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Inaugural Address

of

THE HONORABLE

STEPHEN L. R. McNICHOLS

Governor of Colorado



Delivered to the

FORTY-SECOND GENERAL ASSEMBLY

of the STATE of COLORADO

at Denver, January 13, 1959

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Governor Steve McNichols

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Governor's Message
to the
First Session
of the
Forty-second Colorado General Assembly

Mr. President, Mr. Speaker, Father Moynihan, Honorable Senators and Representatives, Distinguished Former Governors, Distinguished Guests, My Fellow Citizens:

It is with deep emotion and a profound feeling of appreciation that I appear before you today to take the oath of office as Governor of Colorado and to exercise a constitutional and traditional responsibility: that of bringing to you a report and a message from the executive to the legislative branch of the State government of Colorado.

In this message I should like to express my thanks and my welcome to all of you—members of the General Assembly, distinguished jurists, elective officials of the executive branch, department heads, State employees, guests and members of the radio and television audience.

May I also express my gratitude for the great honor which you have bestowed on me and on my family. To have been twice elected governor of this great State is an inspiration to me. My family and I appreciate the many kindnesses and courtesies which made my first term as Governor of Colorado so pleasant and so memorable.

TRIBUTE TO EARL EWING

In this traditional appearance before you I want to pause to pay tribute to a man who is retiring after long and honorable service to the people of Colorado. An ex-cowpuncher, former city clerk and postmaster of Colorado Springs, one-time state

commander of the American Legion, he has for many years served alternately as State treasurer and State auditor, and in those important positions of trust he has given the people of this State signal and devoted service. Earl Ewing today closes many years of sincere public devotion and I know that you all join me in paying tribute to his honesty and integrity and in wishing him and Mrs. Ewing many years of happy retirement.

HISTORICAL REVIEW

During 1959 and 1960 Colorado is celebrating the centennial of a great migration—The Rush to the Rockies. Even before becoming a state, Colorado was the scene of the greatest mass migration in the history of this nation. One hundred years ago the discovery of gold on the slopes of the Rocky Mountains was the great magnet that drew hundreds of thousands of migrants to this area, eager for new opportunities. Across the plains on foot, on horseback, in stagecoaches and in wagons they came, some even pushing handcarts and wheelbarrows

By the 1850's only a handful of white residents lived in this region, remnants of the great days of the fur trade, living almost entirely on wild game and trading with the Indians. Even Bent's Old Fort, long the center of the Indian trade, had been abandoned and partially destroyed.

Down in the San Luis Valley, Fort Garland, manned by less than 100 soldiers, had just replaced Fort Massachusetts at the foot of the Sierra Blanca.

Only occasionally a supply train from Taos or Fort Union arrived to provision Fort Garland, with replacements coming up the Arkansas and over the Sangre de Cristos. In the San Luis Valley there were perhaps a half dozen adobe plazas, including San Luis, the oldest continuous settlement in Colorado, and in those plazas were heard the Spanish or Pueblo Indian tongues.

Rush to the Rockies

Not until 1858 did prospecting parties come here in ox-drawn wagons to search for gold. One party from Auraria,

Georgia, headed by William Green Russell, found paying gold in Little Dry Creek about eight miles above the mouth of Cherry Creek. And in the autumn of 1858 several parties settled in this area and laid out several settlements: Montana City, St. Charles, Auraria and Denver—named for General James W. Denver, Kansas territorial governor.

Although early in 1859 many discouraged gold seekers had turned back from the Rockies, on May 6 of that year John H. Gregory struck it rich in what later became Gilpin County. Shortly thereafter, George A. Jackson announced his discovery of gold at what is now Idaho Springs.

The Rush to the Rockies was on! With the news spreading like wildfire, thousands and thousands joined the push to the Pikes Peak mining district. On and on they came, hurrying to the creeks and gulches of this whole region.

Almost over night a great commonwealth came into being, and this year and next we will be paying tribute to the courage of those hardy and adventuresome men and women who formed our great State.

Colorado offers to America the hospitality of the entire state—the Top of the Nation. With unparalleled scenery and climate, a tremendous calendar of special events, historical sites, year-round sports, plains and mountains, rivers, lakes and canyons, millions of visitors will enjoy this second Rush to the Rockies. I know that you will join me in inviting and welcoming all visitors to this centennial celebration.

During the last 100 years we have seen our State grow from a few mining camps and trading posts to its present position of one of the fastest growing states in the nation.

LEGISLATIVE ACCOMPLISHMENTS

Your legislative accomplishments during the past two years provide ample evidence of your willingness and ability to envision the future requirements and responsibilities of Colorado's State government. Your admirable response to these problems has produced significant and competent legislation.

