

STATE OF THE STATE
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GOOD EVENING. ONE YEAR AGO, I STOOD ON THE STEPS OF THE CAPITOL BUILDING AND SHARED WITH YOU MY DREAMS AND HOPES FOR THE STATE OF NEVADA. IN THAT INAUGURAL ADDRESS, I SPOKE OF MY GOAL OF RESTORING NEVADA TO THE VITALITY AND PROSPERITY IT ONCE ENJOYED, BELIEVING THEN, AS I DO NOW:

"TO THE EXTENT THAT WE PUT THIS STATE ON A STABLE FINANCIAL BASIS, WE BENEFIT THROUGH DEPENDABLE POPULAR SUPPORT FOR THE INSTITUTIONS OF GOVERNMENT;"

"TO THE EXTENT THAT WE BUILD A STRONG, DIVERSE ECONOMY, WE ALL BENEFIT BECAUSE WE WILL BE LESS VULNERABLE TO RECESSION AND TO THE ECONOMIC DISLOCATIONS THAT COME FROM SAGGING REVENUES AND A SLUMPING ECONOMY;"

"TO THE EXTENT THAT NEVADA THRIVES, WE ALL PROSPER."

TONIGHT, I REVIEW THE EVENTS OF THE YEAR JUST PASSED -- MY FIRST IN OFFICE -- AND SHARE WITH YOU, AS I DID A YEAR AGO, MY HOPES FOR THE FUTURE OF THIS GREAT STATE.

RESTORING FINANCIAL STABILITY

THE MOST IMMEDIATE PROBLEM THAT FACED ME AS I TOOK OFFICE IN JANUARY WAS THE STATE'S FINANCIAL CRISIS -- EXPERTS PROJECTED A ONE-YEAR REVENUE SHORTFALL OF \$64 MILLION AND A YEAR END DEFICIT OF \$4.8 MILLION. IF MY PROMISE TO PUT THE STATE ON A SOUND FINANCIAL BASIS WAS TO BE MET, I REALIZED THAT THE FINANCIAL DECISIONS I WOULD HAVE TO MAKE WOULD BE POLITICALLY UNPOPULAR. YET, THESE DECISIONS WERE NECESSARY TO PROTECT THE STATE'S SOLVENCY.

AS THE LEGISLATURE BEGAN, I PROPOSED FOUR IMMEDIATE MEASURES TO INCREASE THE GENERAL FUND BY \$53.4 MILLION. THESE PROPOSALS -- WHICH CALLED FOR NO NEW TAXES -- WERE APPROVED, LEAVING THE STATE WITH THE MINIMUM CASH BALANCE NECESSARY TO OPERATE.

I ALSO INSISTED THE STATE LIVE AS FRUGALLY AS YOU AND I MUST IN OUR DAY-TO-DAY LIVING. I ELIMINATED MORE THAN 300 POSITIONS; SLASHED TRAVEL BUDGETS; REDUCED EQUIPMENT REQUESTS; ASKED STATE EMPLOYEES, UNIVERSITY STAFF AND SCHOOL TEACHERS TO FOREGO COST-OF-LIVING RAISES; AND PARED THE CAPITAL IMPROVEMENTS PROGRAM TO THE BONE. I FURTHER RECOMMENDED THAT CONVICTS CONSTRUCT THEIR OWN HOUSING AND, WHERE POSSIBLE, BE REQUIRED TO WORK FOR THEIR KEEP AND REPAY THE VICTIMS OF THEIR CRIMES.

THE BUDGET I SUBMITTED TO THE 1983 LEGISLATURE REDUCED THE SIZE OF STATE GOVERNMENT. MY RECOMMENDED GENERAL FUND SPENDING PLAN FOR THIS YEAR WAS ACTUALLY 10 PER CENT LESS THAN THE SPENDING PLAN APPROVED FOR LAST FISCAL YEAR. FOR THE TWO YEAR PERIOD, I PROPOSED TO SPEND \$19 MILLION LESS FROM THE GENERAL

FUND THAN THE LEGISLATURE HAD AUTHORIZED TO BE SPENT FOR THE PRIOR TWO YEAR PERIOD.

