alleviate this problem.

Over the past several months, numerous citizens and lawmakers have come forth with ideas concerning auto emissions legislation. I am providing an extremely broad Call item concerning the control and reduction of mobile-source air pollution so that you will be able to explore all feasible legislative avenues.

There are three specific concepts which warrant your attention and possible support.

I would encourage you to investigate the feasibility of providing financial assistance to our citizens, so that they could provide their automobiles with proper tune-ups. One of the most significant immediate courses of action that we could take in cleaning Denver's air would be to see that a vast number of older cars are tuned properly.

Secondly, I think we should examine various tax incentives that would reward individuals who drive less-polluting vehicles or who purchase high-altitude modification kits, in order that their cars would function more efficiently in Denver's mile-high atmosphere.

Finally, there is a good deal concerning the health aspects of air pollution that we do not understand. By a number of measures, our air pollution situation is literally one of the worst in the Nation. It might be important for the Legislature to fund a credible long-range health study of metro Denver's air.

As I've said earlier, ultimately, we must force the Federal government to change its emission requirements for automobiles and to funnel mass transit money into the Front Range. But, in the interim, we must provide our own short-term solutions. The time to begin is this Legislative session.

Let me turn next to the second Challenge of Success--the State budget.

Our Revenue Estimating Committee projects that in 1978-79 Colorado will collect \$1161 million in revenues. With the 7 per cent limitation on expenditures mandated by the Kadlecek Amendment, our total expenses for the next

year are projected to be \$1073 million. After the budget reserve and other considerations, that leaves approximately \$100 million in discretionary dollars not needed to run State government. We must decide how this money is spent to reduce demands on local property tax dollars, or returned to the taxpayers.

In considering tax relief, I urge you to consider in your definition of property tax relief the tax savings inherent in picking up costs now borne by local government. Whether it would be additional funding of education, or additional money into the Highway Users' Fund, these funds should and can be used to relieve property taxes by picking up some costs now being paid by local governments.

Aid to the Highway Users' Fund is particularly critical. Colorado must not let the public investment in highways be impaired. I have consistently opposed an additional gas tax, and I still do. We do not need to increase the gas tax when we have a substantial surplus which can be used directly to preserve and improve our transportation network.

Even with additional aid to education and to highways, there will still be sufficient funds available for the most pleasant task of this session-- tax relief. We can declare a dividend to our shareholders--the Colorado taxpayers. I urge you to look seriously not only at property tax relief, and when I use that term, I mean relief for renters as well as homeowners, but other options as well, including the possibility of continuing the graduated food tax credit and perhaps even instituting an income tax cut.

The money is there--we need only to act.

I am asking you to change the current "good time" system used to evaluate inmate behavior to an "earned time" system. Earned time is an incentive program which places the responsibility on the inmate to work and earn his or her way out of prison and back into society. The antiquated practice of giving an inmate something for nothing no longer applies; in the future we must demand that those who run afoul of the law and are sent to prison must consistently demonstrate that they are capable of earning time off their sentences by good work performance and good behavior.

One of the greatest successes in the last three years--and by "ours" I mean legislative and executive--has been the Correctional Industries program. I appreciate and applaud your efforts in this area. Approximately one-third of the State's entire prison population is now working in various jobs on 8-hour daily schedules. We expect to gradually increase this figure toward 95 per cent, and hope that by selling manufactured products to other State agencies, to break even in the near future and anticipate a healthy profit in fiscal year 1978-79. This program not only teaches vocational skills, but also saves the taxpayers' money--a double victory when dealing with corrections.

I also urge you to fulfill the recommendation of our latest master plan in corrections--a recommendation that echoes the earlier findings of Gov. Love's study in 1968 and the feeling of virtually every expert who has viewed our maximum security prison. We must proceed and construct a new maximum security unit that will keep both the inmates and the public safe. The facility is years overdue and this should be its year.

The fourth challenge and opportunity we face this session is to take further steps to get government out of people's lives. Colorado can take great pride in being the first state with a Sunset Law--now we have the obligation to make it work.

The yardstick by which the public judges its elected officials no longer measures how many new exotic programs have been initiated, but rather whether the leadership has made existing programs work more effectively and more efficiently. Our measure in how well we serve the public is not how many programs, but how well they serve the public interest.

The Sunset process is a means of gauging the effectiveness of our regulatory boards and commissions. Already we have eliminated a number of these bodies, consolidated others and had the chance to examine and rethink the regulatory process in general. This session, you will have the opportunity to evaluate two of the most important regulatory bodies in the State--the Public Utilities Commission and the Insurance Commission. Your decisions will affect virtually every citizen of our State, for both of these bodies have a tremendous influence on the budget of the consumer.

Our society was founded on the principle that free competition in the market place is the best protection available to consumers. I subscribe to this principle, and believe that regulation of the marketplace is only justified when the specific characteristics of the industry remove them from the countervailing forces of the free market.



While there is no clear way to measure the costs and benefits of economic regulation, justification for State regulation requires a showing that in its absence, the public would suffer harm. The Sunset process makes such a showing mandatory.

I believe an examination of the Public Utilities Commission would indicate that there no longer is any need for regulation of much of the transportation sector, and that the time is ripe to return this area to the principles of free enterprise competition. Accordingly, I have placed such legislation on the Call.

