

STATE OF THE STATE ADDRESS  
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We must become more productive as a people. This speech is about that issue.

The first thing I want to talk to you about is frugality, efficiency, and productivity in government. The toughest challenge in public policy is the wise allocation of our resources, and I will discuss that today.

But another equally important matter is efficient, frugal use of these resources. We must face the difficult political challenge of convincing this society to invest in its future. People will not make that investment unless they trust that public funds will be used in the most frugal, efficient way possible. We have got to establish that precondition of trust before we can expect the public to support needed investments. Therefore, we need to take every dollar the government has and make it go as far as it can go.

Let me reflect on this personally. I grew up in the 1930's in the Dust Bowl in eastern Colorado. That was during the Depression. My family sold Purina feed. I remember stacking Purina feed sacks made out of cloth with a flowered print. After the feed was taken out of the sacks, the families used the printed cloth to make clothes. That was a frugal society.

Any large family understands the obligation to take what you have and make it go as far as possible. We need to bring that principle back to government at all levels. That does not mean turning our backs on people's needs. No, it means stretching our resources to meet those needs more effectively and at less cost. Those either in the liberal or conservative political traditions should not shy away from frugality. Being frugal enables you to meet more human needs, not less.

Therefore, I am challenging this state government to reexamine how it uses public dollars -- to be as frugal as it can be, to be as efficient as it can be, and to be as productive as it can be. We are in the process of doing this with the state government. We started with the Highway Department. The Revenue Department and its employees are doing an excellent job of incorporating this principle in their daily work. We're going to continue this reexamination in other departments in state government, working with state employees and with the Productivity Commission I appointed last year.

I also challenge every other level of government in the state -- county, city, district -- to look at every activity they undertake, to decide whether that activity is necessary and to see if it can be done in a more frugal and efficient manner. We owe that to ourselves as a society. We must become more productive, or else we cannot compete in this very competitive world.

This is my third State of the State address, and in reflecting on the messages of the past two years, I find that the basic economic agenda for this state has not changed. We need to begin with economics. It's not our only value, or even our main value. But it is a precondition to most other values and activities that we share. We need to lay the foundation for the future of the Colorado economy. And this administration has consistently emphasized four principal elements in building a healthy, stable economy: Jobs and Economic Development, Infrastructure, Environmental Quality, and Education.

The accomplishments of the last two years in each of these areas are important. We've assembled some of them in the year-end book on your desk. Let me just hit the highlights.

Jobs and Economic Development. When this administration took office in 1987, the state was in an economic slide. Now, we've passed the bottom of the trough and we're starting to climb up the other side.

Unemployment has dropped from 9.1 percent to 6.5 percent in the past two years.

Last year, the absorption rate of vacant office space in the metro area increased 60 percent over the previous year.

Tourism visits and revenues increased in 1988 by about 5 percent.

Agricultural commodity prices increased, earning Colorado farmers about \$500 million more in receipts than they earned in 1987.

Those are good signs. As we climb out of the trough, we'll continue to see some bad news: continued foreclosures, a sluggish building and construction industry still struggling from the overconstruction of the early 1980's, banking hurt by bad loan portfolios. But we are making progress, and I'm both realistic and optimistic about the next two years.

In baseball terms, economic development is mostly putting singles back-to-back, not waiting for the home run. We've gone for the home run in a few cases: we got U.S. West, and we came in second and third, respectively, on Sematech and the SSC. But building a stable, sustainable economy requires persistent effort.

In the last two years, we've changed the climate for business in this state. Everybody knows Colorado is open for business. We are as aggressive as any other state when it comes to working the national markets for new jobs. And internationally, we laid the foundation for future successes by building strong contacts. We now have a presence overseas. We've developed a professional, competent economic development capacity at the state level and strengthened the partnership between state and local economic development efforts. We've emphasized a balance between urban and rural development efforts, between large businesses and small businesses, and between recruitment of new businesses and retention of local firms.

We now have 19 small business assistance centers throughout the state. We're working to improve access to capital for small businesses. We've placed special emphasis on minority- and women-owned businesses.

This kind of balance is important. The people of Colorado want more control over their economic future. They're tired of the boom-and-bust mentality. They want businesses to have a stake in their communities, not just to take the incentives they're offered to relocate and then leave once those incentives expire. That means we need to pay special attention to the needs of small, home-grown businesses, the ones that grow up with a community.

