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STATE OF THE STATE

Richard D. Lamm  
Governor of Colorado  
January 21, 1975

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We begin today - - a new relationship - - between a new governor and a legislature in which there are many new faces and new leadership. I want you to know that I will work to make that relationship fruitful, not only for you and me, but for Colorado.

The constitution has made us partners with the Judiciary in running the State. That is an awesome task under the best of circumstances. And today's economy and today's avalanche of problems do not give us the best of circumstances. We shall have to listen and learn from one another and work together in difficult times.

I hope we can all view this as a challenge. The voters have given us new political power relationships which we can lament as members of different political parties, or which we can respect and forge into new common purpose for the public good. We must learn to live with these new relationships.

From my days as a legislator, I predict that this will not be difficult. I was not a part of the majority party at any time during my eight years in the legislature, yet the fairness of members of the Republican party allowed me and other Democrats to play key roles in the legislative process. All the talent does not reside on one side of this chamber, and I look forward to working with all of you. Despite the cynicism of the times against all public officials, if our system of government is to work, and I know it does work, it works by open deliberations among all the people in this chamber.

I hope the legislative work can be accomplished as expeditiously as possible. Our political differences will be the same in May as they are in September. The votes will be essentially the same. Let's work together to achieve goals which will be fair and let's give each other some flexibility as we attempt to solve problems and create new solutions.

There is no way we will be able to implement all the good programs we once thought might be possible. We shall face difficult choices between many programs, all of which are seemingly necessary. We shall not be able to do all we would like to do. We are on an economic roller coaster whose destination remains uncertain. We shall have to exercise a self - discipline which few of us want but which is nonetheless necessary.

I urge you all to proceed cautiously with ALL programs which involve new spending, and I suggest that any programs which call for significant expenditures be accompanied by some suggestion of where the money for such programs can be found. Our cupboard is not bare, but neither is it as stocked as it has been. That thief, recession, and that embezzler, inflation, have taken their toll.

In the case of the programs I suggest, I intend to give you that kind of information, hoping that what we can achieve is equity for all. Equity can be achieved not only by new spending, but also by a readjustment of existing programs. I should like to suggest to you some of these programs.

## EQUITY IN TAXATION

First, let us look at proposals of tax relief and tax adjustments.

I am concerned for those persons who are being twice hit during this recession - depression. They are the out-of-work families who must still pay higher and higher food prices. They are the persons on fixed retirement or pensions or social security benefits whose rent goes up. They are all those whose incomes lag far behind rising prices or whose earnings are crippled by a falling economy. We must, and we shall, take effective action to relieve the pressures on these citizens.

Food Sales Tax Exemption: I recommend that the existing 3% state tax on all retail food sales be eliminated on January 1, 1976. Colorado should not have a grocery tax and people should not have to pay a tax today which they get back a year from April in deflated dollars. The sales tax on food purchases consumed off the premises must be abolished.

Low Income Allowance: Colorado law now provides a standard deduction of 10% of adjusted gross income not to exceed \$1,000 per household; conformity with the Federal law would raise this standard deduction to 15% of adjusted gross income not to exceed \$2,000. The low income allowance, or minimum standard deduction which serves to eliminate the tax liability for low income taxpayers, would be raised to \$1,300 from the present sliding scale based upon family size. In all cases, the standard deduction would increase.

Limited Federal Tax Deductions: Currently the State allows all federal taxes paid to be deducted from State Income Tax. I propose that we limit this deduction to 50% of all deductions above \$2,500. This program will only affect households earning more than \$25,000 annually, and it will add a progressivity to our income tax structure, which is sorely needed.

Tax Relief for Low Income Persons: The State now gives a credit to the elderly and the disabled for state property taxes paid, or 20 % of rent paid, up to \$400. This tax credit should be extended to ALL persons whose incomes are at a poverty level.

