

State of the State Address



Governor Kenny C. Guinn

January 18, 1999



**GOVERNOR KENNY C. GUINN
STATE OF THE STATE ADDRESS**

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Good evening, Mr. Speaker; Madame Lieutenant Governor; members of the Senate and Assembly; honorable Justices of the Supreme Court; distinguished guests; and my fellow Nevadans.

Thank you to our young friends for that inspirational reading. Thank you also to Assemblyman Wendell Williams for arranging tonight's recognition of Dr. Martin Luther King, Jr.

I think it's appropriate on a day we honor Dr. King to begin with his words.

He said: "The time is *always* right to do what is right."

For Nevada, now is the time to do what's right, by tackling head-on the challenges created by our state's enormous growth. . . .and in some areas, lack of growth.

Let's begin with the budget.

Ladies and Gentlemen, citizens of Nevada -- the budget is balanced.

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I wish I could say to you tonight that I am proud to present you with a balanced budget. But I can't. Because I'm not proud of what we had to do.

Anyone can balance a budget -- you make the cuts, reduce the wish list, and just say no. During long hours over the past few weeks we have made tough, painful choices. But they had to be made.

So, yes, the budget is balanced. That is our responsibility. But I think we also have an obligation to show you how we did it, and why we made the choices we did.

A few days ago, my grandson mentioned to me that I was a lucky man. He said that all I had to do was live one year, and I'd go down in Nevada history as the first Governor of the new millennium.

He's right, of course, from his perspective. But I didn't spend the last 2 ½ years campaigning just to say that I sat in the Governor's chair on January first of the year 2000. And I didn't do it just to be able to tell you we have a balanced budget.

I ran for Governor because I believe in this state and its people, and I believe in working for my family and my community. Nevada *is* my community.

Fellow Nevadans, the next ten years are not going to be easy. Our federally-mandated social spending is going to reach incredibly high levels at the same time we need new schools and more prison beds. We're growing at a tremendous rate, but our tourist-based industries, which drive our economy, are susceptible to downturns.

I knew things were going to be tight.

But when I began meeting with our Budget Director, Perry Comeaux, to discuss Nevada's financial situation, I was even more concerned. And in December when the Economic Forum made its revenue forecasts, it was clear we needed to find another notch on the state's belt.

In fact, Perry commented that if the news got any worse -- *I* was going to ask for a recount.

Yes, the past few weeks have been difficult, but this experience has shown me the need for fundamental change. In order to effect real change, we must embark on a road seldom traveled. We will have to ask tough questions, make difficult decisions, and rethink all that we know and believe about state government.

Ladies and gentleman, it will not be easy, but let me assure you, I am up to the task. Tonight, to paraphrase Dr. King, is the time to do what is right for Nevada.

TIME FOR CHANGE

The same election in which you elected me your Governor, the voters of Nevada approved a change in the way we do business in this building.

By limiting the legislative session to 120 days, the people of Nevada sent a message to their government -- that it is time for change. I take that message to heart, and am prepared to make change a cornerstone of my administration.

A new era is upon us. New limits will govern the work of the Legislature. Mine will be a new administration, bringing with it a new approach to dealing with long-term issues.

We bring new ideas to government. New ideas, but they're founded on plain old common sense.

Common sense in government is simple:

First, respect the people's money -- the taxes, fees, and other revenues paid by the hard-working citizens of the state must be treated as what they are -- the sweat of their labor.

Second, demand personal integrity and honesty from those around you as you demand it from yourself.

Third, work hard. . . work very hard. Public service is not, and never should be, a place you go when you want to feel more important than your neighbor. It is definitely not the place to earn more money. And it absolutely should not be the place where you expect to have it easier than those in the private sector.

Public service should always be hard work, given willingly and honestly.

So there you have it – call them the three pillars of the Guinn administration if you like, but to me they are just common sense: Be careful with the money, be honest, and work harder than you’ve ever worked before.

As we consider the state of our state today, I ask that we keep in mind these simple rules for common sense in government. They have guided my life in the public and private sectors, they have guided my life with family and friends, and they will govern my new administration.