BUT EVEN WITH THE SWEEPING BUDGET REDUCTIONS, ADDITIONAL REVENUES WERE NEEDED -- REVENUES TO CARE FOR THOSE LESS FORTUNATE THAN OURSELVES, TO PROTECT OUR CITIZENS, AND TO PROVIDE THOSE SERVICES EXPECTED OF GOVERNMENT. FOR ADDITIONAL FUNDS I FIRST TURNED TO THE GAMING INDUSTRY, INSURANCE COMPANIES, AND LIQUOR DISTRIBUTORS. UNFORTUNATELY, IT WAS ALSO NECESSARY TO TURN TO THE PROPERTY OWNERS OF NEVADA. THIS WAS ESSENTIAL TO GUARANTEE THAT EACH NEVADA CHILD HAS THE EDUCATIONAL OPPORTUNITIES WHICH WE HAVE TRADITIONALLY PROVIDED.

AS A PARENT AND AS GOVERNOR, I KNOW THIS STATE'S MOST VALUABLE RESOURCE IS ITS CHILDREN. THAT IS WHY I RECOMMENDED THERE BE NO REDUCTIONS IN STATE SUPPORT FOR SCHOOLS, UNIVERSITIES, AND COMMUNITY COLLEGES. I WAS DEEPLY DISAPPOINTED WHEN THE LEGISLATURE, IN PARTISAN VOTING WITHIN THE ASSEMBLY, DENIED OUR CHILDREN \$9.1 MILLION OF THIS RECOMMENDED AID. I AM CONVINCED THAT THIS FUNDING WAS IMPERATIVE IN OUR SEARCH FOR EDUCATIONAL EXCELLENCE. WHILE THERE ARE THOSE WHO SAY MORE MONEY IS NOT THE ANSWER, I CAN ONLY REPLY THAT NEVADA'S SCHOOLS CANNOT BE EXPECTED TO COMPETE WITH OTHER EDUCATIONAL SYSTEMS WHEN OUR COMPARABLE FUNDING LEVELS ARE AMONG THE LOWEST IN THE NATION.

BUILDING A STRONG ECONOMY

DURING MY CAMPAIGN FOR GOVERNOR, I PLEDGED TO EXPAND NEVADA'S TOURIST MARKETS AND TO BROADEN ITS ECONOMIC BASE. TO ACCOMPLISH THESE PURPOSES, AS GOVERNOR, I COMPLETELY OVERHAULED THE STATE'S ECONOMIC DEVELOPMENT AND TOURISM AGENCIES. PRIOR TO MY ADMINISTRATION, THE STATE WAS SPENDING ONLY \$40,000 A

YEAR TO PROMOTE OUR MAJOR INDUSTRY -- TOURISM. THAT WAS LESS THAN ANY STATE IN THE NATION. AT MY DIRECTION THE STATE IS NOW SPENDING MORE THAN \$1.3 MILLION ANNUALLY FOR TOURISM PROMOTION -- AND AN ADDITIONAL \$3.5 MILLION IS NOW AVAILABLE FOR SIMILAR PURPOSES AT THE LOCAL LEVEL. THIS NEW BUYING POWER IS FUNDING A COMPREHENSIVE CAMPAIGN TO BRING TOURISTS TO NEVADA AND TO KEEP THEM COMING BACK.

OUR LOW TAXES, NEVADANS' WILLINGNESS TO WORK, AND OUR INVESTMENT OPPORTUNITIES MAKE THIS A FAVORABLE CLIMATE FOR INDUSTRIES LOOKING TO RELOCATE OR EXPAND. SINCE JANUARY 1983, 19 FIRMS HAVE COME TO NEVADA, CREATING MORE THAN 1,500 NEW JOBS, WHILE 5 MAJOR EXPANSIONS HAVE RESULTED IN THE CREATION OF 213 NEW JOBS. ADDITIONALLY, OUR NEW FILM DIVISION BOOSTED TELEVISION, MOVIE, AND COMMERCIAL PRODUCTION 63 PER CENT IN 1983 -- PUMPING \$11.1 MILLION INTO THE NEVADA ECONOMY. LAST MONTH, 10% OF FILMS IN PRODUCTION IN THE UNITED STATES WERE ON LOCATION IN NEVADA.

MY ADMINISTRATION HAS ALSO AGGRESSIVELY USED BOND PROGRAMS TO STIMULATE ECONOMIC GROWTH. IN 1983, THE INDUSTRIAL BOND PROGRAM LOANED MORE THAN \$10 MILLION TO NEVADA BUSINESSES, RESULTING IN THE CREATION OF 357 NEW NEVADA JOBS, WHILE THE \$116 MILLION HOUSING BOND PROGRAM BUILT OVER 3,000 HOMES.

