

2010

STATE OF THE STATE

DAVE FREUDENTHAL, GOVERNOR

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Good morning to the members of the 60th Legislature, special acknowledgment to Mr. President, Mr. Speaker, also to the Chief Justice and the members of the Wyoming Judiciary, but most of all extend a greeting to the citizens of Wyoming who, in fact, we are in the people's house, as I'm often reminded by the members of this House of Representatives. It is unclear to me what title that leaves for the Senate, but I will leave the two of you to sort that out. I have some suggestions. None of which I will offer.

You know, the opening prayer is appropriate in that it recognizes that we are in Wyoming in a circumstance where we have the largest deployment of Wyoming Army National Guard people in our state's history. In 2009 I had the honor to visit a number of those troops in Iraq, Afghanistan and Kuwait, and we should be very proud. It was a wonderful trip, accompanied by three other governors.

And at the various stops, particularly a couple that were notable for Wyoming, our troops provided recons, our troops provided the guidance and instruction for this delegation of governors. And I will tell you that it makes you proud to be there and to see the fine men and women in our Guard. They're doing a remarkable job.

The Air National Guard, while at the same level of deployment, continues an active deployment throughout the world, particularly in support of the various missions of the Mideast. And they are active and busy. As you know, the Air Guard has the limited time. They're not gone for a year the way the Army Guard is, but they're gone much more often. The record number of deployments for Wyoming Air and Army Guard is an amazing testament to the dedication and the fidelity to this great country that our men and women in the Guard have. We are delighted by that.

I'm also delighted to tell you that some years ago when you created the Military Assistance Trust Fund there was some skepticism about its appropriateness. And I remember a long and arduous path before it was established with uniform support from this body. That fund has given approximately \$1.9 million over the last few years to family members in the seven active -- in seven active duty Reserve and National Guard branches. It is working, and it is working well. And there's a report available if you want to know how it was spent, but I will tell you it is one of those things that makes a difference for the men and women who continue to volunteer to protect this country. And it is the least that we can do to

continue that.

I also want to point out that we have remarkable employers in this state. As you know, they confront a great deal of disruption when the men and women who are in their employ either volunteer or call up and find themselves away from the workplace. Our employers, by and large, with some exceptions have been incredibly considerate and supportive of men and women in the Guard. And more than 400 Wyoming employers have been recognized with what is called the Patriot Award, which is a recognition that goes to employers who have been particularly loyal to their employees while they are deployed.

And I believe that if you get a chance and you see one of those certificates hanging in an employer's place of business, make sure you thank them, make sure you tell them that it is appreciated. We do not want to have our men and women deployed overseas worrying about whether or not they have a job when they come home. These employers perform a remarkable function.

In attendance today we have the Adjutant General, Major General Ed Wright, who has done a remarkable job in leading the efforts to prepare our troops. Major General, where are you? There you are.

(Applause.)

We are also joined representing Wyoming's Air Guard by Staff Sergeant John Estes of the 153rd Civil Engineer Squadron and his wife Mandy Estes. Staff Sergeant Estes is a firefighter recently returned from Iraq. Also in the audience is his civilian employer, Dan Tinney. Please recognize them.

(Applause.)

As you know, you cannot recognize the Air Guard without recognizing the Army Guard, and so we have here representing the Wyoming Army National Guard Staff Sergeant Jessica Lengerich who is home on leave from the 115th Fire Brigade deployment in Kuwait, the unit which I visited when I was overseas. Also First Sergeant William Motley is here representing Army National Guard Spouses. His wife, Rebecca, is currently deployed with Sergeant Lengerich. Please give them recognition.

(Applause.)

As I noted earlier, we have dedicated employers in this state. Not the least of those are those involved in law enforcement and public safety. As most of you probably know from your own community, an awful lot of the folks and men and women who are in the Guard, either Air or Army, are also involved in

either law enforcement, EMTs or are firefighters in your local community. The most significant of those that tends to stand out right now is nine members of Natrona County Sheriff Mark Benton's staff have been deployed with the Brigade, and they are not back yet, but we have here to accept recognition on behalf of law enforcement and the emergency responders is the executive director of the Wyoming Sheriffs and Chiefs Association, Byron Oedekoven.

(Applause.)

I would note for the record that we all applaud Byron because he's no longer able to give us tickets. And we're delighted you're here.

I also would note for the record that there have been the passage of many great leaders in this last year, and one of the things that we all have gathered for over this past year have been funerals of our friends, our leaders and the people we have come to admire in this state. I think that we have benefited much by their collective wisdom, and I ask that you keep their families in your prayers going forward.

We also have a number of legislators, a couple new ones, a couple who have moved from the House to the Senate, and that's also an interesting

transition to watch, to see how that transition goes forward. But I would note in passing that those changes have occurred, and we look forward to working with the new legislators as well as watching the transition from the lower House to the upper House on the part of some of the members. I note, Senator, you're allowed to sit in the front now that you're in the Senate. Very august sitting, I would say.