Infrastructure. We cannot have a productive economy in this state without the infrastructure resources to back it up. We need an adequate transportation network, sufficient water supplies, and reliable waste disposal capacity. Last year, this was a principal area of focus, and we've accomplished a lot.

The airport annexation election was a victory. That was probably the most critical economic decision this state will make in the next ten years. Winning the election allowed us to go forward with the next steps to build the airport. Now more than half the land for the airport site has been bought; the environmental studies are moving toward completion; the master planning is nearly complete; and next month, the first construction on water lines for the new airport will begin. We're on our way to having the second busiest airport in the world.

This past year we made significant progress toward ensuring an adequate water supply for the Denver metro area. There was much controversy around my recommendations on Two Forks, but they were critical to getting cooperation among all the different jurisdictions and authorities on a plan for the long-term stability of water supplies in this area. And we have assured, through agreements with Denver and through permit conditions, that interim supplies will be developed and an aggressive water conservation program will be put in place. In the next two years and beyond, I want to make sure that that cooperation continues as Denver agreed it would.

Finally, you've heard a lot about transit and roads lately. That is one we are simply going to have to do for the economic health of the state. We must, and we will, do it cooperatively.

For the last two years, I've tried to describe the need for better roads and crucial capacity projects. This summer and fall, the Transportation Roundtable forged a set of recommendations on highways, transit and a metro entity to bring all the transportation planning under one roof.

I do not agree with every recommendation of the Roundtable, but its report is a valuable piece of work that represents the majority opinion of a broad and experienced group. The Highway Legislative Review Committee has endorsed the report of the Roundtable. Now it's up to you, the Legislature. You must shape this transportation package further. It's not going to happen unless the Legislature says it will happen. I've promised to support any responsible highway bill and to defend legislators of both parties who vote for the bill against their critics on that issue. That's how far I'm willing to go to depoliticize this issue.

Having adequate infrastructure isn't just a question of spending enough money. As is demonstrated by the Two Forks issue and others, it's also a question of coordinating our efforts -- planning well and being smart with the money we do spend. That's why the Roundtable's recommendation to form a single metro transit agency is as important as the recommendations about funding additional projects. Having separate E- and W-470 authorities and RTD and TCA all competing for dollars won't get us the system we need. Similarly, if we can't continue to cooperate on the new airport, it may be jeopardized as well. Our competitors know how to work together to achieve their goals. We must do the same.

Environmental Quality. Let me turn to environmental issues for a moment. I had not expected to spend as much time as I did working on environmental issues this past year.

The biggest controversy was around the Rocky Flats plant. When Governor Cecil Andrus of Idaho closed his borders to wastes from the plant and sent back the boxcar, we had a real crisis on our hands.

For the moment, I think we have the Rocky Flats problem under control. We made three demands of the federal government: (1) don't expand the waste storage, (2) don't shut the plant down because you can't find an adequate place to store the wastes, and (3) accelerate the cleanup at the plant. We came away from a meeting in Utah with Department of Energy officials and they agreed to all three demands. Now our job is to hold them to these commitments, keeping them on time and within the agreed limits. I continue to monitor this issue carefully.

We had a related problem arising from the Army's cleanup of toxic wastes on the Rocky Mountain Arsenal. Fumes from digging on the Arsenal were irritating neighboring citizens. We moved quickly, testing air, water and soil in the area, and established there was no immediate threat to human health. But again, we'll continue to monitor the Arsenal cleanup. And I hope we can settle the Superfund litigation soon and work more closely with the Army on the cleanup.

The Brown Cloud Study was a major environmental milestone. I started the study in the first place because we as a community couldn't agree on how to clean up the Denver power plants' contribution to the brown cloud. The study told us a great deal about the sources of the brown cloud. The study results didn't justify a costly conversion to natural gas at those power plants. Initially, my recommendations on this subject raised some controversy. But then Public Service Company agreed to install cleanup equipment on their coal burning boilers to reduce the emissions that cause the brown cloud. This was a major victory for air quality.

We've made other progress in air quality. Denver dropped from first to seventh on the federal list of cities out of compliance with national air quality standards. Our oxygenated fuels program has become a model for others around the country. We need and will do more research, but we're also implementing strategies based on the study.



Events of the last year show that air quality, like other environmental issues, is an economic issue. Look at the recent EPA decision not to approve major transportation projects because they don't meet federal air pollution standards. EPA wants more studies. This could delay some key projects, and it's because we don't yet have an overall plan for complying with federal air standards. Even more important, if we don't evaluate impacts carefully, we may also end up with the air pollution problem getting worse rather than better.