Campaign Contribution Credit: A small proposal, but one very dear to me because of my hope that we can once again encourage the participation of all voters in the election process, is to give a credit to all taxpayers for 50% of all campaign contributions, not to exceed \$12.50 per person. If we encourage each voter to participate by supporting his or her political party or candidate, we have pushed democracy one step toward better, more responsive government. Every elected official in this chamber knows how demeaning it is to seek campaign funds, and how destructive it is to the democratic process to allow large contributions to control so much of the political system. We must do all we can to begin to make these changes.

Liquor Tax Increase: I am calling for an increase in the liquor taxes. I am proposing a 2¢ increase on each gallon of beer; a 1.67¢ increase on a quart of wine under 14% alcohol content; a 2.5¢ increase on a quart

of wine over 14% alcohol content, and a 7.5¢ increase on pints of liquor of over 20% alcoholic content.

I propose such an increase as an example of using tax policy to help alleviate the costs of needed related programs. Our treatment of alcoholics and persons with alcohol - related problems is totally inadequate. We passed a good bill in House Bill 1279 and now we must fund it. It is fair to look to the industry to help pay the costs that industry imposes on society.

Severance Tax: It comes as no surprise that I am proposing a severance tax on the removal of natural resources. As our non-replaceable natural resources are removed we should compensate the entire State for that loss. Details of this proposal will be worked out in a manner which will not place an undue hardship on small operators and will be phased into the activities of other companies in the least disruptive manner as possible.

Corporate Tax Increase: I propose a 2 1/2 % increase in the corporate income tax, effective, <sup>July</sup> 1, 1975, for all corporate incomes over \$25,000. In light of the present economic downturn, some explanation is needed. Colorado, in my opinion, has been systematically undertaxing its natural resources and its corporations.

(first slide) This slide shows that Colorado now ranks 35th in the nation, paying only 10.3% of the total state revenues in terms of the total direct business taxes paid in 1973. The second "Colorado" column shows that even with my proposed increase, Colorado will pay significantly

less than the national average of 15%, and it will still be competitive with the Rocky Mountain States as seen by the Nebraska, Wyoming, and Kansas columns. Compared to Ohio, in the last column (and Ohio is a state which boasts of its exceptionally good business climate), Colorado will still pay less. This chart is based on information from the Research and Business Statistics Department of the Denver Chamber of Commerce Forward Metro Group, published in March, 1974;

To paraphrase the report: The regions which are most highly industrialized appear to have the highest percentage....conversely, the less highly industrialized areas, particularly the West South-Central and the Mountain States, have significantly lower percentages of the total revenue derived from direct business taxes.... Colorado's rank is somewhat lower than the midpoint in direct tax burden per firm and in dollar terms, the average Colorado tax of \$2,316 per firm is less than 70% of the national average of \$3,921.

This information does not take into consideration the tax break businesses received when the Public School Finance Act of 1973 was implemented.

(slide 2) This slide, using information from the Colorado Tax Profile of 1974, shows that when this tax break is taken into account, Colorado can tolerate the increase I propose. The first column shows the national average business tax; the second column shows the present tax which includes the deduction; and the final column shows where Colorado will fit following the passage of a 2 - 1/2% increase. Colorado businesses

do contribute a sizeable amount to our state budgets in direct taxes and they are a significant factor in our economic health. We think they will remain economically healthy even when they pay a fairer share of the taxes.

Tax Summary: (slide 3) What is important to me is seen on this next slide which shows that what I propose is an attempt to equalize the tax burden. Right now the poorest people, those with incomes under \$5,000 pay the highest percentage of their incomes -- 12% -- in State taxes. That percentage drops to where the households making the most money, or incomes over \$25,000, pay the least percentage of their income in taxes.

(Overlay) This overlay shows in the blue columns that what we are doing is trying to equalize the tax burden so that the poorest do not pay the most. As it is, even with the corrective tax proposals I have suggested, those with incomes under \$5,000 will still pay the highest percentage of their incomes for taxes, but it will be an improvement over that 12% they are paying right now.