As you know, we're gathered for the budget session. Budget session is that time set aside by our state law for us to consider the budget to be adopted to govern the two years commencing in the summer of this year. The purpose of this session is to look at the budget first and then there are a significant number of other items to approach.

I encourage you as we think about this budget that there are many reasons for this state to remain fiscally conservative, and I say this at the outset because it will be a couple of threshold decisions that will be made by the Senate and by the House that will govern the discussions with regard to the budget; namely, the decision of whether or not you decide to go into the savings which we have set aside.

As you know, the budget that I submitted did not go into the savings that we have set aside and, in

fact, the budget adopted by the Appropriations Committee largely observed that standard with the exception of the 20 million that they took out of a savings account which they said wasn't really a savings but as you look at it closely, it was a savings account. But it was not -- frankly doesn't do that much damage.

But we need to be careful. One of the reasons is that this business about deleveraging as is discussed in the periodicals and in the newspapers is going to continue. And it is going to continue in a way that will continue to affect the availability of credit. And this will be felt on Main Street throughout this country and will continue.

I do not see a dramatic change that suggests that this is going to be some aggressive and robust recovery. I believe that it is going to be slow; it is going to be difficult; and part of it is simply the absence of credit availability, particularly for small businesses and not a matter that I see being resolved very quickly. So the state should remain, I believe, fairly conservative.

The second reason is that the national economic news, while relatively encouraging from time to time, is incredibly inconsistent. As you know if

you've watched the markets' performance, markets for a while people were saying, you know we're going to get over 11,000. The next thing you know, we're back under 10,000. If you watch the news, it is inconsistent and it is difficult to glean exactly which direction and at what rate this economy is going.

I hope it does not turn into a double-dip recession, and we have reason to believe it will not, but in absence of the assurance it will not, I would encourage us to be very careful. I have people who approach me in and out of my office, and I note that you're hearing the same issues, saying, "Look, Governor, you got about somewhere between 800 million and a billion dollars in reserves. We ought to go and spend that state money. I've got a project that needs to be funded and we need to step in and just -- and put the money out."

The Appropriations Committee heard all those stories right after they finished with me. After the Appropriations Committee took their actions, then they moved on to you as individual members and particularly to the Speaker and to the Senate Revenue. I simply cannot support that position. I would encourage you when people say, "All right, the government needs to

spend the reserves," ask them how they're managing their own finances and if they are prepared to bet their house, their savings, their livelihood on the very gamble that they're asking us to take with the State's money.

I encourage you not to go into the Legislative -- into the LSRA. Stay out of that. I know there's some other money to be moved around to meet the needs you may feel most passionately about. Remember, we're only going to be under this budget for about six months before we gather again in Cheyenne. Six months. It is not so much time in a two-year budget that it cannot be addressed -- if the need is urgent that it cannot be addressed in the next session, so I encourage you not to do that.

The third reason we need to be conservative is to take your cue from the private sector. Some of you are actually in the private sector and understand that all of those companies have retrenched and most companies are not talking about a sort of robust economic recovery over the next few years, and, in fact, in Wyoming recession has arrived later than in some other states. Hopefully it won't be as deep as it has been in other states, but bear in mind that we have the highest unemployment we have had in 26

years -- highest unemployment we have had in 26 years. You will see that reflected in the social service roles in the budget.

So I encourage you while we all want to be optimistic, and I am optimistic about the long-term future of this state, I am not prepared to bet our financial future and to dip in deeply into those reserves. I think we need to hold onto them.

And I appreciate the fact that the Joint Appropriations Committee adhere to that. I know the pressure that they were under. I know the groups that have come in, and it is painful. Many people along with myself in this chamber spent many years trying to make sure we had fully funded a lot of programs, whether it is DD or nursing homes or any other number of things. And now we find ourselves in a position where we are saying we're freezing reimbursement rates, we're not able to fund things at the level we wanted.

And at that stage what goes from a plaintive sort of encouragement for us to add funding becomes an acerbic condemnation that somehow we do not care: We don't care about juveniles; we don't care about people in nursing homes; we don't care about water projects. And I'd encourage you to understand that that is the

anger of the moment, and that we need to put this budget together based on the proposition that the State needs to look not two years down the road but maybe 30.

So I encourage you to follow the lead of the Joint Appropriations Committee. In general, truth is if you were to this afternoon decide that you wanted to adopt the budget exactly that came out of the Appropriations Committee and go home, I would be just fine signing that budget. Let me repeat that. If you guys wanted to -- just in case you missed it, if you wanted to adopt the budget just as it came out, I would be glad to sign it.

Now, saying that does not mean that there aren't some disagreements. But I want to point out the reason we're able to have a session in which the budget is going to be relatively important but probably not the most significant issue are some actions that have been taken over the last few years.