WHILE MANY HAVE CONTRIBUTED TO BUILDING A STRONG NEVADA ECONOMY, I'D LIKE TO GIVE SPECIAL THANKS AND RECOGNITION TO MY WIFE, BONNIE, FOR HER EFFORTS IN PROMOTING NEVADA TOURISM. EVEN TONIGHT SHE IS SPEAKING ON OUR BEHALF IN THE MIDWEST.

PROTECTING THE PUBLIC TRUST

DEPENDABLE POPULAR SUPPORT FOR GOVERNMENT CAN BE GENERATED ONLY THROUGH THE PUBLIC'S TRUST . . . THAT STATE LAWS AND REGULATIONS ARE STRICTLY AND IMPARTIALLY ENFORCED. NEVADA CITIZENS DESERVE NO LESS; NEVADA'S FUTURE DEPENDS ON OUR ABILITY TO PROVIDE A REGULATORY CLIMATE THAT ENCOURAGES HONEST ENTERPRISE TO PROSPER.

MY LEGISLATIVE PROGRAM STRENGTHENED THE DEPARTMENT OF COMMERCE'S ABILITY TO PROTECT SMALL INVESTORS WHO RELY ON THE INTEGRITY OF OUR FINANCIAL INSTITUTIONS. NEW LEGISLATION ALSO STREAMLINED THE STATE'S SUPERVISION OF THESE INSTITUTIONS AND CREATED AN INSURANCE FRAUD UNIT TO VIGOROUSLY INVESTIGATE FRAUDULENT CLAIMS. AN EXPANDED PUBLIC SERVICE COMMISSION, THROUGH NEW LEGISLATION, IS MAKING NEVADA UTILITIES ACCOUNTABLE TO THEIR CUSTOMERS.

I BELIEVE THERE IS NO MORE IMPORTANT FACTOR TO INSURE CONFIDENCE AND CREDIBILITY IN NEVADA'S INSTITUTIONS OF GOVERNMENT THAN GAMING CONTROL. THE FEDERAL GOVERNMENT AND THE NATION WATCH GAMING REGULATION AS A BAROMETER OF WHAT CAN BE EXPECTED OF NEVADA. IT IS IMPERATIVE THAT THE GAMING COMMISSION AND THE GAMING CONTROL BOARD AGGRESSIVELY, BUT IMPARTIALLY, ENFORCE THE STATE'S GAMING LAWS TO INSURE THAT OUR INTEGRITY IS ABOVE QUESTION. THE EVENTS OF 1983 DRAMATIZED NEVADA GAMING AUTHORITY'S ADHERENCE TO THESE PRINCIPLES.

RESPONDING TO OUR ENVIRONMENT

THE RECORD SNOWS, ABUNDANT RAINS AND RESULTING RUN-OFF OF 1983 CREATED DIFFERENT CHALLENGES FOR STATE GOVERNMENT. LANDSLIDES NEAR LAKE TAHOE ALL BUT ISOLATED THE POPULAR RESORT WHILE RECORD SPRING MELT FLOODED RURAL AREAS, CLOSING ROADS AND WASHING OUT BRIDGES. IN SOUTHERN NEVADA, BOULDER DAM COULD

NO LONGER CONTAIN THE COLORADO AND, WHEN WATER WAS FINALLY RELEASED OVER THE DAM'S SPILLWAYS, DOWNSTREAM AREAS, INCLUDING LAUGHLIN AND COMMUNITIES IN ARIZONA AND CALIFORNIA, WERE FLOODED. ABUNDANT DESERT GRASSES PROVIDED FUEL FOR WIDESPREAD SUMMER RANGE FIRES. THE FIRES AROUND CARSON CITY WERE PARTICULARLY TRAGIC SINCE THEY RESULTED IN THE DEATH OF BLM FIREFIGHTER KEITH LEMMONS, OF PORTLAND, OREGON. THIS STATE OWES KEITH A DEBT IT CAN NEVER REPAY. TO HIS FAMILY, I CAN ONLY SAY, NEVADA DEEPLY APPRECIATES HIS DEDICATION TO DUTY.

RESPONDING TO EACH EMERGENCY, I DIRECTED THE DIVISION OF EMERGENCY MANAGEMENT, THE NATIONAL GUARD, THE HIGHWAY PATROL, THE DIVISION OF FORESTRY AND THE DEPARTMENT OF TRANSPORTATION TO MOBILIZE THE STATE'S RESOURCES TO PROTECT LIFE AND PROPERTY. I COMMEND ALL OF OUR EMERGENCY FORCES FOR DIFFICULT JOBS DONE WELL.