Executive Research Fund

Of particular importance to sound government was your approval of the \$250,000 Executive Research Fund, which enabled the executive department to develop a vitally needed research program which has been the backbone of our approach to both legislative and executive problems.

I extend to you and to the staff of the Legislative Council and the Joint Subcommittee on Appropriations my thanks for your cooperation in that research. This cooperation has prevented overlapping and duplication of legislative and executive research. These funds have been used in many helpful ways: in a study of civil service improvements; in reviewing the problems of legislative apportionment, and in beginning a program of industrial development.

Water Research

In addition to extensive water research, and with the cooperation of the Attorney General, the Colorado Water Congress was organized through the use of executive research funds. Representatives from all sections of the state and from all interested groups have participated in cooperative discussion and deliberations, for the first time in the state's history.

Natural Resources

The Executive Branch, in early 1957, began a broad and comprehensive review of Colorado's wealth of natural resources, their development and management. Because of the availability of research funds, consultants were assembled from governmental sources, private research groups and foundations including faculty members from Colorado institutions of higher learning. Their recommendations were prepared and published in 11 volumes, and were turned over to a citizen's advisory committee.

That committee has now completed its studies. Upon completion of its report, with its several areas for legislative consideration, I shall furnish copies to you for your information and appropriate action.

Tax Study

Two years ago I pledged that a major portion of the Executive Research Fund would be used to set up a study of expenditure and revenue prospects, taxation and the debt structure. This tremendously complex and difficult study is nearly complete. As soon as it is, I shall transmit copies of it to each of you for your most careful consideration in connection with any legislation related to taxation and finances.

Of the total Executive Research Fund we have expended and encumbered \$152,000 in the furtherance of these and other important areas of research inquiry.

Mental Health

Colorado is grateful for the outstanding report just received from a survey team of the U. S. Public Health Service. This comprehensive document concerns not only the specific operation of the state hospital at Pueblo, but also contains a review of the entire treatment and rehabilitation program for the mentally ill in Colorado.

Some criticism has been advanced because of the hesitancy of this administration to commit authorized funds amounting to \$9,600,000 for construction purposes at the state hospital. A thorough study of this excellent report lends strong support to the administration's approach to the current and long-range solutions of this tremendous and expensive problem facing our state.

Since this report was transmitted only within the last few days, it appears that the only logical approach to sound legislative action and administrative planning calls for immediate consultation between members of the General Assembly, representatives of the U. S. Public Health Service, and representatives of the State Planning Division, the State Hospital, the State Departments of Public Health, Education, Public Welfare, and Institutions, together with representatives from Colorado General Hospital, the University Medical School and such other agencies, public and private, as appear to be necessary to implement this report.

I am taking action to set up such consultation and I anti-

pate that in the very near future, recommended legislation can be presented to you which will be appropriate to provide the basic modifications necessary to realize the desired objective.

Quotes From Public Health Service Report

In the language of this Public Health Service report:

"The Colorado State Hospital at Pueblo was once in a leadership position and had a national reputation. But the hospital has not kept pace with progress in current concepts of treatment and rehabilitation of the mentally ill. There are many devoted personnel working within the hospital and there are still some aspects of the hospital program that are outstanding. However, the overall orientation of the hospital is more that of keeping patients in the hospital than of rehabilitating and returning them to the community. The patients receive a costly and careful kind of custodial care which, in many instances, aids in desocialization and chronicity. It appears that the staff has over-emphasized problems of records, housekeeping, construction, and the like, in relation to the rest of the program. If the hospital is to retrieve any measure of its leadership, and is to provide the people of Colorado with a program designed to enable the maximum number of patients to return to productive living, there must be a redefinition of total hospital philosophy.

"The size of the hospital and the present administrative practices make the modification of tradition and the germination and growth of new ideas almost impossible. There are many 'islands' within the hospital, making it difficult for one group to know what other groups are doing. Communication between groups is often nonexistent or of a negative nature which engenders misunderstanding, anxiety, frustration, or isolation. This isolation extends beyond the hospital and many practices exist because for a number of years there has been no professional or administrative direction from the state level.

"Improvement within this hospital will involve a total change in the philosophy of care, of administration, of staff utilization, of patient-staff relationships, and of hospital-community relationships. This change must be total and far-reaching—and it

cannot be done halfway. As with any change which has such wide impact, neither can it occur all at once—the needed change can only take place over a period of time and in a series of carefully conceived phases. It would be most difficult for any imaginative person who might be thrust into this organization at the present time to find an opportunity for the expression of new ideas. Any new administration of this hospital will require very strong backing from the appointing authority because established patterns of organization and/or practice will have to be disrupted before new ones can be instituted.