First off, last session you gathered here you gave the Executive Branch authority to make budget reductions in your absence, and we exercised that, took out 10 percent. We also imposed restrictions on the amount of hiring that could go on in the state government. We also moved fairly heavily towards

utilizing those kinds of stimulus dollars which would allow us to defer, frankly, some state spending; not supplant, but defer state spending.

Now, we arrived at that more than a year ago and thanks to your support for that, and I know that you did not give us specific authorization for the employee freeze, but I also know that you supported it. And I know that without your support we would not have been able to enforce it because we've been through this where Executive Branch says we're going to have hiring restrictions, and then every legislator comes in and takes up the cost with their particular agency.

You guys did not do that. You supported us in our efforts to reduce employees, and it has been successful and I thank you for that. This glide path we were on to make sure we were careful about expenditures was supplemented by one other thing which is long history in this body during this last boom of one-time expenditures.

We were very careful if we look back on it. We fully funded Hathaway. We fully funded capital construction. We fully funded any number of activities and did not get in a position where we were in debt or where we had obligations expending beyond

our capacity to fund it. So we arrive here today the envy of many states, not by accident but by a design that many of you here supported and we implemented.

And one other thing has to be noted. The other reason we're in pretty good shape is that since 2003, we have more than doubled the take-away capacity of natural gas out of this state. And so while you have had a decline in price, it has been offset by the fact that you have an increase in volume relative to the volume of material -- of gas that is being sold during the previous declines in this state, and that makes a significant difference. So the efforts of the Pipeline Authority and those who supported it also had a bearing.

I believe that the body should be pleased with the consequences of your prior actions. And when other states say Wyoming is so lucky, I don't think it is so much luck. Hard work makes it look like luck. But I think that this body has done a remarkable job and will continue to do so going forward.

Now, having told you how wonderful you are doesn't mean I'm in complete agreement with what came out of the Appropriations Committee, so as is my wont I'm going to list a couple things that I would like you to reconsider.

I do not support the decision by the Appropriations Committee to significantly reduce school capital construction. There are three reasons. One is about the only thing that is going to generate jobs in this state for construction is going to be public construction, publicly funded construction over the summer.

Second, we're getting some of the most remarkable bids we've ever seen in terms of school construction. I am also troubled by the fact that it was accomplished by essentially dropping four projects off the bottom of the list, not based on the valuation of the projects, just sort of we need to save 50; let's drop them off.

Now the decision of the committee to reduce the overall funding by 8 and a half percent based on changes in construction costs, that's fine with me. Doesn't change the number of projects we will be doing. But I think we need to be cognizant of the fact that we have told school districts, if you will play by the rules, and not come to the legislature and ask for special bills, we will keep building schools.

Suddenly we're about halfway through -- more than halfway through the process, we are beginning to say, "Not so fast. Let's not quite do what we said we

were going to do." I would encourage you not to deviate from the commitment that we made to those districts.

Cap con is pretty straightforward in terms of UW Art Center, the travel center.

One item I would draw to your attention is the question of the liquor warehouse. At the tail end of the considerations by the Appropriations Committee they altered the means by which we were going to finance it. I suspect many of you heard about that. We had suggested a long-term bond payable out of liquor receipts because we are a controlled state. Appropriations Committee decided to compress that and essentially cause an increase in fees on the liquor warehouse to pay it off on a quicker rate. It is not saying we weren't going to buy it, just change the method by which you're going to do it.

I really don't care which way you're going to do it, but do not fail to move on the warehouse. It is a good buy for the State. It is an appropriate buy for the State, and it works. I will leave it to your good graces as to whether you want to charge people who consume alcohol in this state additional funds for that privilege or whether you want to just average it out over time. Either way is fine with me,

but I would encourage you not to get into a row and fail to act. It is an appropriate step for us to take, and it is a facility that meets our needs.

I also am nervous about the action by the Joint Appropriations Committee on retirement, state retirement. As you know, over the last two years we had significant change in the fund, about 75 million to help cover any shortfall that might be on the education side of that fund.

We now, by virtue of the change in the economy and the status of the fund, there are issues which I think are going to compel us over time to require state employees to make a greater contribution to the retirement fund. That portion, in terms of it being the ultimate outcome, I am comfortable with.

What I am not comfortable with is the decision by the Appropriations Committee to proceed as quickly as they are. What I did in my budget is say we're going to need more money. I will set aside 48 million bucks. We will figure out over the next year the right structure, the right mix between added funds from the State and added funds from the employees because, remember, what we are doing is changing the way the employee contributes to it, which is not an improper move on our part. But there are some other

assumptions that I think need to be evaluated over the next year.

One is that ours is a fixed benefit plan, and we have had a habit of taking a fixed benefit plan and inserting cost of living increases. We need to assess whether that makes sense and whether we need to reevaluate the structure of the plan and also need to carefully evaluate the role of the employee.

