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STATE OF THE STATE

COLORADO GOVERNOR ROY ROMER
JANUARY 14, 1993

I am proud to serve as your governor. This is the best job anyone could have in this nation.

But I don't want to over-describe it -- some of you are a little too interested already.

Seriously, I've enjoyed the close working relationship I have had with the Legislature during my time as Governor. I look forward to continuing to work cooperatively with you on the very important issues we face this session.

This is a great and beautiful state. We have good, talented, creative, and caring people. We have a very bright future if we are bold enough to reach for it. And that's what this business of governing is all about.

Six years ago our biggest challenge was to find ways to revitalize this state's economy. We trailed most states in job creation and growth. Our unemployment rate was too high. However, we turned that around. We made critical investments, and we let the world know that Colorado was open for business.

Today, as a result of our work together, the state's economy is very good. As we enter 1993, our economy is outpacing the rest of the nation.

For example:

-Colorado recently placed among the top 10 states in the nation in economic performance.

-Our unemployment rate now stands at 5.4 percent as compared to 7.9 percent when I first took the oath of office.

-Colorado ranked ninth nationwide in job creation last year. A total of 33,000 new jobs were created. We expect to match that number in 1993.

-Retail sales in Colorado have increased by \$7.9 billion over the past six years, or 17.2 percent after inflation.

Colorado's economy obviously has been re-energized and there is an economic development structure in place to help protect against backsliding. But we must remain vigilant.

We worked hard to achieve these goals. Now, with equal energy and intensity, we must continue our efforts at making government more lean and more efficient.

In this past election, we changed some of the ground rules for how we run this government -- but we didn't change our goals. Voters said our budget needs to stay within growth limits, and that they want to vote on any future increase in taxes.

Let me say that I will work to implement Amendment 1 in the most straightforward and direct way I can. As a government, we will do our best to operate within the new ground rules.

We obviously face a new challenge. And I believe this challenge demands that we be bold in reaching for our future, which means redefining government.

If we are really going to change things, we've got to be ready to challenge the special interests and the sacred cows that have always been barriers to us. We need to strengthen our resolve to make these changes.

I propose the following actions.

1. PRIVATIZATION

If we are to be bold, we need to be able to contract for the performance of public services when it is appropriate and in accordance with the Constitution.

If we're going to be bold in redefining government, the state should be able to use private businesses to perform government services when it makes sense to do so.

Recent court decisions have caused confusion over what state services we can and cannot do in this area.

We have to find a way to develop a system of contracting for state services that does not violate the basic

constitutional aspects of the personnel system. That system was created to protect state employees from arbitrary treatment due to political patronage.

Any system of private contracting for state services can and should follow that same principle.

My philosophy is: when private businesses can perform government services cheaper and better, and no existing employee is performing that job, we ought to have the option to contract for those services.

When we start up a new facility or service, and a private contractor can perform the job better and cheaper, we must be able to contract for those jobs.

For example, if you start a new prison and you haven't yet hired new state employees to work there, and you find you can contract the work out cheaper to the private sector, you should be free to contract it out.

However, if you have existing state employees performing a service, and you find it's better to contract that service out, you do so under two conditions. One, the difference in cost is substantial and, two, you retrain and relocate the employees now performing the service.

If government is going to be leaner, it needs to be able to deliver services at a lower cost when possible.

2. TAX FAIRNESS AND EQUITY

If we're going to be bold in redefining government, we've got to face up to the many inequalities in our current tax structure. Some of these were documented in our fiscal study last year. One that has been aggravated by the passage of Amendment 1 is the so-called "Gallagher Amendment."

The Gallagher Amendment was originally intended to protect residential property taxpayers from subsidizing favorable assessment treatment of other types of property. It is an idea that was useful at the time it was passed.

However, the marketplace of the 1980s created a situation of true inequality. Non-residential property now is valued for taxation at more than twice the rate of residential property -- a consequence that was never intended.

Therefore, I propose we replace this amendment, which was added to the property tax portion of the Colorado Constitution. In its place, I propose a freeze in the current assessment ratios, a review of exemptions granted to commercial property owners, and appropriate protections for residential property owners.

Amendment 1 eliminates our original ability to restore any needed balance. By freezing the current assessment ratios, we will prevent this disparity from growing. If we do not act, this issue could become a major barrier to job creation and economic development.