CHANGING THE BUDGET PROCESS

As we resolve to change state government, we must also acknowledge that we are living in changing times. It is up to us, through our actions and through our creativity, to meet these times with steadfast will, to make the decisions that will lead to a more stable and prosperous Nevada -- in short, to do what is right. . . not what is politically correct.

You see, I come from the private sector. I’ve never run for public office in my life. So I can only give you an outsider’s view, and in the last few weeks I have come to many conclusions about government: What it does right, what it does wrong, what it can do better.

In state government, we have some very dedicated people who want very much to serve and protect our citizens. They sit at old desks, on squeaky chairs, work in poorly heated buildings with outdated equipment. But they get the job done.

I believe we make our state employees’ work much more difficult by not providing them with adequate resources. We are too eager to add a new program rather than fix an old one, and too quick to add new people instead of paying our existing employees appropriate wages and raises based on performance.

In the private sector, when we see a problem, we fix it. If something is costing us money, we stop it, we fix it, we eliminate it, or we replace it. In state government, we don’t have that flexibility.

As the CEO of a corporation, I could authorize funds to buy a new computer or a new boiler. I could change operational processes at any time if I thought that change would improve our bottom line.

In state government we can't do that. Imagine working for a company that can only adopt new ideas and improvements to the system once every two years.

As a businessman, I am not surprised that our state faces these problems when government fails to plan more than 24 months ahead. Blame it on economic ups and downs if you want, but I can tell you any major corporation that cannot plan more than 2 years down the road is destined to fail. We can, and must, do better.

That includes our budgeting process.

Ladies and gentleman of the Legislature, the current budget process must be changed.

Before I was elected, the state budget process was already well underway. And before I arrived in Carson City, the budget director and his staff had reduced agency requests by almost a billion dollars.

This is not a reflection of greedy state agencies. These agencies truly have only one goal: To better serve the public and to request the funds they feel they need to accomplish that goal.

However, that billion dollar difference demonstrates how far apart the budgetary process is from the realities of our revenues.

In preparation for our *next* budget, to be presented in January of 2001, this administration will engage in the most comprehensive review of state government in our state's history. I will direct my chief of staff and budget director to conduct a financial and operational review of every state agency, from top to bottom. Every agency, every program, every position, every dollar.

We must ask ourselves: What is the proper role of government? What services must we provide? What's the most efficient way to provide those services? And what's the best way to pay for them?

These are the questions we have to ask -- and we will ask -- as we complete this review.

This is no small undertaking. It will take us many months. Asking our agencies to examine themselves and justify their existence will be painful. But having just completed this budget process, I know it is necessary.

This year our base budget ate up 95 percent of our total revenues before we had the opportunity to even consider new programs. Essentially, 95 percent of the budget was pre-determined, pre-approved, before we could begin to look at other needs.

That leaves five percent for maintenance and enhancement. Historically, it is this five percent that has been the focus of our budget process.

We cannot go on this way.

Through fundamental review of our base budget, through technological advances, through more efficient use of our people, there is a better way to serve the people of Nevada.

What hangs in the balance is the future success of state government and its commitment to our citizens. This is a time for creativity, innovation, and accountability in state government. We must meet today's needs today and plan for tomorrow's needs not tomorrow, but *today*. We must focus on planning, not on responding. We must evaluate not only where we are, but where we want to be.

To that end, this administration will promote personal responsibility. We will give our cabinet the freedom and flexibility to manage state government as efficiently as possible. But at the same time, I will insist upon accountability at all levels.

When you're a small business, you do everything -- you're the shipping department, receiving, sales, and production. But as your business grows, you either work yourself to

death, or you hire good people and give them the resources and the authority to do the job.

And in the private sector, the board of directors doesn't micromanage a business the size of the State of Nevada.

I pledge to you that my department heads will work hard and deliver results. They will be accountable to me, and I will be accountable to you.

What I ask in return from this Legislature, our state's board of directors, is the flexibility and authority we need to perform the tasks of the executive branch. In return, I promise you a better managed state government.

At the same time, I am asking every state employee, at every level, to share with me their ideas.

I do not have a monopoly on good ideas, but I recognize one when I see it. You, our state employees, are in the trenches. I am asking for your ideas on how to improve state government. If we try to micromanage every detail of your work, we only stifle your creativity.