The reason I set the 48 million aside is I believe it is going to need more money. I think you put more money in, you don't just do it because somebody kind of came in and said, "Oh, the world is ending." You say, "Okay, the world is ending, but what's our strategy to keep it upright?"

And I think we ought to have a strategy with the money and not just head off make a decision. This is a decision that has severe implications for current employees and retirees going forward. And I think one of the things you cannot do is discuss this issue without settling on a policy one way or the other about the cost of living increases. The impact is serious and it is one that I hope we evaluate.

It is not to take grave exception -- I do not take grave exception with the proposition state employees are going to have to pay more. What I'm

worried is we have headed off on a -- we've headed off on an action and don't have a strategy. And we're talking about billion-dollar decisions here.

And I think we should follow the old carpenter's rule: Measure twice, cut once. On the other hand, the Appropriations Committee at the tail end, they had the saw out and they were cutting whatever lumber needed to be cut so they could get out of there. So I hope we will take another look at it.

I want to talk quickly about the Health Department budget. The issue there continues to be Medicaid. Now, everybody says we got the increase in FMAP from the federal government. We did. Remember the basic structure of Medicaid is 50 percent federal, 50 percent state. The feds have upped their share a bit.

Now that is more than offset by the fact that we had predicted about 2 and a half to 5 percent increase in enrollment in Medicaid. It turns out that it is closer to 8, and we are ending up with a severe difficulty just keeping the thing on focus with the programs that were funded today. We're about \$355 million in the water. Let's say roughly half of that is federal. The state half, the 116 million of that is addressed through the reallocation of the FMAP

money in the stimulus program. 26 of it is addressed by freezing reimbursement rate, and the rest is made up by a series of other funds.

I alert you to this because a number of people have come to me and said, "Look, you have extra money in Medicaid from FMAP." You do not. You do not have extra money. In fact, there's some question whether it will be adequate to get us through. And in order to recognize that, you will see in the Auditor's Office we have set aside a reserve account which has been supported by the Appropriations Committee. So if we are wrong, we have some fallback funding it to make sure that in fact we continue to fund it.

So be careful when people say you have all the stimulus money in the change in the FMAP so fund my program. I need to tell you it has already been allocated. It is already in use. And even with that, it may not be adequate to retain what is going on.

The other uses for stimulus money have been the funding of major maintenance at the University of Wyoming and community colleges. The way that money came to us allows us to allocate it and it helps -- all of those collective institutions fund major maintenance at a level that they haven't had for years.

There's one element in both of those budgets that could turn out to be continuing expenditures, depending on enrollment numbers. Community colleges, we took 8 million of the stimulus money to address the increase in enrollment. In exchange for that, they had to forgo any increase in tuition. Now, that could turn out to be an ongoing expenditure in the event that the enrollment numbers stay where they're at.

Similarly, at the university there's about 4 million there that could turn out to be permanent. Other than that, the stimulus dollars have not been used on the basis of expenditures that could continue into the next budget cycle.

So be careful when people talk to you about stimulus money. We may or may not have it.

There's one other thing I want to talk about in terms of the appropriations bill. I am not satisfied with the language in at least the early draft that I saw. The final draft won't be labeled until Thursday. I'm not satisfied with the language in there to direct how we're going to do recalibration of school funding. As you know, from time to time the last time I spoke with you, I got in trouble with part of the body by observing that I think we need to ask hard questions about our education funding. My

position has not changed on that.

But here is what I would point out. Our opportunity to do that is at recalibration. Remember, recalibration is a phrase that has -- according to Webster's dictionary, calibrate means to measure against a standard, to measure against a standard. The way we approached recalibration in the past was how much more money do we have to add.

I don't believe we should do that. The way we should do this is to recalibrate education funding against a standard: Is it producing the results we expect? Our opportunity to do that is in the recalibration process. I would encourage that when that footnote comes through, that it be rewritten to give to whatever committee is going to do that up here the capacity to ask really hard questions and to get evidence-based answers how it is we're spending money on education, what it is it is producing in the classroom and why it is that we're not getting a better result.

We are in this state writing off at least one out of four and arguably one out of three kids in terms of completing their education and we're also settling for far less in terms of the scores that we should get, and our chance to address that is in the

heart of this matter which is in recalibration.

A couple of items I want to cover that are nonbudget. There are four bills we've talked to you about with regard to wind energy. Two bills relate to the Industrial Siting Act. One is a revamp of the Industrial Siting Act to make sure it covers the kind of facilities that are being brought into the state. Two reasons for that: One is to make sure the facilities are properly regulated. The second reason is to make sure that the provision in the Siting Act that allows people who are dealing with those to get an extra bump in the sales tax.

That's also -- the second bill relating to the Siting Act contains provisions which essentially set county standards, minimum state standards to give the county higher standards, also gives the counties the capacity to defer that decision to the Industrial Siting Councils if they want to. I encourage you to look at both of those.

