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STATE OF THE STATE ADDRESS

Remarks by Governor Kenny C. Guinn

to the 73rd Session of the
Nevada Legislature

January 24, 2005

Speaker Perkins; Majority Leader Raggio; Lieutenant Governor Hunt; members of the Senate and Assembly; honorable Justices of the Supreme Court; constitutional officers; distinguished guests; and my fellow citizens. Good evening. I'm excited to be with you tonight.

I would like to begin by making a heartfelt acknowledgment of my lovely wife, Dema, who is seated in the audience with our family – our two sons, Jeff and Steve, their wives, Monica and Wynn, my sister, Shirley, and my grandson, Blake. Dema, you've been at my side every step of the way as Governor. You've had a tremendous influence on Nevada as our First Lady. You've championed health issues for women and children, and you've led the way on a great number of historic preservation efforts. Dema, thank you for everything you've done for our family and for our Nevada family.

Governor Mike O'Callaghan was a great leader of this state, and he was a true friend to many of us. He was a strong man, with a strong spirit. So strong, in fact, that if we make any bad decisions this session, we'll no doubt hear from him. Carolyn O'Callaghan and Jackie Laxalt were two of the most graceful, witty, and intelligent First Ladies in our history. Although these great Nevadans are no longer with us, their influence on our state will remain forever. Please join me in a moment of silent reflection for three very notable Nevadans. Thank you.

We have a very special guest with us tonight, representing our National Guard who also embodies the spirit of our state. Nevada has one of the highest percentages of National Guard members serving in Iraq, Afghanistan, and other foreign lands. We have more than 750 members of our Air and Army Guard, as well as other military personnel, who are dedicating themselves to this wartime effort. They are men and women like Sergeant Henry Lujan, from Henderson. Sergeant Lujan was wounded in Iraq when a truck he was riding in was attacked by terrorists. This is an extraordinary man. As a cancer survivor, he could have avoided the rigors of war, but his love for his country exceeded his personal concerns. He insisted it was his duty as a Nevada Guardsman and as an American to serve his country in time of war. Sergeant Lujan, would you please stand. Sergeant Lujan, we are proud of you and all the men and women in our military. Thank you for being with us tonight.

During my last *State of the State Address*, I said we were at a crossroads, and it was time for

Nevada to choose its path. We chose wisely. I am proud to report that the state of our state is strong … very strong.

The state's economy is firing on all cylinders. Our gaming and tourism industries have rebounded strongly. A record 50 million tourists came to our state last year alone, and they spent more money than ever before. Our economy is also diversifying and growing every day. Las Vegas is consistently the country's fastest-growing major market for small businesses. Chief executives across the land rank Nevada as the second best state in the country to do business. This has allowed us to broaden and stabilize our revenue streams so that we can meet the needs of today and be prepared for the challenges of tomorrow.

Nevada has its lowest unemployment rate on record. Let me repeat this remarkable fact – the lowest unemployment rate on record. We are nearly two points below the national average. With 50,000 new jobs in 2004, Nevada remains a place where dreams can be fulfilled. We are creating these new jobs at a faster rate than any other state in the Union. And these are good jobs, quality jobs, jobs that offer livable wages and benefits for our working families. Given this news, it's no surprise that so many people want to come here and enjoy the wonderful opportunities and lifestyle that Nevada has to offer.

And, yes, even the state of the budget is strong. I commend this Legislature for helping to put Nevada on a stable course. Now that times are good, let's not forget that our Rainy Day Fund has helped shield us in the past from devastating economic hardship. We need to be careful in these good times to save for tomorrow. Together we have diligently sought to strike a balance between providing for the needs of our citizens and protecting our fantastic business environment. We need to continue with these efforts. I want to strengthen our future by saving for a rainy day. My budget ensures that a total of $200 million will be deposited into the state's Rainy Day Fund. By investing in this fund, we will be protecting our citizens from future hardship. We have to remember that when tough times come, in Nevada they come quickly. This $200 million provides us with needed insurance should our economy falter. As guardians of the public trust, join me in supporting this very important savings plan.

Because of the strength of our gaming and tourism industries and the broadening and stabilizing of our revenue streams, we will be able to do more this session than just save for a rainy day, a lot more. It is time that the people of Nevada see a direct benefit from the investment they have made. I am proposing that $300 million be given back to the taxpayers.

I'm proposing this because, as your Governor, I have reviewed our revenues and expenditures and given our funding priorities serious consideration. Over the course of my six years as your Governor, I have always believed that we must fund our top priorities with reasonable allocations – while being fair to the taxpayers. After funding these priorities, our state is still experiencing a surplus. I believe the right thing to do is to get this money back into the hands of as many taxpaying Nevadans as possible. While it's worthy of debate, perhaps, I will tell you you'll get no argument from the voters I've spoken to, except for how soon they'll get it.