MAINTAINING OUR MOMENTUM

I OBSERVED ONE YEAR AGO THAT "WE ARE NOT STRANGERS TO HARDSHIP. RATHER WE HAVE BEEN TEMPERED AND STRENGTHENED BY IT." 1983 STARTED AS A YEAR OF HARDSHIP; IT WAS A YEAR THAT TESTED OUR CONFIDENCE IN GOVERNMENT AND IN OURSELVES. OUR PERSEVERANCE IN THE FACE OF THIS ADVERSITY AND OUR SPIRIT OF COMMITMENT PAVED THE WAY FOR GROWING OPTIMISM AND CONFIDENCE IN NEVADA'S FUTURE.

THIS OPTIMISM, HOWEVER, SHOULD NOT YIELD TO COMPLACENCY. THE CHALLENGES THAT LIE AHEAD ARE CONSIDERABLE. AS WE BUILD ON THE FOUNDATION CREATED IN 1983, WE WILL SHAPE AND MOLD THE POLICY PROPOSALS FOR 1985.

THE NATIONAL ADMINISTRATION'S EDUCATIONAL REPORT -- A NATION AT RISK -- OBSERVED THAT "THE EDUCATIONAL FOUNDATIONS OF OUR SOCIETY ARE PRESENTLY BEING ERODED BY A RISING TIDE OF MEDIOCRITY -- THAT THREATENS OUR FUTURE AS A NATION AND A PEOPLE" AND THAT "WHAT WAS UNIMAGINABLE A GENERATION AGO HAS BEGUN TO OCCUR -- OTHERS ARE MATCHING AND SURPASSING OUR EDUCATIONAL ATTAINMENTS."

TO MAKE SURE WE ARE NEITHER MATCHED NOR SURPASSED, MY GOAL FOR NEVADA'S SCHOOLS IS CLEAR. THIS YEAR THREE OF OUR SCHOOLS -- KENNY GUINN JR. HIGH SCHOOL IN LAS VEGAS, DARRELL SWOPE MIDDLE SCHOOL IN RENO AND ELKO HIGH SCHOOL -- WERE NAMED NATIONAL CENTERS OF EXCELLENCE. I WOULD LIKE ALL NEVADA SCHOOLS TO QUALIFY FOR THIS PRESTIGIOUS DESIGNATION.

TO FURTHER THIS GOAL, I CREATED A STATEWIDE COMMISSION TO ASSESS THE QUALITY OF NEVADA'S SCHOOLS AND TO ESTABLISH NEW STANDARDS OF EXCELLENCE. THIS COMMISSION, WHICH I CHAIR, HAS EXAMINED NEVADA'S ACADEMIC PERFORMANCE, SCHOOL CURRICULUM, AND SCHOOL FINANCING. IN THE COMING MONTHS, WE WILL REVIEW TEACHER PREPARATION AND QUALIFICATIONS, DISCIPLINE IN THE CLASSROOM, AND EDUCATION FOR THE DISADVANTAGED. THE END RESULT WILL BE A COMPREHENSIVE REPORT TO THE 1985 LEGISLATURE OUTLINING THE SPECIFIC NEEDS OF THE SCHOOLS OF THIS STATE. IT IS MY HOPE THAT THIS REPORT WILL GENERATE THE SAME STRONG, BI-PARTISAN SUPPORT FOR EDUCATION IN THE 1985 LEGISLATURE THAT WAS ENJOYED BY MY ECONOMIC DEVELOPMENT PROPOSALS IN THE 1983 SESSION.

OUR SEARCH FOR EXCELLENCE IN EDUCATION MUST ALSO EXTEND TO THE STATE'S UNIVERSITIES AND COMMUNITY COLLEGES. THESE INSTITUTIONS ARE VITAL TO THE INTELLECTUAL AND THE ECONOMIC GROWTH OF OUR STATE. I AM PROUD OF THE EDUCATION SYSTEM WE HAVE IN NEVADA. HOWEVER, I BELIEVE THERE IS MORE WE CAN -- AND SHOULD -- DO TO IMPROVE THIS SYSTEM. WE SHOULD PROVIDE MORE FUNDING FOR EDUCATION. IN

TURN, NEVADA'S TAXPAYERS HAVE A RIGHT TO EXPECT IMPROVED RESULTS FROM THIS INCREASED INVESTMENT.