But I am also putting those of you who work for the people of Nevada on notice -- if you want to be a part of this administration, be careful with the money, continue to be honest, and keep on working hard.

THE BUDGET (FY 99)

Now, ladies and gentlemen, let's discuss the budget. As you know, before we can begin to talk about the next two years, we still have five-and-a-half months of this fiscal year to finish. This is where the painful and difficult decisions began.

Our current revenues are up, but they have not nearly attained the levels our financial experts projected. In order to finish in the black this coming July, we had to make up a 110 million dollar shortfall.

It pains me every time I look at the list we have generated. To me, they are not simply numbers on a page. These programs have faces. They affect people. There is no question in my mind that my actions will have an impact. But the fact is, we had no choice.

These steps had to be taken now so that we can ensure our prosperity in coming years.

Specifically, I have directed state agencies to revert funds from almost 300 work programs totaling 95 million dollars.

I have also directed the Department of Personnel to extend the state hiring freeze, saving an additional 12 million dollars.

Further, I am recommending reversion of two endowments totaling 7.5 million dollars from the National Judicial College and the National College of Juvenile and Family Law and return of a 5 million dollar loan for the V&T Railroad.

Finally, I am ordering reversions from 35 Public Works projects, the most significant being a 9.5 million dollar reversion from the new inpatient mental health facility in Sparks. This project is not being canceled, but delayed. I have included full funding for the facility as a Capital Improvement Project in the coming biennium.

I would like to say to those legislators who worked so hard on the funding of these projects -- particularly, Assembly Speaker Joe Dini and Senator Randolph Townsend -- that I am truly sorry we had to take this action. But I promise to do my best to see that funding is restored for these projects.

The most important message behind these details, the most lasting message, is something that experienced legislators have already realized. By utilizing reversions from this fiscal year, we will not have the large beginning fund balance that we have enjoyed in previous years -- meaning these lean times which are upon us now are ahead of us as well.

THE NEW BUDGET (FY 1999-2001)

Now, I would like to present the new Executive Budget.

Tonight, my budget for Fiscal Years 2000 and 2001 is not only balanced, but it should also serve as a wake-up call for all Nevadans.

Let's get something straight right from the start. Much has been written about the budget situation and impending budget cuts.

Where I come from in the business world, cuts mean you have to make do this year with less money than you had last year. Under that definition, Nevada is experiencing no "cuts." In fact, Nevada is expected to have some 238 million more dollars in the next biennium than it did in the current one.

So it is imperative that all of you understand why, with 238 million new dollars, we find ourselves in this situation.

Under the current budget process, everything in last year's General Fund budget for on-going programs is included in this year's budget. This is called the base, and for whatever reason -- tradition, politics, or simplicity's sake--it is largely untouchable.

Now, certain programs experience caseload growth because of Nevada's increasing population. The element of the budget that addresses growth is called "maintenance." It's what you need to continue the programs that are included in the base.

Nevada law requires us to use the forecasts of the State Economic Forum in crafting the budget. Taking our actual revenues for Fiscal Year 1998 and the forum's forecasts for 1999, 2000, and 2001, we see that in the current biennium we expect to have general fund revenues of 2.885 billion dollars.

For the next biennium, the economic forum has forecast General Fund revenues of 3.123 billion dollars. That leaves us with 238 million new dollars for the coming biennium.

From this figure, we must first subtract the state's obligation to K through 12 education. Our schools are some of the fastest growing in the nation, and the General Fund's share of that growth is 130 million dollars.

So, 238 million dollars quickly becomes 108 million dollars.

Next, we all know that a good college education is important to succeed. In addition, an educated workforce enables Nevada to attract new, diverse businesses. Therefore, we must dedicate 50 million dollars to the Nevada university system just to keep up with enrollment growth.

108 million becomes 58 million.

As you can see, education is taken care of – minimally. I pledged over a month ago to keep education whole. These expenditures, however, only cover existing programs such as class-size reduction, special education, and enrollment growth. No new programs. There's not even enough money to cover inflation. But it's the best we could do at this time.