This tax package is not designed to raise taxes. The revenue from this package will be approximately the same under the current tax structure. But the taxation burden has been shifted to better reflect on ability to pay. It is tax equity, not additional revenue, we seek.

#### STATE REORGANIZATION

Sometimes, it appears that the easy way out is to "reorganize" to solve existing problems. That strikes me as a pretty cosmetic approach, and for that reason I am proposing only one major reorganizational effort and one other program which might be considered reorganizational.

Department of Transportation: I will work to establish a Department of Transportation which should concern itself with a comprehensive, continuing, state wide transportation system including a balance between adequate highways in our rural areas and an emphasis on public transportation and alternatives to the use of the private auto in our urban front range.

We do not, in my opinion, make balanced transportation decisions in Colorado. There are other ways of transporting people than on our rapidly multiplying highways in private cars. We must start finding the workable alternatives immediately.

We face the possibility of an Energy Dunkirk if O.P.E.C. imposes another embargo -- but even if it doesn't, we must recognize the new energy realities. We cannot continue to transfer 2% of the world's wealth to the O.P.E.C. nations every year so we can drive 400 horsepower chrome-plated duol-carborated air-conditioned chariots. We must start to think primarily of ways to transport people and goods, not merely to move automobiles up and down the Front Range.

The department, I suggest, will do more than save energy. It will hopefully give us a transportation system which can help achieve a whole new developmental plan for this State. I would involve engineers, transportation and urban planners, architects, ecologists, economists, sociologists behavioral scientists and lawyers, as well as all the expertise of related departments of this State and the citizens who ultimately will be served by such a department. To this end, a nationwide search is underway for a director of that department who espouses this broadened philosophy.



Office of Children: We need a comprehensive early childhood program, one which encompasses all the services a state can and should provide in child care and early childhood development. A cabinet level task force involving the Department of Social Services, the Department of Health and the Department of Education will be created to firmly evaluate the scope of such an office in relation to existing State agencies and community services now available.

### EQUITY FOR PEOPLE

I have explained my tax proposal in terms of equity for all persons affected. I would like to carry that theme into the proposals which concern services and opportunities for people.

Health: We need legislation that will make it possible for newborn infants to be included in insurance coverage. The complexities of birth and the unbelievable expenses relating to health problems of the newborn place an unreal burden on many young families. Perhaps legislation of this kind will help those families survive the catastrophic costs of saving the life of a child.

Bilingual, Bi-Cultural Education: Our bilingual State needs a statutory bilingual, bi-cultural program. Perhaps the early appreciation of the difference bilingual children encounter in our current educational system will help us preserve the values of our multi-cultural society and through this effort perhaps we can help all people to work and achieve their highest potential as full partners in our society.

Employment: The men and women who perform the services of government day by day, those whose career jobs are in the public sector, are essential to the success of the delivery of governmental services effectively, efficiently and

economically. Government has failed to define guidelines by which these workers can make their voices heard. We need to address how they make their own choices in dealing with all the same problems that all employees in the private sector face. The public sector, as employer, is now beset with increasing militancy, unnecessary work stoppages and public criticism among the career employees who are treated as if they do not have the same problems with their employers as employees in the private sector. Colorado cannot delay further in defining for its own employees of our state and local governments how they may choose to bargain collectively if they so desire. When we define this process reasonably, in law, we will make it possible for management to perform more effectively.

Local Government: I urge each legislator and all local governmental officials to become more aware of this issue and to become familiar with the sub-issues involved. I am not unaware of the impact this legislation will have on state government. The choices you make on the questions of scope of bargaining, what is a bargaining unit, will greatly impact the state for years to come.

With such changes in the law, we will have to provide for educational seminars that will acquaint both management and employees with what the law is designed to do, how it will work and what their responsibilities and limitations are under the law prior to the first day of operation, and I shall suggest funding for such seminars in my budget.