I believe an examination of the functions of the Insurance Commission will also lead to the conclusion that certain segments of the industry can be deregulated. In order to insure a broad and conclusive debate on all of the issues relating to insurance regulation, I have left the Call title very broad, but I would urge your serious consideration of deregulation of parts of the insurance industry also. At the same time, I would hope that serious attention be given to consumer protection legislation in both the Insurance Commission and the Public Utilities Commission.

We have the opportunity to back our rhetorical commitment to free enterprise with concrete acts, and I urge you to seize this chance.

Lastly, I believe we must work together creatively on the problems and challenges facing the West. If we are to preserve our western way of life, if we are to save our agricultural community from extinction, we must rise to the occasion and assert the interests of our semi-arid State.

We have already begun to forge a political block of Western states to protect our mutual interests. Colorado is in a pivotal position for this effort, with Senator Anderson the head of the National Conference of State Legislatures and myself as the head of the Western Governors' Policy Office. We must use our collective political power to insure that the lack of understanding of the West by the Federal government is corrected, and we must assert our interests in the increasingly tense competitiveness between the Sun Belt and the Frost Belt states.

Most immediately, our struggle is to protect our water resources. To that end, I would ask you to work with me to monitor the currently pending "Federal Water Options" to insure that they won't contain any Federal pre-emption of state water rights.

A joint resolution on this subject would show your concurrence with our efforts to date to prevent these options from interfering with our State water doctrine. If these doctrines need to be changed, the Colorado Legislature is the place to do it, not the Federal government.

I urge this body to move aggressively to take control of the issue of coal slurry pipelines. At this time, the coal slurry pipeline promoters claim they have a private right of eminent domain under the terms of Colorado's Constitution. We oppose this interpretation, but it may be upheld in court. I do not think we should blindly oppose all coal slurry pipelines, but I believe this body should decide if the particular proposal is in Colorado's interest and that we have been given credit under an interstate compact for the water used in the pipeline. Today, these decisions under the appropriation

doctrine and the private eminent domain statute may lie almost entirely in the hands of the coal slurry pipeline promoter.

This is unacceptable.

I would propose you consider a constitutional amendment removing any possible constitutional right of private eminent domain for coal slurry pipelines and requiring the affirmative approval of the Legislature before any Colorado water is used or Colorado land condemned for coal slurry pipelines. We must get the cards back in our hands; we must assert the public interest and protect Colorado water.

Third, I urge you to take steps to increase Colorado's capacity to deal with our water problems. There are two aspects of my concern.

First, we ourselves should have the capacity to build small water projects, in order to fully utilize Colorado's share of our water. These smaller projects cannot be considered as a substitute for Federal water projects already authorized by Congress. The larger projects are budgeted at over \$600 million and should be legally and equitably built by the Federal government in repayment for Colorado's sharing its water with other states.

But, in addition to these larger projects, Colorado must further develop its own capacity. We took an important step in 1971 when we set up the Colorado Water Conservation Construction Fund. I now propose an aggressive 10-year program to authorize specific smaller projects and to further build up that fund to the multi-million dollar level, in order to help many of our smaller communities.

Secondly, many rural communities throughout the State are faced with emergency needs to upgrade their water systems in order to provide clean drinking water for their citizens. It is not enough simply to provide raw water to these communities, for we must see that it is adequately treated and safely delivered to the households. To deal with this problem, I am suggesting that you expand the Emergency Water Systems Fund--for small communities--which is administered within the Department of Local Affairs.

The drought appears to be easing right now, but rest assured that it will come again. We should not delude ourselves. We must plan and prepare for drought as a cyclical pattern of western weather. Part of that planning is to increase State control of energy projects that might drain our water--like coal slurry pipelines--and another part is to increase our capacity to develop and deliver our existing water supplies.

The price of living in our semi-arid State must be foresight.

There are other items we must take up this session. We must extend the dental program for old age pensioners. We must improve the quality and capacity of our rural health delivery systems. We must strengthen our drunk driving laws. We must increase our protection for nursing home residents. I urge you to consider seriously the recommendations of the Colorado Commission on Higher Education and would hope you continue Colorado's commitment to excellence in higher education, emphasizing quality and access rather than quantity.

My Call is extremely short. It is not a comprehensive list of all of Colorado's problems, but it is a list on which some immediate action should be considered.

There are other deserving items for consideration, but they can wait, if necessary. I would be happy to place additional items on the Call, if--and only if--these items have broad bipartisan support. I would ask those seeking such items to contact the legislative leadership soon, so that by January 12th all requests can be given to my office.

In conclusion, we have a short but extremely important agenda. I urge you to devote your efforts to the five challenges I have outlined--the challenge of reducing taxes, the challenge of dealing with air pollution, the challenge of improving Corrections, the challenge of deregulating certain industries, the challenge of helping Colorado to shape its own destiny.

The sixth challenge is to complete this legislative session efficiently and in a spirit of partnership. My hope is that this body can adjourn before the onset of spring, and can look back on a session regarded not for the quantity of laws it enacted, but respected for the quality of laws it passed.

Thank you.