“The kind of change and the philosophy that could create a therapeutic environment would bring about and would generate many changes and modifications in administrative practices and patterns of patient care. Change is dynamic and many areas of needed improvement will become obvious only after progress has begun. If basic changes are made, solution of many minor problems will follow.”

Let us harbor no illusions—this problem calls for the highest type of legislative and executive cooperation. The solutions will take much time and considerable money.

Copies of this report will be provided for your convenience immediately and I urge and implore that you give it careful study and a high priority on your agenda. I am convinced that it provides the blueprint for our joint action.

Fort Logan

Because this public health report notes the need for additional state mental health facilities in the Denver area, it is fortunate that federal government regulations relating to use and disposal of excess federal land and property now include land and buildings at Fort Logan. Through a system of priorities such land may be secured by state governments. First priority is given to creating public health facilities.

There is drastic need for additional mental health facilities in Colorado, as covered in the U. S. Public Health Service report. New and additional facilities are required in the Denver area and possibly in the other more densely populated areas of the state.

Studies made by the executive department demonstrate that the acquisition of this valuable property worth many millions of dollars will be a farsighted move. I urge that you give consideration to enabling legislation which will permit the State of Colorado to acquire this valuable property.

Institutional Management

Mental illness is the number one health problem for every state in the nation. It has similarly become a top-ranking financial problem. Mental hospitals throughout the country are grossly over-populated and inadequately staffed.

As you know, our own state hospital, in Pueblo, now has 6000 patients crowded into space considered adequate, by any standards, for only 4200 beds, and the staff situation is equally out of focus.

Crime has increased almost as alarmingly; and so has dependency.

One of the results in Colorado of the high incidence of crime, mental illness and dependency is the need for expenditure, for operational costs alone, of \$19,640,000 a year to institutionalize about 10,000 persons. The state spends millions more each year on construction of institutional facilities.

Basic Goals

Our responsibility can be met only if certain basic goals are achieved. These goals appear to be:

1. Establishing the best possible programs of rehabilitation for all institutionalized persons so as to return them as early as possible to their homes and communities as self-sufficient citizens.
2. Establishing preventive and after-care programs on the community level.
3. Establishing modern, uniform laws and commitment procedures.
4. Coordinating all public agencies concerned—administrative, educational, institutional—so as to eliminate duplication of cost and effort.

A number of evaluations have been made of the general institutions program and of specific institutions during the past two years. In addition, recommendations have been made by the Colorado Association on Mental Health, the Children's Laws Committee, the League of Women Voters and by other organizations interested in the State's rehabilitative problems. These, too, have been taken into consideration.

Presently, the Department of Institutions is preparing a study of the children's home.

All of these steps have contributed much toward the improvement of our institutional program, but much more has to be done in the coming months.

Key To Goals

The key to the achievement of most of these goals lies in a functioning department of public institutions.

The functions and duties of the Department of Public Institutions should be:

1. To manage, control and generally supervise the State's penal, mental and charitable institutions;
2. To initiate recommendations for the transfer of inmates and prisoners from one institution to another;
3. To exercise statutory authority to coordinate the activities of all state agencies which would make more effective the total State institutional program;
4. To determine types of institutional facilities needed, upon the basis of current and long-range institutional philosophy and programming.

To implement such a program legislatively, and to effectively implement the Department of Institutions, it will be necessary to:

1. Adequately staff the department;
2. Establish the control of State institutions in the department;
3. Expand the State institutions advisory board; and
4. Revise our commitment and transfer procedures so as to make them uniform.

Payment for Services

At my request the office of the Attorney General is preparing legislation designed to provide essential revenue by way of income for our institutions, which, if enacted into law, will take some of the financial burden from the general fund. In past years our institutional philosophy has not been geared to treatment and rehabilitation. Consequently, there has been great reluctance on the part of parents, relatives and managers of estates to pay for care and treatment. In view of the fact that our institutions are being modernized, it appears just and equitable that the State should require some payment for services rendered. While it is fully realized that some parents and relatives cannot afford to pay, a system and schedule of charges is being prepared, based on ability to pay, with due recognition for income, and the number of other dependents in each case.

If these unfortunate institutionalized souls were not cared for by the State, their relatives and families would be required to carry the full burden of treatment, feeding, education and hospitalization. Our Colorado General Hospital now makes and collects such charges. In all fairness to Colorado taxpayers, the system should be extended to other institutions.

I also recommend your particular attention to a digest prepared by the Legislative Reference Office, of inconsistencies and peculiarities in the present laws covering State institutions.