There are other important environmental issues I can only touch on here. We need to continue to invest in Colorado's remarkable natural assets. We've begun creation of the Arkansas River State Park, planning state management of this heavily used area to improve the river rafting experience while preserving the environmental values that are the area's major attraction. We have also established three new state parks -- near Steamboat Springs, at Ridgway Reservoir, and at Mueller Ranch. And we're ready to work with the Legislature to create two more, one along the Colorado River by Grand Junction, and another near Sterling.

We also need to encourage the wise use of Colorado's water. This year, we negotiated a water conservation plan for the Denver metropolitan area. Under this plan we can save significant quantities of water and delay the need for further water development. Water development no longer comes easy in Colorado. So we simply must continue to search for ways to use our water in the most efficient manner possible.

Education. The economies of the future will be more closely tied to the quality of education and the skill levels of the workforce than any other issue. The kind of education I got growing up in Holly, Colorado was a good one. And because my education has served me so well, it would be easy for me to say "that's the kind of education all kids should have."

The world has changed since I was in school. Communities have changed since I was in school. But the structure of schools has stayed pretty much the same. As a result, there's a mismatch between today's economic and social realities and the way we prepare students to meet those realities.

This administration and this legislature has responded by increasing funding for K-12 and higher education, by starting a new preschool pilot project for at-risk kids, and by enacting a major reform of the education finance system. We've provided training opportunities for adults in the workforce now to upgrade their skills. But there's much more we can and must do in the future. I want to return to the issue of education later in this speech because it will be a major focus of this administration in the coming year.

That's the progress report. Halfway through this four-year term, I am encouraged by the progress we've made in each of the four areas. What is most heartening to me is something even more important. I think we've helped Colorado to believe in itself again. I believe we're getting more aggressive and searching more forcefully for excellence in everything we do. In a way, that is the achievement I'm proudest of.

Now, I want to focus on this legislative session. I want to cooperate with you. The future of Colorado is more important than the future of our respective political parties. Let's measure our success by what we can do collectively to prepare Colorado for its future.

In front of you is a list of 85 initiatives this administration is supporting. I think they all deserve careful consideration. But let me briefly mention the critical issues which I think deserve your immediate attention.

First, there are several important funding matters we simply cannot ignore. I urge you to provide funding for the second year of the School Finance Act, including the preschool program. I also urge you to continue our commitment to strengthen Colorado's funding for higher education. These items are crucial if we are to address current problems and make our educational system among the best in the nation.

I also urge you to provide full funding for the salary survey and I urge you to work towards making the state benefit package comparable to the private sector. For efficiency and productivity in government, we need a motivated workforce with high morale. We cannot ask our workforce to accomplish a higher standard of efficiency and productivity without fair compensation for their efforts.

The next funding issue is prisons. It's obvious in light of the recent events at Ordway that we have stretched the state prison system to its limits. We need to provide adequate prison space to resolve the backup of inmates in the county jails, and we need to meet prison capacity needs for the long term. I urge you to provide the balance of the funding required to complete our prison expansion plan.

Second, there will be some important legislation concerning the environment this year. Our goal is to cut the brown cloud in half by the turn of the century, and there will be several bills this year to help do that. I ask you to support legislation to encourage the conversion of existing stoves and fireplaces to clean-burning wood or gas units. I also urge your support for alternative motor fuels research, studies of street sanding and sweeping, a heavy-duty emissions lab and other items critical to our battle for clean air.

I also urge you to establish a program to clean up leaking underground storage tanks. It is critical that we do this, and that we do it in a manner which does not place undue financial hardship on small businesses or subject the state to unnecessary liability.

There are also several bills on water conservation that deserve your serious consideration.

Third, you know where I stand on transportation. I mentioned it earlier in this speech and I've talked about it in the Highway Legislation Review Committee and in a number of other forums. We have got to have a transportation bill and we've got to have it without partisan politics.

Fourth, there are several health and social service issues which I urge you to act upon during this session, starting with the legislation implementing the recommendations of the Governor's Task Force on Self-Sufficiency.

In Medicaid, we have a serious problem which must be addressed. I need you to work with me to see if there are reasonable ways to contain Medicaid costs in the future.