Next, we must ensure public safety. To allow our judges to hand down appropriate sentences, to build a new juvenile facility, to improve our parole-caseload ratios, we need 56 million dollars.

Just to keep up with education and public safety, we are down to less than 2 million dollars.

Two million dollars, and we still need to fund the new veterans' home, make up the shortfall in the state employees health plan, and pay for caseload growth in Medicaid, child and family services, and mental health. Not to mention federal mandates, inflation, or required ending fund balances.

The result is that we're 141 million dollars in the hole.

And as a friend of mine once said, the first rule of the hole is to stop digging.

That is why we stopped spending, made the cuts, reduced the wish list, and just said no. As I said earlier, I'm not proud of what we had to do.

But as your Governor, it is my responsibility.

It is also my responsibility to look you in the eye and say: When 238 million dollars in new revenue becomes a 141-million-dollar shortfall, we have to change the way we do business.

During my campaign, I promised I would be fiscally responsible and that I would not raise your taxes. I reaffirm that commitment today, and present to you a budget that includes no new taxes.

But ladies and gentleman, let's all understand what we had to do in the past 45 days in order to live within our state's means. Let's understand that it means people, good people, with families to feed and mortgages to pay, will lose their jobs. Let us also understand that this must never happen again.

THE BUDGET CUTS

In the billion dollars we could not afford to spend, or in the 141 million dollars of other reductions, you will find decisions that don't affect you -- but they all affect someone. Perhaps your child, perhaps your friend, or your neighbor, but each reduction represents services we can no longer afford to provide.

I ask you to view these reduced services with the same compassion that I do, and to understand what this means to our citizens. Do not think of it as money we saved; but as money we could not afford to spend.

So, in order to balance the Executive Budget, I propose the following:

First, I am ordering a continuation and expansion of the state hiring freeze.

Further, we are eliminating nearly 1000 positions from existing or requested programs. We will fund university enrollment growth at 2 percent -- rather than the 6 percent requested.

We will lower excess Medicaid reserves, and we will reduce the projected scope of Nevada Check Up and the Family-to-Family program to more realistic caseloads.

Does this mean we won't be providing essential services? Absolutely not. No child eligible for Nevada Check Up will be turned down, and no Nevadan in need of Medicaid services will go without; our reserves, though reduced, are adequate to meet our needs.

What we have done is budget as closely as possible to our expected needs.

Some of the changes we made to the budget saved us money in other ways rather than simply cutting spending.

When I make the case for more flexibility in state government, for more creative leadership and new thinking, it may be hard to grasp why this is so important to the administration I plan to run. So let me give you an example of the type of innovation and initiative I am seeking.

Shortly after the election, my transition team and I dove into the budget process. We knew we would have many decisions to make to balance the budget, and we knew we would have to try things that had never been tried before.

We were smart enough to know that we did not have all the answers. . . That we would have to rely on the people who knew this system better.

Well, before we had the chance to ask, one department head came looking for us. He had an idea he thought would save the state 10 million dollars. His idea would also create a new revenue stream for the state and not cost Nevada residents a single cent.

I would like to ask Mr. Bob Bayer to stand. Bob is the Director of Nevada's Department of Prisons, and he has dedicated many years to public service.

In the budget I am presenting to you this evening you will find his proposal to accelerate completion of the new Cold Creek prison near Indian Springs, move existing prisoners from the Southern Nevada Correctional Center in Jean, and then lease out the Jean facility to other states. This idea not only saves money, it also helps turn a liability into an asset. Thank you, Bob.

I am also proposing another cost-saving idea for Nevada's prison system. It is the natural extension of a program that has already proven its effectiveness and ability to save money while still getting the job done.

I propose to privatize medical services in our entire prison system.

Nevada prison inmates average 3,387 dollars a year in medical costs. That is the eighth highest among prison systems around the nation, and costs us over 30 million dollars a year. Privatizing the *entire* prison medical care system will save the state 4.5 million dollars over the next two years, while still providing adequate care.

The state can also save money by eliminating duplicate services -- for example, the state's Center for Business Advocacy, which duplicates the efforts of the business centers at UNR and UNLV. You will find we have eliminated many duplicate services in this budget.