Two items which are controversial: One is my suggestion that we do a one-year suspension of the exercise of condemnation of wind power collection lines. I do this mindful of the fact that it is going to produce some significant controversy. Let me argue this to you very carefully. The exercise of eminent

domain by a private party is the exercise of a state authority granted to them by the legislature. It is a decision by the legislature to prefer one person's standard with regard to property rights over the other person.

When they say to you, "We don't use eminent domain," the truth is we have not used a nuclear bomb in this country since World War II, but the existence of the nuclear bomb has colored every discussion about international and national security. The same is true with regard to eminent domain. The fact it is not used does not mean it is not a part of the conversation. And we need to think carefully about the extent to which we are going to put the state's thumb on the scale favoring one party over another in private property discussions.

I am not suggesting we have done away with it forever. I'm suggesting we take a one-year hiatus, legislature create a committee and we take a look at how eminent domain is going to work going forward. It is limited to collector lines, and it is limited to collector lines for a reason. Under a lower range of possibilities in terms of development of wind resources in this state, you could have 1500 miles of collector lines. Under a higher range -- and this is

all kind of built around the 12,000-megawatt number -- you could have 2100 miles. What's the acreage? The acreage on the low range is 27,000 acres. The high it is 40,000 acres that could be subject to collector lines, subject to application of eminent domain.

I think those parties ought to negotiate that on a free market basis without the State having its thumb. But I hope that you will consider them.

Second item that is not related to Industrial Siting is a discussion of a tax. It has drawn some controversy, and I will tell you the following. If you look at the wind energy industry, it is the most heavily subsidized industry in this country from the federal point of view. It is also an industry that enjoys the sort of energy choice of the day in terms of people saying, you know, it is important. And I don't quarrel with that. That's not my particular quarrel.

It is something that has become very much the cache source of energy, in part driven by the former vice-president and then by the movie Inconvenient Truth that somehow wind is the answer. Wind is a really good answer for Wyoming. We have 40 percent of the best wind resource in America is located in Wyoming. It can be a remarkable industry

for us. It can help keep people in agriculture. It can help keep -- people have jobs, and hopefully it can lead to some manufacturing facilities in the state.

Having said all of that, they are not entitled to a free ride. This is the first opportunity that this state has had in my lifetime to actually diversify its tax base, to diversify our tax base. And I can remember in this body, and some of the members are still here, actually ended up talking about whether we were going to do an income tax base, an income tax because we did not have a diverse enough tax base.

I would encourage you to think about this before you allow yourself to say well, it is a political season. We want to do no new taxes. You can explain it however you want, but at the end of the day the decision you're confronted with are you going to end up siding with the former vice president and his movie, or are you going to side with the county commissioners in this state, the people that need the money, the people dealing with the end result, and are you going to side with future generations who are entitled to have the opportunity, the opportunity to live in this state, the tax environment such as we

have today. I would encourage you to think very hard before you reject this proposal.

Now, after I made the proposal, suddenly people were willing to talk to us about it, so you may want to change it some. Some people have said, "Look, give the counties their share. Let the State wait a while." That may make good sense. I would encourage you not to walk off from this.

I have been through this with oil and gas. I have been through this with coal -- give you some idea how old I am -- clear back in the '70s. And it is always the same thing. The industry hires a set of lobbyists, local folks that we know, who come in and say, "The world will end if you do this tax."

Then pretty soon we get into the politics of it: "Oh, my gosh, if you can vote for the tax, the other side will use it against you in the election." I have been through this and I've watched it, and every time when this body finally gets its act together, we do the right thing, which is we come up with a reasonable tax policy that says if you're going to do business in Wyoming you're going to contribute to the well-being of Wyoming; you're going to contribute to schools; you're going to contribute to highways. Nobody gets a free ride.

In the interim, we've got an awful lot of things that we're going to see. I have jokingly referred to the fact that the sort of song and dance I'm getting from the lobbyists, but the next thing you know I'm going to see an Inconvenient Truth as a musical. A little too subtle for you boys?

Think about what it is you're being asked to do. You're being asked to diversify the state's tax base. You're being asked to be reasonable with regard to the impacts to local government and being asked to make a decision that says nobody in this state gets a free ride. I want wind energy. I believe it is good for the state. But it has to be on a term that is fair to the state and to the citizens of the state.

I hope that you will consider those four bills.

Couple things that are real quick. Nothing is very quick with me.

There is legislation coming to you on carbon sequestration, House Bill 17. You know, I was in Washington when they announced that they're going to have a big federal task force with regard to carbon capture sequestration. I wanted to say skip the task force. Come out and see what the Wyoming Legislature has done, adopt it and move on. It would save us a

lot of trouble. It will save a lot of things that go on in Washington.

This body has led the country and led the country proudly in figuring out how it is we deal with carbon capture sequestration. And I commend you for it, and I particularly commend those who have dedicated an immense amount of energy in sponsoring these bills. And the wonderful irony is that the legislator who has been most dedicated to it is the legislator from the largest coal-producing county in America which is our beloved Campbell.