Consumer Affairs: We must thoroughly re-examine the Department of Regulatory Agencies and each of the many boards and commissions under the direction of that department. From the Division of Banking and Insurance, to the Real Estate Commission to the Plumbers' Board and the fifteen medically related boards, hardly any facet of our consumer life is not affected by daily decisions made, in

many cases, without adequate input from the public. I plan to work closely with the legislature and the office of the Attorney General toward a philosophical re-examination of the composition, the powers and the structure of such boards and commissions.

Bank Holding Companies: Bank Holding Company legislation is necessary to preserve the competitive market so that a financial monopoly will not develop in Colorado. I would urge you to pass legislation limiting the size of bank holding companies. Without action in this area, the present movement toward concentration of economic power will be detrimental to the community.

Campaign Reform: Legislation should be considered which will set limits on the contributions to campaigns and on the amount of campaign spending. The power of money to buy elections has to be eliminated. I have already mentioned my hope for a tax credit for small contributions as a way of encouraging greater participation in the election process.

I appreciate the re-evaluation the legislators are already giving to the Sunshine Law. Some adjustments are clearly required. People want to participate in government and in the process of governing. It is important that the public be allowed to participate and to see how decisions are made. Nevertheless, the principle of open government should not be allowed to impede effective government. We want a strong but workable bill and some changes will be necessary. Whatever else is done with the Sunshine Act, I urge passage of that portion of the bill currently before you which extends the financial disclosure requirement of the Sunshine Act to local government. The people are clearly entitled to have available relevant information concerning those who would govern them.

Rural Development: We will be urging an aggressive program of rural development. Many portions of our state are economically depressed with high unemployment rates and a continuing exit of people to the more populated areas where they can find jobs, causing a domino affect on the economy of the rural area. We will be encouraging the decentralization of state services to rural areas, thus creating jobs as well as providing services; encouraging programs for the well-planned development of each community; encouraging industries suitable to locate in rural Colorado, and attempting to encourage agriculture and livestock industries.

We must put a new emphasis on agriculture. We are told that the world reserves of grain have reached a twenty-two year low and now stand at only a twenty-six day supply. I believe we should challenge the Colorado agricultural industries to new production levels.

How wisely we respond as a nation to a world increasingly short of food, and the economic and political instability that can result from prolonged food shortages, may well be the key to maintaining open, democratic governmental systems both at home and abroad, and to maintaining the freedom and economic advantages we now enjoy.

Urban Problem Solving: Everyone in this state benefits from the special values and services of our cities; our cities bear the brunt of the influx of many people from our economically depressed towns who come looking for employment, sometimes not finding it and becoming dependent upon the cities' resources for help and assistance. Our cities provide us with advantages we take for granted as we fly into Stapleton International Airport and dash to our homes. We visit the museums, libraries, parks and travel the streets without contributing to the costs of these fine services. If there are ways we can share some of the financial burdens

of the cities which benefit us all, we will help make our grand cities flourish. I urge this as a matter of top priority if we are going to be able to prevent the type of decay which have eaten away the core of many Eastern cities. We have a responsibility to help rather than to complain about the problems of congestion, pollution, crime, inadequate housing and educational problems.

I am already asking members of my cabinet and some legislators to begin working closely with city officials and legislators for direction and suggestions as to how we can be of most help. Money alone will not solve the problems of our cities; we will need both creative and imaginative ideas as we tackle this problem.