3. MEDICAID REFORM

To be bold, we must overhaul the structure of Medicaid by: 1) immediately beginning competitive bidding for services, and 2) moving from the current system to a system that takes advantage of the benefits of managed care, like an HMO.

This year, we will spend \$1 billion in state and federal Medicaid funds to provide medical care for Colorado's poor and nursing home care for the elderly, and long-term care for the disabled. These Medicaid costs are growing at 20 percent a year.

If we're going to be bold in redefining government, we must fundamentally change Colorado's Medicaid program. We have to stop paying providers for each, individual service to a Medicaid enrollee. Instead, we must act more like an HMO -- pay our providers a flat amount and give them responsibility for delivering all necessary health care within their own budget.

It's the best way to hold down costs throughout the system.

Last week I gave a speech on this topic. At the current rate of growth, Medicaid is the single greatest threat to the stability of our state budget.

The problem we face with Medicaid is closely tied to the problems of our nation's health care system.

In Washington, the incoming administration has made health care a top priority. As chairman of the 50 governors, I and others are working with the transition team to craft that reform proposal. In Colorado, we're moving ahead with our own statewide reform proposal

called ColoradoCare. If there is no national solution, we will submit legislation for ColoradoCare as early as 1994.

But we must start right now by authorizing the Medicaid program to begin competitive bidding for services. It's the first step in our reform. With competitive bidding, we will be able to seek out low cost, high quality providers of health care and give them contracts to provide services to people on Medicaid.

Now, I know some providers rely upon Medicaid for much of their income. They will need to demonstrate that they are cost-efficient if they want to keep doing business with us. And Medicaid enrollees will lose some of the choice they currently have.

We need to be sensitive, but fair and firm, in making these changes. We also need to be sensitive to the availability of services in different geographic regions within the state when we begin competitive bidding. Medicaid competitive bidding is the right thing to do, and we must begin it immediately.

4. EDUCATION REFORM

I support the development of a "charter school" program. This is a bold, new way to think about education. But before I discuss charter schools, I want to comment on education reform.

Each year, no issue is more difficult for all of us than the funding and reform of our public schools. Perhaps that is because there are no simple solutions.

We have to start with setting clear standards for what students should know and be able to do. This is the most important step we can take, because it drives everything else in educational reform.

Next, we need to shift decision-making authority to those who are closest to students, engage parents and the community in making our schools work, make certain all our young children enter school ready to learn, and create a new way of paying teachers and administrators that rewards innovation and excellence.

We know all this, but too often our efforts have been piecemeal and sporadic.

I support the development of a "charter school" program. Charter schools can promote innovation and choices in education and bring together many of the components of reform.

In a charter school, the parents, teachers and interested business persons would be authorized to create and operate their own educational program free from excessive regulation. The mission and teaching style of the school would be set through a contract that holds the school to specific, high performance standards for students.

Charter schools are not a "silver bullet." But they can give us an opportunity to re-examine our current system and to try new things. Done correctly, I believe the charter school option will ignite debate within districts and statewide about new, effective ways of educating different kinds of students.

It won't be enough to create a series of isolated, pilot schools. If we are to really change the system, we have to create a critical mass of bold, new schools. Thus, as an extension of charter schools, we should look at designing "super charter networks" that would provide an umbrella of technical expertise and economies of scale.

Let me be clear that I will not allow charter schools to weaken our commitment to public schools. They will be a part of the public school system. My belief in public education is as strong as ever, but the ground rules have changed. I and a majority of Coloradans continue to reject vouchers and other attempts to use public funds for private schools.

Public education is the way we sustain our democracy. Through public schools, we provide equal access and opportunity to all members of our society, regardless of race, gender, ability or economic condition. Charter schools must reflect these values and goals as well. Indeed, the charter school proposal that we design should explicitly help those students who are identified as academically low achieving, along with other students.

5. SENTENCING REFORM

We must be bold in re-examining our approach to prisons and sentencing in Colorado. We must protect public safety, but do it at a reduced cost.

We have increased the prison population 248 percent since 1985. Current estimates are that in the next five years, our prison population will exceed 11,000 inmates. The average prison stay in Colorado is one of the highest in the nation.

As a result, the Department of Corrections' share of the state's general fund budget has doubled, and the budget continues to grow at a double-digit pace.

And while I agree with Speaker Berry that we must not over-react, there are ways to stop this spending cycle while at the same time protect the public. We must find them.