In that same context, there's \$45 million in the University of Wyoming budget for carbon capture sequestration research. If it is out of AML I know there's been some discussion about whether or not we should divert that to other ends. Do not divert that. We have made a commitment that that will be matched by private money.

These projects are probably going to run -- legitimate test projects on carbon capture sequestration are going to run in excess of 100, 150 million in order to test it. We need to be on the forefront. We need to demonstrate through the School of Energy Resources carbon capture sequestration works. It is vital to this country. It is vital to

the future of Wyoming. If you think about it, what we want to be able to do as a country is to demonstrate that these technologies work and that we will sell these technologies to China and India instead of our always buying the technologies from them. Let the technologies developed at the University of Wyoming support this effort and make sure that we are the ones who are selling those technologies overseas instead of buying them.

As you know, juvenile justice has been an issue for me since I came to this position. There are two items that are before you: Senate File 9, Juvenile Detention Facilities Standards; House Bill 12, Juvenile Admissions Criteria. I urge your favorable consideration of both of those. Both of those are supported by the Chiefs and Sheriffs Association. They're supported by the Chiefs and Sheriffs Association.

It is time that we had some degree of uniformity in this state about how we treat juveniles. As you know, we have taken \$50 million of the stimulus money and allocated it to a series of juvenile detention facilities around this state in order to create options, so that when we have people that have to be detained and are in juvenile status that they

are someplace other than in hard lockdown with adults whose offenses that far exceed anything we would like these young people to be around.

One of the other ways to make sure that we are making proper decisions about incarceration and treatment is for you to support those two bills. They enjoy the support of the Chiefs and Sheriffs Association, and I hope they will enjoy your support.

Property tax, a couple of things I think relevant. One is you've got an alternative appeal procedure that is going to be presented to you for the county commissioners when they're acting in their capacity as county boards of equalization. I urge you to adopt that. It is a option which would allow county boards -- county commissions, if they are desirous of not being in that capacity, that they can appoint people who would serve in that capacity and that would allow for the continuation of, I think, better processes. Some county commissions have a lot of time to devote to it. Others don't. I would urge you to give that option to those commissions.

There is a decision that came out of the State Board of Equalization arising out of a valuation question in Park County where they took exception to the actions by the assessor. The result of that was

to take a shovel-ready property, whether it is a housing subdivision or an economic development property owned by a community and subject them to a kind of a full -- not to a current value tax but to a tax based on the most recent sale out of that lot.

Here's what happens. Somebody goes out and develops a subdivision. They sell a couple lots and develop it fully. They sell a couple lots. Those lots become the basis for the entire valuation of that subdivision, even if the market has changed, even if the market has changed or if those lots currently couldn't sell for that amount.

I would encourage you to adopt some legislation and vote for local economic development and for people who are developing property to be more fair with regard to how you value it. The reason is simple. We keep complaining in this state that we don't have the capacity for people to build houses, yet when they develop the subdivision, get the sewer and water and get it shovel ready for housing, we turn around and decide to tax them in a manner that makes it difficult for them to keep those lots in inventory so they'll be ready to develop them. What we're going to do is we're going to discourage people from making the right decisions about the shape of the development

in order to make sure that they make only the decision that the incremental sale will look at.

Other item in the context of the property tax, please, please, make the statements of consideration. For those of you who have heard from the taxpayers who say, "Look, I can't figure why my property is valued the way it is. I go down to the assessors, try to take a look at what the values are for other properties. I can't see the statement of consideration."

It seems to me that a taxpayer who is wanting to contest their tax payments has every right to know what is the valuation attached to another taxpayer's property. It is simply good government, and I think it is also fair to the taxpayer to let them see it.

I have a couple economic development things I want you to consider. One is a sales tax incentive for data centers. Clearly Wyoming has great property -- great power rates in terms of encouraging people to come here. What we lack is the capacity to compete in a broader field. And one of those areas where we're having trouble is that our sales and use tax is applicable to these data centers.

Why is it important? Data centers change

out their equipment on a three-year running cycle. They look to that and say, "Look, if we can get in a position in a state or locality where we're not paying the sales or use tax, it is worth quite a bit to us," because it is not a one-time payment for them. They're moving that equipment up every three years.

Two beneficiaries is primarily going to be Cheyenne or Casper. I don't want to be excepting about that. There's some talk from time to time about data centers in other parts of the state, but the two most logical places based on the power ability and communications are Casper and Cheyenne. This is a way for us to encourage two things: Encourages diversification of economy and also encourage in-state utilization of electric power which is a good thing for us. It helps average out the base.

There's also an economic development capital formation. You have seen this bill before. It is an offset against the insurance premium tax hopefully to make capital available to small businesses in the state. Relates back to my earlier comments. One of the slowdowns in this country has to do with the availability of capital. I hope you will look at that bill to be introduced in the House, and I hope you will consider it.