#### ENERGY AND NATURAL RESOURCES

Let me briefly touch on the area of natural resources and energy. In my opinion the energy crisis of 1973 was a sneak preview of the future. We have not only an energy crisis but a whole natural resources crisis. A recent U. S. geological survey study pointed out the United States must import an important percentage of sixty-nine of the seventy-two raw materials needed to maintain or to improve our present standard of living, and many of these come from countries not always friendly to the United States. Jamaica recently increased the price of bauxite four times, an obscure event but one which will soon have great affect on many U. S. prices. Someone in Jamaica or Guyana or Surinam or Australia, now decides what prices the U. S. is going to pay for most metals except raw steel. The full impact of this fact has not yet hit home to Americans but it will soon. We cannot continue to fiscally hemorrhage this country paying for excessive energy and raw materials. We clearly must end this disposable society and start forming the Durable Society. This will require some substantial changes in our habits and life styles.

Energy conservation, for instance, is not just a matter of driving more slowly and turning down one's thermostat. Energy savings will mean recycling metals, new designs for buildings, living closer to where we work, more mass transportation, and doing with less.

I urge you to consider an energy policy act which will set an energy policy for the State of Colorado. I urge tax incentives be instituted to encourage insulation additions to existing homes and changes in building codes which require more insulation in new homes. I urge tax incentives for the use of public transportation to and from work.

I urge you to pass legislation encouraging recycling and re-use of containers.

As Colorado is under incredible pressure to develop our energy resources, we must legislatively respond to insure that the development which takes place makes sense for Colorado. To that end, I suggest the following:

Energy: There is a need for an energy coordinator with a broader view than oil shale, and who will work to coordinate all facets of energy development and use.

Reclamation: We must review the details of the current reclamation act to insure that bonding procedures are tight, that land unsuitable for strip mining be identified; that a more clear definition of the proposed reclamation plans be detailed prior to permit approval and that reclamation plans be consistent with State, regional, and local land use plans. We can see from the recent veto of the Federal strip mining legislation that Colorado and other western states must look to their own legislation for protection against abuse.

Land Use: For all these many years we have been debating the structural concept of whether the State or the local or the regional government should be making regulations regarding land use. We have missed the mark in such debates, for it is clear that all levels of government should play a full role in land use decision making. However, we have failed to provide our governments with any sense of policy. We must articulate a growth and land use policy which provides a unified sense of guidance. While I do not consider H. B. 1041 either a good or workable bill and while I support its revision, at a minimum, Colorado must have a growth policy by the end of this session to give direction to thoughtful public and private officials who want to act in a responsible manner.

In that same area, I want to suggest that Senate Bill 35 while operating well in assisting local governments in the control of developments, has a serious loophole. The exemption of developments of less than 40 acres should be removed from the regulations in this bill because it is being abused. The minimum subdivision standards of that act should be extended to land already subdivided but not yet developed as a way of insuring that Coloradans who purchase the land will be guaranteed the necessities which go with a home--water, sewage disposal and stable ground to build upon.

I suggest that this legislature provide state funding for the Conservation Trust Fund because there is no assurance now that money will be available from one year to the next. Local governments need the assurance that they can do a proper job of open space planning. I propose a real estate transfer tax, with 75 percent of the money going to local governments to support their open space programs. The rest could be used by the state to match local money so that large acquisitions could be realized.

## CONCLUSION

In closing, I call for all Coloradans to adopt a position of extraordinary understanding in the days, weeks and months ahead. A universal complaint today is the cry of "I've been misunderstood". It is a cry made by politicians and non-politicians -- by young and old, by people of all colors, races and ethnic backgrounds of both sexes.

My message today calls for understanding by you, the people, as I try to understand each of you and all your concerns.

I've called on a shifting of the burden of the cost of state and local government to a group of people who I am sure already feel they pay their share.

I've asked state government people to re-examine proposed and existing programs when I know they believe they've already exhausted the re-examination and review process. I've called for austerity on one hand and on the other proposed a revenue-expenditure program that leaves the State with a general fund surplus. I've expressed a sincere concern for the human and natural needs of this great state and at the same time admitted I'm not proposing as much as many of you want--or, for that matter, as much as I would like.

Our struggle to understand and yet move ahead sensibly and progressively will not be easy.

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