Western Interstate Corrections Compact

For many years we have recognized the need for special facilities and institutional programs for particular categories of institutionalized persons. In Colorado, as in many other western states, the cost of providing and maintaining such highly specialized types of correctional institutions is prohibitive, since the number in each category usually is too small to justify expensive facilities and staff.

Through interstate, cooperative arrangements for the joint use of institutions, however, states may pool their resources so that a greater variety of institutional programs may be offered

at a reasonable cost. For several years the governors of the western states have explored various aspects of this program, and agreements for the custody of women prisoners have been in effect for several years among some of the western states. In some cases juvenile delinquents have been cared for under interstate cooperative arrangements.

At the Western Governors' Conference, in November, a final draft of an interstate corrections compact was approved. When this compact is enacted, states will have the necessary legal framework for the cooperative care, treatment and rehabilitation of offenders sentenced or confined in prisons or other correctional institutions. Here in Colorado we have special need for such an arrangement for a women's penitentiary and reformatory, among others.

Adoption of the western interstate corrections compact and execution of the contracts provided for within the compact will permit states to avail themselves of increased correctional facilities and will enable them to improve their quality. States will be able to send such of their inmates of the groups covered by contract as they deem appropriate, to institutions in other states. They will also be able to maintain correctional facilities that might be uneconomic if used only by their own inmates, but which can become practicable when part of the cost is shared by other states using the facilities.

For Colorado to be able to participate in the advantages presented by the western interstate corrections compact, we must pass an enabling act in order to complete ratification of the compact. I urge that you pass such an act.

Let us turn now to another very important area:

EDUCATION

State support for schools is built upon local property tax structure. Achievement of equalization of the tax burden of supporting the public schools hinges upon sound and uniform assessment. State support must be based upon equitable tax assessment and upon sound school reorganization.

The Colorado Legislative Council has just finished a comprehensive and expensive study of property assessment for the entire State. Information in this report provides the basis for enactment of legislation setting up sufficiently detailed legal assessment standards to insure uniform tax assessment for the purpose of distribution of school aid funds.

Reorganization of school districts has been progressing since you passed the school district reorganization act of 1957. Thirty-one elections have been held in 12 counties. Twenty-eight of these elections have resulted in the strong approval by the voters of the plans proposed by county committees. The remaining county elections are scheduled to be held before July 1, 1959.

Until substantial reorganization has been accomplished, and until we have placed into effect the suggested program of equitable tax assessment, changes in the present level of implementation of the School Finance Act should be resisted. Incentive payments might be extended in those areas where reorganization has been placed into effect and where tax assessment is in line with a projected State level of equity.

TRAFFIC SAFETY

Let me direct your attention to another serious subject—highway safety. You know of the tragedy and heartbreak of human loss involved in traffic deaths. I want to review with you some hard-headed economic facts about traffic safety. These facts ought to convince us that we must increase the staff of our highway patrol.

The last six years have seen a dramatic change in our total traffic problem.

Total vehicle miles driven on our highways have increased by 2 billion per year.

Vehicle registrations have increased by 240,000 to a current total of 920,000.

Many more miles of highway have been added to the State system and to the responsibility of the State patrol.

Loss to Colorado from traffic accidents over the past six years includes more than 2,300 lives and more than \$275,000,000 in economic loss.

We have more than 4 million tourists visiting our state each year—travelling and using our highways.

We expect 10 million tourists this year for the Centennial Celebration. There are some 400 scheduled centennial celebration events—more than one a day—which will make it imperative that we assign highway patrolmen for traffic and safety purposes in connection with these events.

In the face of these startling figures, we have made only one significant increase in the staff of the State Patrol, since its beginning in 1935, when we added 61 men in 1955.

We now have 237 uniformed men; 190 of these are assigned to the patrol of the road.

Between sick-leave, vacation, in-service training, and special assignment to such events as rodeos and fairs, at least 45 to 50 men are unavailable for highway duty at any given time. This leaves about 150 men to spread among the three work shifts of each day, placing an average of about 50 patrolmen and patrol vehicles on the road at one time.

Colorado has approximately 8,500 miles of state highway for the which the State Patrol is responsible.

Colorado is now spending approximately \$86 million per year on the federal aid highway system. We build and design highways for the convenience and pleasure of our people.

Yet, last year we killed 395 people on these highways. Traffic safety must keep pace with the building of highways. To help provide that traffic safety, we are asking for an increase in the staff of the State Highway Patrol of 100 uniformed men.

The money for these additional 100 men will come from highway funds, as it should, and not from the general fund.

The relationship between the number of patrolmen and the number of highway deaths is demonstrated by the fact that the increase in 1955 of 61 men on the patrol saw a substantial reduction, between 1955 and 1956, of traffic deaths, to say nothing of the savings in property damage and economic loss to the state.