We also have a need to address the question of workplace safety. Three items, as you know, come out of the task force. OSHA penalties, there will be legislation offered to you to increase those. Interestingly enough, that legislation enjoys the support of the many people in the industry. In fact, most of the industry is in favor of that legislation to increase the penalties.

The second issue in that area is discretion of seatbelts. And I know that walking into this is walking into a briar path because it is one of those issues people say, "I shouldn't have to wear a seatbelt." There is going to be legislation offered to change to try to encourage people to use seatbelts.

If you look at the data that was developed over the workplace safety effort, most, about 40 percent, 50 percent of those accidents are one-car rollovers to and from work where people weren't wearing their seatbelts. I understand the political difficulty of talking about seatbelts, but, you know, at our house the kids will tell you, my wife, the rule always was, if you're in the vehicle, you got a seat belt on; the vehicle doesn't move until you have a seat belt on. Even today we look to see does everybody have their seat belt on. So somehow we're

all going to say this is the rule in our family, it is the law in each of our families of everyone sitting here, but somehow we're afraid to say that it should be the law of the land that you pay a higher penalty if you don't have a seat belt on.

It is not an unreasonable thing. It is not an unreasonable thing to expect people to exercise responsibility and not just rights. We have to begin to realize that with the rights that we have in this country, there comes some responsibility. It's not a big impediment, and I hope that you will look at that legislation.

On the DUI bill, there are two bills, and one is in the House and one is in the Senate. They're both sponsored by friends of mine, and I'm officially here to tell you that I support my friends. I just hope that one of those bills will make it to my desk. I have learned long ago not to get between the Senate and the House, not to get between the sponsors on bills. So I want both of the sponsors and their various supports -- I love you deeply, have grand affection, but hope between the two of you, you can get me one bill, just one. And I think it is -- I mean, this question about alcohol and driving under the influence, it is absurd, and we should not

tolerate it, and we should take whatever steps we need to take. I understand that it is difficult, but I hope that you will take a look at those bills.

I want to talk about the project that we're going to bring to you again which is our health reform demonstration project. It does well in the House -- does well in the Senate and gets to the House and dies. It gets characterized as creeping socialism on the third vote and ends up dying. I would hope that you will reconsider that.

I just want to talk fairly quickly. What we're asking people to do on this -- I don't believe it constitutes socialism -- is to contribute something of their own to their own health insurance. That is, they have to participate. They have to participate. We're expecting them to be employed at least 20 hours, 20 hours in order to participate in this pilot project. We're expecting them to take responsibility for their own health. As all of you know, this question about cost containment is going to fundamentally come down to whether we take better care of our own health. We are not going to, in the event of passage, say well that operation costs too much and not try to provide it to our family. The only thing that is really going to affect cost is for us to

affect utilization and to affect utilization is by people taking responsibility for their own health.

The third thing -- fourth thing that's in there is we expect them to follow doctor's recommendations. The project calls for people to have greater access to their primary care physician. What we're looking for are those things that drive the system in terms of cost. We're looking for early detection of diabetes. We're looking for early detection of cancer. We're looking for early detection of heart disease. Any of those elements that can become chronic diseases, we're looking for early detection and in order to stay in the pilot program they have to follow doctor's advice.

Which part of that, I would submit to you, is socialism? The part where we ask people to be responsible? The part to pay for their own insurance? The part where we ask people to work? I encourage you to rethink this and take a shot at it.

The other argument I would check is the notion we have to wait for the federal government to address healthcare. If we wait for the federal government to address healthcare, most of us in this room will probably no longer be in need of healthcare. We will be on the other side of the grass. Maybe --

and given the way they're addressing it, maybe that's not a bad outcome. We can't wait and we should not wait.

On one side I just talked to you about how much healthcare costs are going up, the impact on Medicaid, not just through enrollment but through the costs. On the other side I talked to you about some things that would help control that cost. Maybe not this year, but we have got to begin to demonstrate that because in the long run, this society cannot afford to be paying 17 to 24 percent of every dollar in this culture for healthcare. We have to take more responsibility for ourselves.

I also want to talk to you about this question on the proposal I've submitted to you to ask for an amendment to the federal constitution to limit federal power. Couple things I want to make clear at the outset. I do this advisedly. I previously commended a standard resolution, you know, where we beat the desk and talk about it, and I've done that for years. I wrote speeches for Ed Herschler when I was a young man railing on the federal government. I wrote them for Mike Sullivan, and now I write them for myself. All of them have accomplished about the same as you'd expect. I've signed resolutions. I've done

testimony, and here's where I end up, is that we need to go to the source of the problem. The source of the problem is the expansion of federal power.

We can amend the state constitution. We can draft legislation. I can sign resolutions, and I'll be glad to do all of that with you. But it does not change the basic dynamic of the power of the federal government. The only thing that's going to change that is to address it with an organic document which is the constitution.