Criminal sentencing options that are less expensive can also be effective. We should continue to keep dangerous offenders behind bars, but we also should take a hard look at intermediate sanctions, such as intensive supervision and electronic monitoring, for those offenders who pose less of a public risk.

Nearly all offenders who are in the Department of Corrections will be released someday. Therefore, we ought to be spending at least some public dollars ensuring that when they are released they are as prepared as possible to become law-abiding citizens.

Some will criticize any changes in sentencing law. But intermediate sanctions that require offenders to work, pay restitution, participate in treatment, and support their families are far more punishment than providing food, clothing, shelter, and medicine free of charge, while an inmate watches television.

The Criminal Justice Commission has been examining reduced prison sentences for non-dangerous offenders and putting them into structured programs. This commission has been working diligently to come up with options which protect the public and which provide for fiscal accountability and real opportunities for offenders to change. I urge you to support their efforts.

6. WELFARE REFORM

We need to be bold in redefining our welfare program. It was never intended to become a way of life for people who are able to work. We should change the system to give incentives for people to become self-sufficient and put caps or limits on how long a person can stay on welfare.

To be fair, welfare accounts for a small percentage of our budget expenditures, and the scope of the problem in Colorado is not as great as national statistics may suggest. The average AFDC family is one adult with less than two children, and the average length of stay on the program is less than two years.

Still, too many return to the program more than once, and there are changes we can make to help people get off welfare faster and to keep many from returning.

Our proposal is called the Colorado Personal Responsibility and Employment Program (CPREP), and Sen. Traylor and Rep. Kerns have a bill to implement it.

It helps remove real barriers to self-sufficiency such as lack of education, lack of health care benefits, and need for child care assistance. It removes from the system the disincentives to becoming self-sufficient.

Specifically, the program would allow recipients to keep and to save more of their earnings from employment than they can now. We also would pay child care benefits on a sliding scale, and provide incentives to get a high school diploma.

In turn, the program would cap the number of years an employable adult can receive welfare, and it would penalize adult recipients who have not immunized their children.

7. RESTRUCTURE HEALTH AND HUMAN SERVICES PROGRAMS

Finally, if we're going to be bold in redefining government, we must be ready to undertake radical reorganization of state government.

I propose we restructure the departments currently responsible for health and human services in Colorado so that we can get all the safety-net programs in one place to encourage efficiency, coordination and innovation.

This year we have a strong proposal under the sponsorship of Senator Rizzuto and Representative Anderson.

We propose eliminating the current departments of Social Services and Institutions and combining all the programs designed to strengthen families and offer services at the community level in a new Department of Human Services.

In addition, we propose giving the Department of Labor and Employment all programs that deal with jobs and training for employment, including most of the JOBS programs currently in the Department of Social Services.

And we propose creating a Department of Health Care Policy and Financing to take responsibility for Medicaid, which I discussed earlier. Also, this department would be available to assume any new responsibilities that may develop from ColoradoCare or reform of health care by the Clinton Administration.

This is not an exercise in moving boxes on an organizational chart. The purpose is to eliminate administrative duplication and provide more effective services at lower cost.

This new system will better accommodate innovative solutions like family centers, where families can come to receive a range of services in one place. We also will look at a single contract for services and a single method of identifying clients.

These are the steps we're proposing this year to restructure the way we do business to provide leaner, more effective government. At the same time, we also must be creative in confronting the day-to-day challenges of government. On your desk is a copy of my strategic agenda for this session. I won't go through every item, but I do want to highlight some of the key issues.

1. School Finance --

School finance remains a priority. Even though we have constrained resources this year, education is still our number one priority as a government. I urge you to act early in this session to set the budget for schools.

Given the reduced state money for education, we should provide greater flexibility for communities to raise taxes for their schools. Instead of the artificial state limit of 10 percent over the formula amount, local voters should have broad authority to raise revenues for their schools if they wish to make education a local priority.

However, we must remember that a wealthy district can raise considerable revenue with only a small change in tax rates, while a poor district may have to raise rates dramatically to increase revenues only slightly. To

correct this problem, we also should set aside state money to match, on a sliding scale, local district revenue increases.

We also should authorize more cooperation between municipalities and schools for funding schools, if a community agrees with this course of action.

And we should increase the number of at-risk preschool children into the system. My budget allows for 2,750 new kids in preschool, double our current enrollment.