We are asking you to spend \$990,000 to help prevent death as well as to decrease the \$55,000,000 in economic loss to Colorado caused each year by traffic accidents.

INDUSTRIAL DEVELOPMENT

The 41st General Assembly wisely established a Division of Industrial Development, which is now administered through the Department of Employment. I am convinced this can become one of our most productive agencies.

To support our predicted population growth, to expand our markets and add to our economy, we must provide 10,000 to 18,000 new jobs annually.

To meet this challenge, our natural resource management study and our tax structure study will help provide the basis for an intelligent and well-ordered approach to the problem of attracting new economic development.

The industrial development study has involved pilot community studies, conferences with industrial and business leaders, inventories of college and university curricula and research facilities, and the active help of the office of area development of the U. S. Department of Commerce through a special report with recommendations based on other successful state programs.

A large advisory committee from all parts of Colorado, which was appointed last spring, is guiding the efforts of this new State agency—a committee of citizens having a knowledge of, and devotion to, the problems of industrial development.

With this agency geared to serve organizations concerned with the development of local communities, and to serve expanding and relocating industries, the continuity of development research should be maintained. This will now require appropriations over and above the federal government's participation through the Department of Employment. I hope you will approve them.

CHARGE-BACK OF COST OF ADMINISTRATION OF WORKMEN'S COMPENSATION

Considerable savings to the general fund can be realized in one of the main and most costly functions of the Industrial Commission of Colorado. I refer to the administration of workmen's compensation laws of Colorado. The recommended budget

for administration of the workmen's compensation division, including the state compensation insurance fund, is \$946,154.

Anticipated costs of the workmen's compensation division, exclusive of the state compensation insurance fund, for 1959-60 amount to \$215,000 or 61 per cent of the Industrial Commission's total recommended general fund budget of \$345,700. At present this total cost is financed by the general taxpayers of Colorado from the general revenue fund.

The State compensation insurance fund is administered from a special fund financed by not to exceed ten per cent of the premium receipts from policies written by the State fund—for the 1959-60 fiscal year, this amounts to \$732,000. This fund has not been subject to annual appropriation, but it should be.

I recommend that you take legislative action placing costs of the workmen's compensation division of the Industrial Commission on a self-sustaining basis, through an assessment of not to exceed three per cent of amounts of compensation insurance premiums.

If you pass such legislation it will shift costs of service from taxpayers, in general, to beneficiaries of industrial commission services, so far as workmen's compensation insurance is concerned. Other functions of the commission of a general nature, such as labor mediation, wage claims, child labor laws, and women's eight-hour law, would continue to be paid from the general revenue of the State.

SALARIES OF DEPUTIES AND COMMISSIONERS

In line with increases in the cost of living, during the last two years you have been instrumental in adjusting salaries of civil service employees, teachers, college faculty members, and state and county officers.

I urge that you also make a fair increase of the salaries of state agency commissioners and state agency deputy directors, whose pay checks have not been adjusted in several years.

TREASURY MANAGEMENT

At the 1958 extraordinary session, in review of certain suggestions which I made to you, you established a temporary fund

transfer statute. This legislation reduced the need for maintenance of large working fund balances in the general fund required for the State to meet continuing expenses during those months of low tax revenues.

With the expansion and growth elements in the general fund budgets—which will grow in proportion to Colorado's substantial population increase—it becomes increasingly important that the State either maintain a large general fund working capital account or that it make better use of its treasury fund in meeting this problem.

It is difficult to understand why the State, with a substantial cash position, must in addition maintain a large working fund and even contemplate its expansion.

I urge you, therefore, to eliminate the awkwardness of the fund designation now in the temporary fund transfer statute, while at the same time maintaining the safety requirements in the statutes to guarantee that no temporary transfers from those funds for working capital purposes will result in any loss to the State funds and must be repaid within the current fiscal year.

DISASTER AND EMERGENCIES

I am sure that we all agree—as evidenced by your action during the special session—that the State of Colorado must be in a position to offer direct help in case of serious natural disasters. I recommend, therefore, that you enact a permanent disaster relief and prevention fund and set aside at least \$800,000 for use in accordance with law, in addition to an agricultural emergency fund of \$200,000 to meet serious agricultural disasters.

As a second phase of our efforts to deal with agricultural emergencies, the State Department of Agriculture has suggested legislation to authorize the creation of pest control districts, to facilitate local government cooperation and participation in organizing to fight insect and plant pests.

WATER RESOURCES

The official agency of this State charged with the responsibility for the development and protection of our water resources is the Colorado Water Conservation Board.

Adequate appropriations must be made to the Colorado Water Conservation Board to permit that agency to expand its activities in keeping with the responsibilities imposed upon it.