I RENEW MY PLEDGE TO EXPAND AND BROADEN OUR TOURISM MARKETS, TO SEEK OUT NEW INDUSTRY FOR NEVADA, AND TO USE STATE GOVERNMENT TO ITS MAXIMUM POTENTIAL TO CREATE MEANINGFUL JOBS FOR NEVADANS. I ALSO WILL CONTINUE THE FIGHT TO INSURE THAT THE FEDERAL GOVERNMENT TREATS NEVADA BUSINESSES FAIRLY.

TODAY, THE TRAGEDY OF A SERIOUS ILLNESS AND HOSPITALIZATION, OR EVEN OLD AGE, FAR TOO OFTEN SPELLS FINANCIAL DISASTER BECAUSE OF THE RISING COSTS OF QUALITY HEALTH CARE. THE 1983 LEGISLATURE TOOK A STEP IN ADDRESSING THIS PROBLEM BY REQUIRING THE STATE TO EMPLOY A SPECIALIST IN HEALTH CARE COST CONTAINMENT. I HAVE NOT ONLY FILLED THIS POSITION BUT HAVE GONE ONE STEP FURTHER BY COMMISSIONING A TEAM OF STATE EMPLOYEES, INVOLVED AND KNOWLEDGEABLE ABOUT HEALTH CARE, TO PROVIDE ME WITH SPECIFIC COST CONTAINMENT RECOMMENDATIONS FOR THE 1985 LEGISLATURE.

WE ARE CUSTODIANS OF OUR ENVIRONMENT AND 1984 WILL AGAIN CHALLENGE THAT STEWARDSHIP. THE FUTURE OF NATURE'S GREATEST GIFT TO NEVADANS -- LAKE TAHOE -- WILL BE A MAJOR CONSIDERATION FOR MY ADMINISTRATION IN 1984. THE DECLARATION OF POLICY OF THE TAHOE REGIONAL PLANNING COMPACT SIMPLY AND CONCISELY OUTLINES THE DELICATE BALANCE THAT MUST BE STRUCK WHEN IT SAYS, ". . . TO PRESERVE THE SCENIC BEAUTY OF OUTDOOR RECREATIONAL OPPORTUNITIES OF THE REGION, THERE IS A NEED TO INSURE AN EQUILIBRIUM BETWEEN THE REGION'S NATURAL ENDOWMENT AND ITS MANMADE ENVIRONMENT." GOVERNOR O'CALLAGHAN, IN HIS THIRD BIENNIAL ADDRESS, URGED THAT "LAKE TAHOE MUST BE SAFEGUARDED FOR SUCCEEDING

GENERATIONS". I RENEWED THIS COVENANT TO PROTECT THE LAKE AND ITS VALLEY BASIN IN MY REPORT TO THE PEOPLE OF NEVADA LAST YEAR. TONIGHT, I REAFFIRM THAT COMMITMENT.

CONCLUSION

OUR TRADITION OF GOOD GOVERNMENT REQUIRES THE CHIEF EXECUTIVE TO REPORT TO THE PEOPLE ON HIS PAST ACTIONS AND THE COURSE HE IS SETTING FOR THE FUTURE.

TONIGHT I HAVE SHARED WITH YOU AN ACCOUNTING OF THE YEAR JUST PASSED. IT WAS A YEAR OF HARDSHIP AND ADVERSITY. THOSE WHO EXPECT SERVICES FROM THIS STATE WERE ASKED TO CONTRIBUTE MORE TO PRESERVE THE BARE ESSENTIALS OF GOVERNMENT. THOSE WHO RENDER SERVICE ON BEHALF OF THIS STATE -- STATE WORKERS, UNIVERSITY PROFESSORS AND SCHOOL TEACHERS -- WERE REQUIRED TO FOREGO ECONOMIC ENRICHMENT FOR THEIR LABORS. AND THOSE WHO SEEK FURTHER DEVELOPMENT OF STATE PROGRAMS WERE ASKED TO BE PATIENT UNTIL THE RETURN OF MORE PROSPEROUS TIMES. BECAUSE WE ALL HAVE A STAKE IN OUR FUTURE, THE BURDENS AND SACRIFICES WERE SHARED BY ALL.

THE FUTURE COURSE WHICH I HAVE CHARTED IS AMBITIOUS. ONE YEAR FROM NOW, WHEN I NEXT RESPOND TO MY CONSTITUTIONAL OBLIGATION TO REPORT TO THE LEGISLATURE AND NEVADA'S CITIZENS ON THE AFFAIRS OF THIS STATE, REMEMBER THE PLEDGES I HAVE MADE TONIGHT. MEASURE ME BY THEM.

THANK YOU AND GOOD EVENING.