Finally, despite the large gap in school funding this year, I believe we still need to move forward on our reform agenda. The hill is steeper. We all will have to carry a larger load. But it is a hill we still need to climb. And we should work to close this funding gap.

2. Environment --

Our state's beauty provides a foundation for our economic success and quality of life.

We will ensure that the Great Outdoors Colorado amendment will be used to maximize the use of open space in Colorado.

We must find ways to provide water to our growing cities and at the same time preserve our farms and protect our environment.

And we must continue to fight air pollution by updating and improving our automobile emissions inspection program.

3. Higher Education --

We have got to find a way to keep budget constraints and resulting tuition increases from restricting access to affordable higher education for all qualified Coloradans.

4. Economic Development --

Colorado faces some serious economic challenges in the year ahead with the completion of construction at the new airport, the planned closing of Lowry, the conversion of Rocky Flats, and the downsizing of our defense industries. We also will encounter new opportunities through the North American Free Trade Agreement.

To help Colorado prepare, I have included an additional \$9 million for the Economic Development Commission in my budget.

My budget also doubles the Existing Industry Training Program which provides retraining opportunities for employees of existing Colorado businesses.

The proposed budget provides a grant to the Colorado Advanced Technology Institute to establish a biotechnology program for the potential business implementation of the research work of Noble prize winner Professor Tom Cech and his colleagues.

These are the tough choices and investments we need to make. And let me tell you, we cannot let Amendment 1 become an excuse for not doing the right thing. We cannot just take the easy or politically expedient way out.

As I said before, I will do everything I can to implement Amendment 1 forthrightly and efficiently. But the measure of our success and leadership here is not Amendment 1, but how well we do the work we were sent here to do.

Amendment 1 is a ground rule. We must abide by its provisions, but we cannot hide behind it if we fail to solve the problems Colorado faces.

We are a great state because those who came before us had the courage and the wisdom to make the right investments and to help Coloradans act out what they valued. That is our job, too.

We've talked a lot about jobs and the environment and frugality, and about a kind of no-nonsense, efficient government that gets the job done.

But Coloradans also value their health and education and the opportunities that they give to their children, and that's why it's so critical that we find better, more efficient ways to provide these critical services.

It is clear we cannot continue to do everything we have done before, but it is also clear we cannot make those decisions and set those priorities by locking ourselves inside this building.

The voters have said that they are tired of institutions without doors and without windows. They want to be our partners in these decisions.

We have to relearn the art of conversation with the voters of this state. We have to re-engage the people in the process.

Starting next week, members of my cabinet and I will be in malls, shopping centers, and union halls with interactive computers to engage citizens in some of the tough budget choices confronting us this session. I hope you can join us when we're in your area, and we will be reporting back to you later this session on what we have heard.

Coloradans obviously value being involved in their government.

And Coloradans also put particular value on several other things. We value fair play, and we value one another.

I want to talk to you for a moment about Amendment 2. There has been some confusion about when I am required to sign the amendments into law. It is my intention to sign all of the amendments into law today, including Amendment 2, unless District Court Judge Bayless instructs me to do otherwise. My attorney and the Attorney General have told me that the constitutional deadline for signing the amendments is today, and I take that constitutional duty very seriously.

In the last several months, I have listened long and hard to the people of this state concerning Amendment 2. I am impressed that both sides claim to want the same thing -- no special rights for gays and lesbians, but no discrimination based on sexual orientation. The gay and lesbian community agree with that credo, and members of Colorado for Family Values say they do, too.

If this is not what Amendment 2 does, then this is a fundamental question for us to confront. But we need to do it together. We need to come together in mutual respect. We need to lower our voices. And, as a community of people with common values and a common destiny, we need to work this one out.

I firmly believe that a boycott is of no help to us in this effort, and I have made that point very clear to those who need to hear it. But I also believe that, boycott or no, we need to come together and do the right

thing -- not because of a boycott, not for anyone else, but for ourselves and for our community.

Diversity is one of our great strengths, but only if it is grounded in mutual respect and understanding. I hope we can learn to live together and appreciate our diversity as a people.

I started this speech by telling you how proud I am to be Governor of this great state, and how we have a very bright future if we are bold enough to reach for it. I want to end on that same note.

We have been through some choppy seas, but I believe we are on course -- we are up to the task -- I am up to the task, and I look forward to working with you and the people of Colorado in reaching this bright future together.

Thank you.