Legislation will be proposed to you making various amendments in the statute relating to the board. These proposed amendments are generally minor in nature, but are nevertheless important.

As we are all acutely aware, the year-to-year fluctuation of available water in Colorado's major river basins affects many aspects of the state's economy. If advance estimates of anticipated fluctuations were available, we could better utilize our precious water resources so essential to agriculture and hydroelectric power and for domestic and industrial consumption.

The efforts of the Water Conservation Board to up-date its information are well illustrated by its present review of a proposed research program. This program can attack the problem of providing—within the limits of present scientific knowledge—optimum information regarding both seasonal and year-to-year availability of water in a specific watershed: The Upper Colorado River Basin. Three aspects are involved in this proposed program:

1. Availability of stream flow;
2. Correlations between stream flow and other weather elements; and
3. High atmosphere research for comparative purposes.

Because this research program will involve a cooperative effort involving the University of Colorado, the High Altitude Observatory, and the Colorado State University, and will be a part of much larger, related independent research programs carried out with other funds, Colorado will receive all the benefits of the study, while our costs will be only a fraction of the total expenditure.

UNDERGROUND WATER

Through your approval of legislation which created the Underground Water Commission, you authorized beginning work in a significant area of extremely important water development.

Based on its preliminary administrative experience in carrying out the terms of that legislation, the Underground Water Commission plans to propose to you certain revisions in its basic law, which I commend to your sympathetic review.

In addition, since the commission had not been created at the time you passed legislation establishing the Department of Natural Resources, I recommend to you legislation to include the Underground Water Commission as a component of the Department of Natural Resources.

OUTDOOR HIGHWAY ADVERTISING SIGNS

The 1958 federal-aid highway act established standards for the guidance of the several states in regulating outdoor advertising along the federal-interstate highway system. In the interest of maintaining defined scenic areas, preventing encroachment upon highway rights-of-way and maintaining sound standards of highway safety, the 1958 highway act provides a bonus allocation of funds from federal sources to the cost of an interstate system project where such advertising is so controlled.

I recommend your positive action on this legislation.

RECOMMENDATIONS FOR LEGISLATIVE COUNCIL STUDY

I have earlier expressed to you my appreciation for the close staff relations among the Legislative Council, the Joint Subcommittee on Appropriations and my own administrative staff. This cooperation has brought about close scrutiny into government activities which has enabled us to improve government services without concomitant increases in cost.

I want to suggest to you two additional subjects for study by the Legislative Council. The first deals with a problem of grave importance to every major city in Colorado: that of mass transportation by local transit companies. Nationally, some 345 major cities have lost their transit systems. The annual report of the Public Utilities Commission of the State of Colorado discloses that these same depressing factors are imminent in Colorado. The loss of a transit system affects not only public convenience, but can result in the necessity for the expenditure

of large sums of money on expensive freeways to relieve the resulting traffic congestion. Colorado must face up to this problem while there is still time and before the emergency is upon us. I hope that a committee of this legislature can be established to study the problem of mass transit in Colorado, in collaboration with representatives of the areas affected, the Public Utilities Commission and members of the affected industries.

The second subject deals with the problem of continuity of government in case of a military disaster. I have informally transmitted to the Legislative Council a report of the Council of State Governments concerning this problem and I hope that legislative action, after careful study, will be taken concerning this problem of continuity of our State government.

OTHER MATTERS

There are many other matters of State concern that will need attention. Various State agencies have suggested to me subjects that they would like brought to the attention of the legislature. From time to time you will receive short supplemental suggestions and reports on legislation, which, in the opinion of the Executive Department, would improve their capacity to give competent service. These suggestions include legislation concerning labor legislation, mobile homes, bankruptcy law revisions, oil and gas conservation, insurance legislation and modification of regulations pertaining to the Revenue Department including the establishment of legislative standards for driver license revocation.

GENERAL BUDGET

One of the most important matters before you is that of the budget for the coming fiscal year. Along with legislators in every other state in the nation you are faced with difficult decisions on financing.

You are in a relatively fortunate position, because soon there will be available the most comprehensive tax study ever accomplished in Colorado—prepared by a staff of eminently

qualified tax research personnel and representing a tremendous amount of time and effort. This study will not only offer means of solving immediate financial problems, but will also guide future considerations.

In the budget this year are two areas of decision: first, the regular operating expenses of State institutions and agencies; and second, the capital construction requirements.

The operating budget enables a continuation and necessary expansion of present functions. The capital construction supplement represents facilities needed by State institutions and agencies to strengthen their programs, to provide for necessary expansion consistent with the demands of a growing population, and the increased demands for service.