And we have more ideas -- ideas we did not have time to complete before the budget closed, but that we are dedicated to achieving in the coming months.

For example, I will propose consolidating the state's seven payroll systems into one streamlined, efficient payroll system. I will also propose the consolidation of the Department of Public Safety and the Department of Prisons into one manageable Department of Corrections. And I believe it is time to privatize -- completely privatize -- our state industrial insurance system.

To this point this evening, we have only discussed what we had to do to balance this budget. But balancing the budget was actually the easy part. The more important question is: How can we create a better system of budgeting state revenues?

Let me tell you my plan.

ZERO-BASED BUDGETING AND FUNDAMENTAL REVIEW

As we discussed earlier, one billion dollars has been trimmed from the agency requests for new programs, program enhancements, and ongoing projects. We've streamlined, consolidated, and reallocated. But for all our efforts, we barely scratched the surface of the base budgets that consume over 95 percent of our state revenues.

That is why, over the next two years, I will conduct a fundamental review of all our state agencies. This review will ask these hard questions: What are the essential services that state government must provide? How can we provide those services more efficiently and cost effectively? And how will we ensure a stable source of funding for those services?

And I promise all of you that, by the year 2001, I will deliver to this Legislature the most comprehensive review of state government in our history and a budget that reflects those findings. . . a zero-based budget.

Fundamental reviews are the first step in the process of zero-based budgeting. Think of it as a system of priorities: Along with each state agency, we will determine our priorities, our minimal level of essential services, and build our budget from there.

You and your family live within your budget -- government should be no different. During the next biennium, if we want new programs, we will either learn how to run existing programs more efficiently, eliminate old programs, or simply do without.

I believe in leading by example and practicing what I preach, and I expect no less from those of you in this building.

When I was superintendent at Clark County School District, there were several years in which I cut my own office's budget --one year by nearly ten percent -- because I believed money should go to classrooms, not offices. I bring that same philosophy to state government.

As Governor, I will cut my own office budget by at least five percent.

That is not all. I cannot expect administrators and legislators to give up their own proposals for new programs while keeping my own. Thus, I am postponing two campaign proposals that were and are very important to me -- education boot camps and expansion of the senior citizen property tax rebate.

I don't intend to give up these ideas; I will instead, in the next months, look for more efficiencies to pay for them. I challenge legislators and administrators to do the same, to fund their own priorities and programs.

So far tonight we have focused on what we cannot do; now let me tell you what we *can* do, and *will* do.

ETHICS

It is the goal of this administration to safeguard the public's faith in government, and that will begin at my front door. I demand the highest integrity from myself and from those with whom I work. And I will expect no less from anyone in state government, or from any other elected official in Nevada.

Therefore, I will propose stronger ethics laws that are easy to understand, easy to follow, and tough on those who breach the public trust.

I look forward to working with Senator Ann O'Connell, who has proposed a similar bill, modeled after some of the strongest laws in the country.

Specifically, I propose to require all public officers to sign the code of ethics -- to stipulate that they have read it, understand it, and will adhere to it. Ignorance, in the face of the people's trust, cannot be an excuse.

Certain offenses in our ethics code will become felonies, and conviction will result in automatic removal from office.

Our ethics reform must also serve to protect the many good, honest elected officials serving our state. We must require that complaints be adjudicated swiftly and in a reasonable manner to deter those who would abuse the system to harm honest, hard working public servants. Complaints should be investigated thoroughly, decided in a timely fashion, and announced in plain English.

From start to finish, the work of the ethics commission should take no more than 60 days. I will also seek increased penalties for other ethics violations -- fines up to 25,000 dollars for grievous offenses, paid from personal assets, not by campaign contributions or special interests.

I pledge to you that Nevada will have stronger ethics laws -- enforced by a dedicated ethics commission.

JUVENILE DETENTION

As I told you, I came to this budget process with less than 60 days to balance and close it. Much of what we did had to happen quickly, but that does not mean I did not have time to set some priorities and make some things happen. Such is the case with the construction of the new juvenile detention facility in Southern Nevada.