I also ask your support for legislation on emergency medical services, funding new positions for drug enforcement agents in the Colorado Bureau of Investigations, and reforms to state banking laws. I refer you to the list for the remaining issues we are proposing for your consideration.

Now, I want to share with you a philosophy that is driving me as Governor. Briefly, it's as follows: If Colorado is going to become all that it can be, individuals must become more responsible for their own lives and participate responsibly in the lives of their families and their communities. And families and communities must participate responsibly in the public life of the state.

The brightest future for Colorado will be created by citizens taking responsibility, individually and collectively, to meet the challenges of a rapidly changing society in an increasingly competitive world. There will always be an important role for governments to play at all levels, but the biggest leaps we can make will occur because individuals identify their own roles in acting out their values and take responsibility for helping shape the future.

We have been caught up in a trend toward centralization of decision-making, authority and responsibility. Let me give you a quick historical sketch.

When this country was explored, we were a rural frontier society and people accepted that they were responsible for their own lives and the community was responsible for its own future. Neighbors helped each other through crises and defined together the solutions to common problems. There was no other answer. We did not look to a central authority, a central bureaucracy, a higher figure to make decisions that made a difference in our lives.

However, urbanization and modernization have caused us to deal with more and more centralization of authority, larger organizations, and decision-making processes that have been taken out of the hands of individuals and kicked upstairs.

We need to begin reversing that trend selectively. If we are to be more productive as a society, we must return to the philosophy that individuals must be responsible for their own lives, and families and communities must be willing to exercise collective responsibility for their own futures.

This emphasis on individual responsibility is occurring in some industries. There is a restructuring going on in the workplace. More and more, companies are taking the individual employee and making him or her responsible for the whole product and not just an isolated, single piece of it. An insurance company that used to have the key punch operators just perform a mechanical act has now changed its operations so that the person who does the key punch also takes the phone calls about that information and is responsible for translating the information back to the customer. So now that individual is responsible for the full product of the company.

The Japanese have obviously done this sort of thing with their quality circles. The concept is aimed at productivity and the key to it is making individuals responsible both for their own actions and for the product they work on.

We have done this in Colorado with the Communities for Drug-Free Colorado. We began with the premise that we would go to communities and say that the good life does not come from the top down, it comes from the bottom up. And if we are ever to take control of the problem with drugs, it has to start with the individual and in the community. We've organized 56 communities that truly have taken on that responsibility. We have individuals being responsible for their own actions and responsible to others as peer groups. There is an ongoing experiment there that works.

We need to take this philosophy and begin to expand it to other aspects of public life in this state. For example, public education. Next Tuesday, I will announce a new initiative which reflects our philosophy that individuals and local communities must take more responsibility for their own futures. Students, parents, teachers, administrators and community leaders must work together to critically rethink the way we educate the next generation. With this responsibility, they must be given the tools to effect change.

As a nation and as a state we are losing our competitive edge. Restructuring our schools is a matter of economic survival. The world is rapidly changing and to prepare our children for the future we must educate critical thinkers who can adapt to change. The form of the educational system capable of taking us into the next century cannot be prescribed from above. Rather, creative solutions must come from a community's collective commitment to education.

Our children need to become active participants in the learning process, not spectators. They should be workers, with teachers as coaches.

Next, teachers must be given more flexibility and responsibility in crafting the educational experience and product. The movie "Stand and Deliver" provides a good example of what I'm talking about. The movie shows what can happen when the students and teacher take responsibility for what happens in the classroom. The students are motivated to push to the limits of their potential and the teacher takes full responsibility for the product.

Parents must also be given a voice in shaping the educational experience and take more responsibility for the outcome. Families must accept shared accountability with schools for inspiring an excitement about learning and a desire for excellence in our students.



Finally, I believe the business and civic leaders within a community should be asked to take more responsibility for the process and the product. They can offer a wealth of experience and practical knowledge and the motivation of concrete vocational opportunity. As the ultimate consumers of what the educational system produces, they have a strong interest in the process.

With this call for increased responsibility, we must provide the tools to make participation real and effective. One such tool is the concept of education creativity zones, a public/private initiative which I will be describing more fully next Tuesday. This initiative will be a cooperative effort involving the State Board of Education, teachers' unions, U.S. West, Denver Public Schools, and other education and business leaders. Let me just quickly review the initiative and its purpose.