Operating Budget—Current Fiscal Year Summary

Estimated expenditures from the general fund applicable to the present fiscal year, 1958-1959, including \$1,250,000 requested in supplemental appropriations, total \$63,344,000.

Estimated General Fund revenues during 1958-59 are as follows:

Recurring Revenues will provide.....	\$54,808,000
Surplus from 85 per cent of Sales, Use Liquor Taxes not used for old age pension require- ments will provide.....	4,200,000
Non-recurring revenues from the advance declaration and estimate system in the State income tax will provide.....	7,000,000
Total estimated revenue 1958-1959.....	<u>\$66,008,000</u>

Estimated revenues exceed estimated expenditures by \$3,154,000 which, together with \$1,000,000 unspent in the disaster fund, added to the beginning balance of \$11,604,000, results in an unencumbered cash balance of \$15,758,000 on June 30, 1959. Of this, \$10,000,000 is for the working capital revolving fund.

Budget For 1959-60

Requests from agencies and institutions for appropriations from the general fund for 1959-60 totaled \$81,455,000 for oper-

ating expenses. This would mean an increase in the operating budget of \$17,964,000, or 29 per cent above the \$63,344,000 estimated expenditure in the present year.

Although the requested amounts are for the most part legitimate requirements of agencies to fully meet programs requested by the public, the taxpayers of the State would be hard pressed to provide such a large additional sum at one time. The budget I am presenting to you is less than requested by agencies and institutions, but one which is believed to show a substantial measure of progress. The detailed budget document will be placed on your desks next week.

I am recommending a general fund budget for 1959-60 totaling \$68,616,000. This is an increase of \$5,272,000 or 8 per cent over 1958-59.

The recommended general fund budget for 1959-60 includes increases in such major areas as:

School Support

School support requires \$24,160,000 compared with \$23,100,000 this year—an increase of \$1,060,000 or 5 per cent. The recommended amount includes both the public school finance act and public school transportation assistance and is commensurate with an expected increase in number of pupils in public schools at the present level of implementation of the foundation act.

The Department of Education and its related programs require \$2,975,000 compared with \$2,307,000 this year—an increase of \$668,000 or 29 per cent. The principal increase in this category is \$566,652 to match federal funds made available through the National Defense Education Act. Such State matching would be supplemented by local school districts for some of the titles in this act. The recommendation also includes \$64,217 under Title 2 of the National Defense Education Act for matching loans to students in State institutions of higher learning.

Other increases provide for full implementation of the teachers' emeritus retirement fund and additional funds for special education.

Institutions of Higher Learning

Institutions of higher learning have been allocated \$17,135,000 from the general fund in the recommended budget compared with \$15,659,000 this year—an increase of \$1,476,000, or 9 per cent. In considering requested appropriations for State-supported colleges and universities, income available to them from other sources, such as tuition and mill levies, has been taken into account, so that the total amount available for institutions of higher learning for operating expenses will be \$34,039,000 in 1959-60 compared with \$31,478,000 this year—an increase of \$2,561,000.

While the amount recommended for the State-supported institutions of higher learning is less than the amount requested, it will make possible some major improvements.

One area in which I urge your special consideration is that of salaries of faculty at the University of Colorado Medical School. The State of Colorado has in recent years supported the faculty of the University of Colorado Medical School in such a way as to indicate realization of the importance of adequate faculty salaries. These salaries now begin to approach a level beyond which it does not appear likely that the State can be expected to go. Yet, unless faculty salaries are considerably increased over the present level, the medical school may lose many of its most talented teachers, causing the medical education program to deteriorate. It is evident that if present statutes were altered to permit collection of professional fees from patients who can afford to pay them or who are insured through third parties, a significant source of supplementary income for faculty could be obtained. At the same time, a new and important source of teaching material for the educational program would be brought to the medical center.

Such funds, administered under direction of the Board of Regents, to prevent exploitation either of the university or of its faculty members, would make it possible for the University Medical School almost immediately to achieve a better competitive position in comparison to other state and private universities.

Other Institutions

For other institutions, I recommend \$14,540,000, which, compared with \$13,589,000 this year, is an increase of \$951,000, or 7 per cent. When the institutions' cash earnings of \$5,100,000 are included, the total institutional budget is \$19,640,000, a total increase of \$1,180,000. For the most part, increases are occasioned by salary increments, commodity cost increases, operation of such new buildings as the pre-parole and medium security units at the state penitentiary and new housing, hospital, and school facilities at the State Home and Training Schools at Ridge and Grand Junction, the Boys Industrial School and the Girls Training School. Likewise, sufficient money has been provided for employment of necessary medical personnel at the State Hospital, as well as other costs because of increased institutional population.