Though we needed to postpone education boot camps because of lack of funding, I insisted we find the money to build the new juvenile detention facility, which otherwise would have been cut. We will use this facility to begin a pilot program of rigorous academic education.

In addition, I will work with the Juvenile Justice Commission, law enforcement officials, members of the Legislature, parents, and school districts to establish a system of graduated sanctions and more intermediate level detention facilities.

Many of these ideas were discussed by the interim legislative committee, led by Assemblywoman Jan Evans, which studied juvenile justice in Nevada. I'd like to acknowledge them for all their hard work.

I give you my word that this administration will make every effort to make Nevada a model for juvenile justice.

STATE EMPLOYEE PAY RAISES

In the same breath that I mention our struggle to fit important programs into or out of the budget, I must also admit there were things we just could not make work. Their sheer size made it impossible for us to include them in the budget.

If you haven't already read it in the newspaper, most of you will have read between the lines of my message tonight and know what I must say: There are no raises for state employees in this Governor's budget.

I realize the conflicting message this sends to our employees. I am asking them to work harder and smarter, yet without compensation for their increased productivity.

But while we were able to find smaller amounts of funding for projects like the juvenile detention facility, we were unable to squeeze out the millions of dollars necessary to provide a decent raise for our state workers.

State employee salaries are approximately 17 percent lower than the average salary for comparable positions in Clark and Washoe Counties. As a result, many of our best and brightest leave state service.

My philosophy is this: People who work hard and produce results should be compensated fairly. This May, when the state's economic forecast is revised, if there are adequate funds available I will respectfully ask this body to give our employees a much deserved raise.

SPENDING PRIORITIES

I have compiled a complete list of the Executive Department's priorities for spending should the Economic Forum revise its forecast in May, which is included in my letter transmitting the budget.

The list includes state employee pay raises; expansion of the tax rebate for low income senior citizens; education boot camps; and funding for a Family Commission, which would provide a single source of contact for victims of domestic violence, child abuse, and elder abuse, and those in need of other support services for their families.

I respectfully remind our legislators that I consider these priorities part of my budget. If the Economic Forum revises its forecasts, that money should not be seen as a pot of gold, but rather, as much needed revenues for worthy programs we weren't able to commit to now.

THANKS TO BUDGET OFFICE

I think it appropriate at this point to take a moment to express my gratitude to the men and women in the state budget office. Given all the changes I've made, all the answers I've asked for, and the deadlines we've been working under -- I have nothing but the highest respect for our state budget professionals, led by Director Perry Comeaux and Deputy Director Don Hataway.

Perry, Don and the rest of the Budget Division -- thank you. You've done a fine job. Please take a much deserved rest until tomorrow morning, when the finance committees start meeting.

GROWTH AND PLANNING

Nevada is one of the fastest growing states in the nation -- and has been for many years. I've already talked about the growth in our school enrollment, prison population, and social service caseloads. But that doesn't tell the entire story of the financial impact that growth has on our state.

Let me give you an example. Recently, Clark County voters approved a 3 billion dollar school bond measure. The county will save money and avoid disarray by planning its schoolroom needs for the next decade, rather than asking voters for a new bond issue every couple years.

If our school districts fulfill their obligation to build these schools, the state must meet its obligation to fund their operation. This could mean an increase in the state's obligation of over 400 million dollars per year.

If counties can plan for their future, so must the state. Therefore, before my next State of the State address, I will present this body with a comprehensive plan to address our long-term needs in public school funding.

And we should not overlook another major element of growth -- planning for its possible slowdown, as well. Madame Lieutenant Governor, I issue you a friendly but nonetheless serious challenge: As you begin your new job, help us find ways to diversify our economy with the same enthusiasm with which we promote tourism.

And I will commit to you the funds for the most aggressive economic development program in this state's history.

In a larger and more general perspective, Senator Dina Titus put the growth issue on the agenda last session with her "Ring around the Valley" proposal. While I may not agree with her solution, I respect her courage in raising this issue. As she once said -- you can kill the messenger this year, but pretty soon there will be just too many messengers.

We have to face this issue.

I cannot talk about growth without recognizing the consensus-building work of Senator Jon Porter and the Southern Nevada Strategic Planning Authority.