Any school in this state will have the opportunity to design a plan for restructuring its existing form or programs. The goals of restructuring are to reduce the number of students who drop out of school, increase student achievement and attendance and to meet other locally identified needs. Parents, teachers, administrators, students, business people and community leaders must all be involved in drafting the plan. Along with a blueprint for change, the plan will identify policies or regulations that might stand in the way of the new direction.

The schools chosen to participate in the initiative will be given small grants and special attention and assistance. Rules or regulations that are barriers to creativity and innovation may be waived. Through this process we hope to identify rules and statutes that impede creative thinking and slow necessary change. The main goal of the program is to energize each citizen of this state to accept responsibility for improving education in the schools. The waivers are just a tool. The community's collective energy and ideas will provide the engine that drives the program.

There are examples throughout the state where this process has already begun to occur with exciting results. The Montrose School District has reduced its dropout rate by 50 percent in the last two years as the result of an agreement made between the school and the community. The business community agreed to hire only individuals who had a high school diploma or who would commit to work toward graduation. Schools in turn agreed that if any graduate hired by a local business didn't have the basic skills to perform in the workplace, the school would retrain that individual.

There are other aspects of public life where we can apply the philosophy of individual and collective responsibility. In the administration of state government, we can ask each state employee to take responsibility for the product or the service they are engaged in providing. This is already happening in this administration, in the Department of Revenue. At the urging of the department's executive director, the employees came forward and found ways to save five percent of the department's budget over two years. They've offered to make a contract with the Legislature. If the Legislature will let the department reinvest those savings back

into better and additional services to the public, any savings in future years will be shared with the Legislature to reduce taxes or reinvest elsewhere in the state government.

Let me give you another example: the Self-Sufficiency program. A special task force looking at the state's welfare system discovered some disturbing facts. Only 25 percent of the welfare recipients surveyed reported ever having been involved in a job training program. Seventy-five percent of those who manage to get off welfare eventually come back into the system. These statistics reflect a system that maintains dependency rather than promoting individual responsibility -- and individual success.

The task force came up with a program to reform the welfare system that is now awaiting approval by the Legislature. Again, the philosophy is individual and collective responsibility. Instead of coming in and saying, "How do I get my check?", the question for recipients should be, "How do I become self-sufficient?"

The new program will require the welfare agency and the client to sit down and hammer out a contract identifying the steps the client can take to move from dependency to self-sufficiency. These steps include participation in education and job training programs. The state's part of the bargain is to provide needed support services like subsidized health and child care so clients can get training and so they don't have to face the tradeoff of employment versus the essential benefits they had under welfare.

Make no mistake about the intent of this new program. It is still vital that we recognize our collective responsibility as a society for providing a safety net. The philosophy of individual responsibility should never become an excuse for dumping on individuals, families, and communities the obligations that are properly the role of government. But at the same time, I believe there are many aspects of government in which greater community participation is essential and individuals and communities must be empowered to participate and must take responsibility for that participation.

That is why other parts of the self-sufficiency program emphasize individual and family responsibility. The plan will require that parents under the age of 18 who have not completed high school must attend an educational program as a condition for receiving benefits. It will intensify efforts to establish paternity and increase child support enforcement.

Overall, the new self-sufficiency program will make the notion of a safety net a dynamic concept. Our public assistance programs will still need to catch people suffering misfortune. But they must also be designed to return them to productivity rather than maintaining them in a state of dependence.

Let me sum up. I started this address by reviewing the substantial progress we have made over the past two years on the agenda I laid out for the people of Colorado when I took office. In economic development, we are moving forward aggressively and successfully. We've taken some critical steps in investing in

essential infrastructure and, with the sincere efforts of the Legislature and the people of Colorado, we'll make even more progress this year. We've faced a few of the most difficult challenges on environmental issues that any state government has had to face. And we've taken the first steps needed to strengthen Colorado's educational system from pre-kindergarten to higher education.

We should be pleased with this progress. But we've still got a lot of work to do. And to do it, we've got to be more disciplined and acquire more skills. And we've got to each ask ourselves: "What is my role? How can I take what I've got and use it to take control of my own destiny?"

The good life comes from the bottom up, not the top down. We need creativity and some new thinking. I challenge the citizens of this state to take personal and collective responsibility for their own health, for the level of skills they acquire, and for the structure of the education of the next generation of Coloradans. These things are within our abilities to change. I ask Colorado citizens, young and old, to become participants, not spectators. We don't need to depend solely on the government or the currents of economic forces beyond our control to shape our future. We can do it ourselves -- together -- and we can begin now.

Thank you.