Other Purposes

All other purposes require \$9,806,000 compared with \$8,689,000 this year—an increase of \$1,117,000 or 13 per cent.

Amounts recommended for other purposes which call for greater than a nominal increase are the following:

\$75,000 to the Water Conservation Board for continuing and expanding surveys and studies of underground water in addition to \$150,000 for continuing water studies under cooperative agreement with the federal government;

\$49,000 for the Ground Water Commission for administering the ground water law to control and for conserving ground waters of the state.

\$65,000 for the Colorado Centennial Commission; \$57,000 for the Industrial Development Division.

As a result of salary surveys conducted by the Civil Service Commission, the need for changes in grading of some positions has become evident. Resultant salary changes will cost \$233,856, of which \$133,403 is chargeable to general fund agencies, and \$120,453 to agencies financed by earmarked funds — such amounts are recommended for your favorable consideration.

A provision has been made for employment of law clerks by the supreme court justices.

To enable State government to be in a position to offer direct help in cases of natural disasters, an appropriation of \$800,000 is recommended for a general disaster fund.

Finally, other increases among agencies are largely caused by statutory salary increases already committed by law, and amounts—usually not in excess of 3 per cent—for price changes in items purchased by state agencies.

Capital Construction Supplement

In addition to the operating budget, agencies and institutions have requested \$6,400,000 in capital construction projects. Of these, projects totaling nearly \$4,100,000 are tentatively recommended for financing at this session, deferring the remainder until some future time. The largest items in the recommended total include \$1,025,000 at the Reformatory; \$1,526,815 at the State Home and Training School at Ridge; \$495,000 for repairs and alterations to the Capitol Building Group; \$349,000 at the State Industrial School for Boys; \$400,000 to the Monte Vista Golden Age Center; \$50,000 for the State Park and Recreation Board to develop the Cherry Creek recreation area; and a number of smaller projects. Other projects are pending, including a second mental hospital, new facilities at the University of Colorado Medical Center, and children's diagnostic and treatment facilities.

There are a number of reasons for separating capital construction projects from ordinary operating expenses. First, decisions on such projects are extremely important because they to a large extent determine the direction of programs of agencies and institutions; second, when non-recurring costs of such projects are included with operating expenses, an erratic picture of operating cost trends is given; and, finally, such projects should be considered as an investment, an exchange of assets, so to speak, because they add to the net worth of State facilities and, therefore, are not expenditures in the same sense as operating expenses.

As a general practice in the future a capital construction budget should be prepared each year in order that adequate

attention be given such projects. A bill for such procedure has been prepared by the joint subcommittee on appropriations in cooperation with my office and should be given your whole-hearted support.

The importance of this measure will become more apparent as the years progress and additional capital construction projects become necessary.

Financing the Budget

It is expected that the surplus in the general fund on June 30, 1959 will be approximately \$5,758,000. This is in addition to the \$10 million in the revolving fund needed to provide part of the cash for meeting state expenditures during periods of low tax collections. Current revenues available from existing revenue sources at existing tax rates are estimated for 1959-60 at \$59,400,000. Cash balances and current revenues, therefore, will provide \$65,158,000 of the \$68,616,000 needed for the budget. This means that it will be necessary to provide additional general fund revenue of \$3,458,000 to balance the budget and retain the \$10 million working capital revolving fund if \$5,758,000 surplus is used.

I wish to point out that the entire budget could be financed without any increase in taxes this year. However, the use of non-recurring revenue for operating purposes would mean that these revenues would have to be replaced next year. Under this suggested plan Colorado will have \$15,700,000 surplus revenues for capital improvements or surplus.

It is obvious that the surplus over and above the revolving fund can be used either for the operating budget or for non-recurring capital items. I recommend the latter. In the event the treasury management legislation is adopted, and our fiscal experience is sufficiently good, it is not unlikely that the entire \$4,100,000 in the capital improvement budget could be obtained from surplus.

As soon as the tax study is received, I shall present a second message to you concerning the methods of providing the necessary additional financing. Anything presented prior

to receipt of the complete study would not offer a full picture of State and local financial considerations. It may be that the entire tax study cannot be acted on at this session, but I am certain that there will be sufficient areas of minor tax adjustments and closing of some loopholes in our present tax structure to meet immediate budgetary needs. Major revisions of the State's tax structure will depend upon our capacity to review and digest the summary and recommendation contained in the study.

I appreciate your patience and your attention in this review of some of the important problems that confront our State government. In reaching solutions to those problems, please know that I, and the staff of my office, as well as the entire personnel of all the agencies of the Executive Branch, are available to help you.

May God bless you and guide your deliberations.

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