For the past 18 months, local elected officials and private sector leaders representing many interests, from development to the environment, have come together to discuss the future of Southern Nevada. This group has spent literally thousands of hours evaluating Clark County's challenges and opportunities.

We at the state level should support and become a part of this unprecedented level of cooperation in every way we can.

In fact, given this spirit of cooperation from our local governments with regard to meeting their own challenges, I will not sign any legislation that alters local or regional government and planning in Clark County unless that legislation has been approved by the Southern Nevada Strategic Planning Authority or Regional Planning Coalition.

YUCCA MOUNTAIN

Let's talk about Yucca Mountain.

For the past 20 years, the U.S. Department of Energy has spent billions of dollars trying to invent science which will make a mountain in our desert suit their needs for storage of the nation's nuclear garbage.

Nevada's right to fair treatment on this issue has been trampled by a disingenuous process that has bowed repeatedly to political and economic pressures from all corners.

It is my intent to join with our Congressional delegation and our State Attorney General to continue Nevada's fight on this issue. We cannot afford to relax for one moment or for one day.

And until such time as the Federal Government sees fit to comply with its own laws, I ask you to approve funding for the Nevada Nuclear Projects Office, so it can continue its oversight of DOE activities at Yucca Mountain.

EDUCATION – THE GUINN PLAN

Many of you know that education is the hallmark of my life. My father was a poor farm worker, who could not read or write, and my mother had only a second grade education. They couldn't give us much, but they worked day and night to make sure that we had the educational opportunities they never had.

As a result, I went on to college, became a teacher, and later the Superintendent of the Clark County School District. Even as recently as a few years ago, I served as interim president of UNLV for one year. In all, I've spent some 40 years either getting an education or helping others to get one.

So it shouldn't come as any surprise that, some weeks ago, when I first mentioned our revenue shortfall, I promised that I would preserve K through 12 funding.

Education is the single largest item in our state budget – more than 55 percent. Some people think we should cut education. I disagree. It's true that education costs money – but so does ignorance. I believe the people of Nevada would rather spend the money now, on our children's education, than spend it later on unemployment, substance abuse counseling, or prison.

So I've made no cuts in K through 12 spending. In fact, this budget represents the highest percentage of education spending in the past 10 years.

I promise Nevada parents and taxpayers, however, that I will see that every dollar spent in education is spent wisely. I am asking the Legislature to pass my education accountability plan to give me that authority.

My education accountability plan means a rededication in our elementary schools to the basics of reading, writing, and arithmetic. We must prepare our children for new expectations and higher standards. Accountability to me goes way beyond dollars. It is measured in results.

Can our children read and write better? Are they more proficient in math? If we are going to spend more money in our schools, I will demand that the answers to these questions are a resounding "yes."

But this isn't new. All of us, parents, taxpayers, and public officials, want to increase standards and see results. But the fact is we cannot raise the bar if we don't teach our children to jump higher. That is why I am dedicating 12 million dollars in this budget to remediation programs for schools that fall behind.

I would like to recognize the work on this issue by those who came before me. Specifically, Governor Bob Miller and Majority Leader Bill Raggio.

Senator, as a former educator, I admire your commitment to Nevada's children, and I look forward to working with you this session to further our mutual goals of raising standards and increasing accountability, and providing our children with a quality education.

CHARTER SCHOOLS

I believe in educational choices. I believe in competition, and I believe in charter schools.

Charter schools, if done right, can provide the creative spark we need to produce innovation in education -- ultimately, improvement of education and expansion of choice in schooling.

As you know, Nevada passed a charter school bill last session, with no small amount of effort by Senator Maurice Washington. Last session's bill was a good first step, but I believe we can go further to promote diversity and choice in our public school system.

Among other things, I propose removing the cap on the number of charter schools that may be formed. Further, we must simplify the process to form charter schools.

Senator, I look forward to working with you on this issue.

HIGHER EDUCATION

As important as K through 12 education is, we all know that education doesn't stop in high school.

Over the past two bienniums, Nevada has led the nation in increases in higher education spending. Unfortunately, we cannot continue those rates of increase at our current levels of revenue.

But we have a problem.