Now I'm not one of these people who is talking about secession from the Union. I think that the experiment of the United States is the most remarkable thing I've ever seen. You have 50 states. You have a common federal government. And we are a remarkable country. I don't support secession. I don't support repealing the Civil Rights Act or voting acts or any of the rest of it.

What I'm talking about is some clear language that tries to re-establish the notion that this is a federal system. That there are states and there is a federal government, but there are states and prerogatives. I encourage you to consider it and consider it seriously. It is not something I take lightly. If I took it lightly, I would have just left

it at the basic resolution that, you know, allowed me to rail against the federal government. This is serious at this stage.

We are at a point, whether it is No Child Left Behind or the latest set of rules on how you report domestic violence numbers, at the end of the day the federal government is regulating nearly everything, nearly everything. The states need to be more than empty vessels whose job it is to execute federal policy. The states need to be more than empty vessels whose job it is to execute federal policy. And the only way you're going to do that is to take very delicately and go in and try to re-establish the balance between the federal government and the states.

Does it work? I do not know. I do not know whether this can get done. I propose that it be done in the same manner that the constitution has been amended 27 times over history, including the first ten amendments, the Bill the Rights. I do not believe we ought to have a constitutional convention. We have a process that works. I hope that we will look at it and take it seriously.

There's also a bill that would be intended and I don't -- I say this mindful that the Chief Justice will speak here in a minute. I'm not calling

the Supreme Court out. I want to make that clear. There's a decision that the Supreme Court made in which they identified two ambiguous terms of our statutes that have to do with the point of valuation. Under our law, and properly so, a tie goes to the taxpayer. The statute is ambiguous in the definition of how we would do point of valuation for gas permits.

You have a bill in to address that to establish -- re-establish what we had thought the law was and people have paid taxes under for at least the last 20 years, and I hope that you will do that. I submit that to you, not in disrespect to the court -- the court probably made the right ruling, which is tie goes to the taxpayer, and I hope that you will do that.

I also encourage you to think about as you do the statute -- or as you do the budget one last item which is the -- there's language in there where we are trying to address the ongoing issue of distance learning and videoconferencing, distance learning and videoconferencing, issues that we have discussed and rediscussed at least for ten years or longer. What is in the budget is that we would create a Center of Excellence at the University of Wyoming for distance learning. At the same time a portion of the question

how we would do teleconferencing and communication around would also be moved to the university.

Why am I doing it? It seems to me absurd that the governor of the state cannot like -- any other business I go to, they can talk to people on videoconferencing meeting. I can talk to my children in India on videoconferencing, but I cannot talk and do not have the capacity to meet with the head of the Oil and Gas Commission in Casper or to meet with the director of Work Force Services in Gillette.

We need to become much more serious about utilizing technology, in part because it saves money, in part because it saves time, and I think it makes a great deal of sense, and I would urge you to support it.

I want to offer a couple of last comments. I know this has been long, a lot more issues than you wanted to hear about. We have a remarkable opportunity because I think the budget is fairly straightforward. We have an opportunity to address some of these other issues, and I hope that you will. As we gather, we gather in an election year. The question then on everybody's mind is how does this all sort out?

But what I would encourage you to do is set

all of that aside and simply focus on the work that is before us. Where do you find the inspiration to do that? I think we find the inspiration to do that in the remarkable citizens in this state. I know from time to time I get criticized about using the airplane and traveling this state. But I tell you, there is nothing more wonderful and there is nothing more invigorating than traveling this state and talking to the people.

And they will talk to you, as you know, and they have lots of advice. And some of it is really good. Some of the advice where they're telling me where to go I would rather disregard. But, you know, you watch the people of this state, they're dealing with contracting personal wealth. They're dealing with businesses where they don't have the kind of income that they used to have. They're dealing with laying off employees. They're dealing with the consequences of the recession in ways that should inspire us about how we handle our responsibility as public servants and we handle our duties to manage this budget.

If we can manage our budget as well as those citizens are managing their life and the economy, we will survive this and we will be stronger. It will be

a better place for future generations. The issues that confront us outside the budget are serious issues. We have a chance to make some progress. We have a chance to make a statement about what we want Wyoming to look like in the future, whether it is how we manage wind energy, which is probably the most significant force of change in the state, or how we handle DWI. Each of those decisions that we make are statements about what we want the future to be like, what we want the future to be like for the next generation.

Some of you, you're already talking about what it is going to be like for your grandkids. Some of us, we're still talking about what we want it to be like for our children. We want them to have the opportunity that we have had. We want them to have the economy that we have had. More than anything else we want their lives to be a bit better.

We can leave this earth, we can leave this earth feeling good about what we have done if we have made sure that not only did we do no damage, but we made things better, better for the next generation, better for those that we were around and better for the great state of Wyoming. Thank you very much and God bless you.