Currently, only 40% of Nevada's high school students go on to college -- compared to a national average of 65 percent. Nevada ranks near the bottom of all fifty states.

What's more, Nevada's dropout rate is over 10 percent annually -- once again, at the bottom of the nation.

How then, do we promote higher education, without increasing our general fund expenditures for the university system?

Tonight, I am proposing a bold new program that I believe can provide Nevada children with new hope and an unprecedented opportunity to get a college education.

But first a little background.

No single issue has triggered more arguments or discussions than that of how we intend to use the millions of dollars we expect from the national tobacco settlement. We ourselves agonized over the right thing to do with the incredible opportunity this money presented. The result is the formation of a program that I believe will be as historic as the settlement itself.

But before I announce the program, I would like to acknowledge our Attorney General, Frankie Sue Del Papa, who, along with her staff, worked many long hours to ensure that Nevada got its share. Her efforts made this program possible.

We expect over 48 million dollars in the next fiscal year from this settlement and over 40 million dollars per year for many years to come. It is important to note, however, that these revenues are not guaranteed, and in my opinion it would be foolish to use these funds in our general budget or for ongoing programs.

I believe this money can give us a once-in-a-lifetime opportunity to provide Nevada's children with the means to advance their education in a way never thought possible.

It is an idea whose effects transcend party lines, regional differences, and social class. An idea that places at our door, this evening, the chance for all of us to do something truly heroic. To write a great and indelible chapter in the history of our state and in the lives of our children.

So it is with great pride that I propose to you tonight the establishment of the Millennium Scholarship.

These scholarships will allow every Nevada high school graduate, with a B average or better, to get an education at a Nevada university or community college.

We will start with the class of 2000, and we will offer these "Millennium scholarships" in the fall of that year. I believe every Nevada student who studies hard and makes good grades should be able to continue his or her education -- regardless of financial status. The Millennium Scholarship will make that possible.

Each scholarship will provide up to \$2,500 annually for four years for a university student and \$1,250 annually for two years for a community college student.

This program is estimated to cost \$7.5 million in the first year and up to \$25 million in subsequent years.

Accordingly, I propose that the Legislature dedicate at least one half of the settlement monies to this endeavor. By using only half of the settlement for the Millennium Scholarship we will, in turn, leave millions of dollars for worthy and innovative health care programs to preserve the integrity of the settlement and educate our children on the risks associated with smoking.

Using 50 percent of the settlement money to fund these scholarships, and reverting the unused portion of the initial years to an endowment fund, will enable us to fund these scholarships in perpetuity. Without an increase in taxes.

In the coming days we will describe this program in great detail, so that all Nevada families will understand the great opportunity we have before us. And we look forward to working with this Legislature to ensure a brighter future for Nevada's children by making the Millennium Scholarship a reality.

CLOSE

As a former New York Governor once said, you campaign in poetry; you govern in prose. But I'm a plain man, a businessman, a father, and an educator. I campaigned in prose, and I'll govern in plain speaking.

I'm sure this sometimes makes my staff wince, but I don't know any other way. I'll always be up-front with you, even when it would be easier to resort to rhetoric. And at the end of the next four years, I may not be the most popular Governor in Nevada history. But you can count on me to always do what I think is right. Being Governor is about leadership, not popularity.

During the next four years, as your Governor, I will ask difficult questions, demand straight answers, and be accountable to you, the people of Nevada.

I believe in personal responsibility, equality of opportunity, and individual rights. I believe that government exists to allow each of us to exercise those rights, enjoy that opportunity, and fulfill that responsibility.

I also believe that government should intrude as little as possible in our personal lives, but I recognize that we have a duty to -- and, I hope, compassion for -- our fellow men and women, senior citizens, and children.

Government belongs at the balancing point between our rights and our responsibilities. And we will only find that place through innovation, compassion, and hard work. The hard work of each and everyone of us -- the Governor, the Legislature, state employees, and the citizens of Nevada.

Finally, I would like to thank my wife, Dema, and my family for all of the support you have given me. And to all the people who worked countless hours on my behalf -- I say thank you. I say thank you for the opportunity to stand before you this evening and be called your Governor.

Thank you and good night.