Through my plan for a DMV registration rebate, the registration and fees that you paid in 2004, up to $300 per registration for each car, boat, RV, motorcycle, or trailer you registered, will be sent to you as soon as my budget has been approved by the Legislature. The rebates on two million vehicles will be a welcome addition to peoples' pocketbooks, and will serve as a continued stimulus to our booming economy. I have faith that the families of Nevada know best how to spend this $300 million.

We all know it is vital that property tax relief be discussed in great detail beginning in the earliest days of this session. Property owners, particularly seniors on fixed incomes and working families, are worried about this seemingly overnight jump in their property taxes. Just the other day I read an article

about a retired married couple, William and Janet Rhoden, who moved to Las Vegas from Chicago in 1992.

The taxable value of their home in Summerlin has gone up 41 percent this last year. William went to the county Board of Equalization and pleaded with the board, “I’m asking this group to give us relief, whatever you can do.” Sadly, nothing could be done for them. I feel for a couple like the Rhodens … and I’m sure you do, too. We need to find relief for William and Janet and the thousands and thousands of other homeowners in Nevada who are facing this punishing burden.

I encourage you to have lively debate on this issue, so by working with local governments, school boards, and taxpayers, we can provide a solution that protects our home and property owners all across this state. And, at the same time, protects the services they expect. I am calling upon our legislature and our local governments to commit themselves to work with great focus on this issue of critical importance to our citizens. The people of Nevada deserve the best work we can produce, and I know, working together, we are up to the task. My pledge to the people of Nevada is this: We will not rest until property tax relief is a reality.

This is the fourth and final time I have been privileged to stand before you to deliver a *State of the State Address*. I am proud to say that this $5.7 billion budget has been thought out in great detail. I believe there is strong justification for the programs presented to you. This budget promotes a Nevada built on partnership and progress, a Nevada that rewards the needs, energy, and passion of its citizens.

All my life, and throughout my two terms as your Governor, my focus has been and will be education. Each time I’ve stood before you, I’ve focused on my passion – on the service we provide that has the power to change lives. Education isn’t part of my agenda, it is my agenda.

The Millennium Scholarship is changing the future of our state. More than 40,000 students have qualified for the program. Yes, that’s 40,000 bright, young Nevadans. Last year, we graduated the first class of Millennium Scholars. And this year, almost 18,000 students are taking advantage of this wonderful opportunity. Enrollment in our institutions of higher learning is now at record levels. You know what this means for the future of our state: the best-educated workforce in our state’s history.

My budget accommodates the more than 7,000 bright and energetic new students who will be arriving on our campuses over the next two years. Our professional staff, libraries, laboratories, and classrooms must keep pace with this growth. I am providing higher education with an additional $250 million for much-needed faculty, infrastructure, and research.

When you travel the state, you feel the excitement that our young people have for the Millennium Scholarship. You see it in their eyes. You hear it in the voices of their parents and grandparents. Last spring I met Candice DeGuzman, whose parents are immigrants from the Philippines. If not for the Millennium Scholarship, she would have sought her education outside of our state at USC, where she was heavily recruited. She has since graduated from UNLV and just finished her first semester at the University of Nevada School of Medicine. Candice is here tonight and she is one step closer to realizing her family’s lifelong dream for her to become a doctor … and we helped make it possible. Candice, will you please stand and be recognized.

The Millennium Scholarship program is working; the best and brightest young minds are staying in our state for college. No parent and no child should ever have to worry about how long the Millennium Scholarship will last. That is why my budget provides for $100 million in new state bonds so the Millennium Scholarship will be available to Nevada’s students for years to come.

But more critical to the future success of our state is our investment in the public schools, where formal education begins. Last session, we worked together so the children of Nevada would receive the quality education they deserve. The growth and diversity of our schools has never been greater. We will have 35,000 new students in our schools over the next two years. My budget meets this demand, with more than $500 million in new money for kindergarten through twelfth grade. That's continued funding for things such as teachers, training, textbooks, and classroom supplies. In total, I'm investing close to $2 billion for our students.

As many of you know, new state and federal standards, such as No Child Left Behind, are dictating how we evaluate our schools. It's good to have standards. They provide important feedback for our schools and parents. And so I applaud our Legislature, which has consistently supported educational reform, higher standards, and accountability.

But tonight, I am concerned. Because the state of Nevada has 122 schools classified as failures under this new system. And another 99 schools are on the warning list. Although there are many reasons why we have schools on these lists, we must work to find the best practices, the best methods, and the best allocation of resources to help them achieve. Ultimately, this will provide the best hope for our children's success. As a state, we must give our students the support they need to meet and exceed our expectations.

In our schools, there is no substitute for strong, visionary leadership … for leaders who are willing to take chances today so that their students can grasp the hope of tomorrow. We already have many success stories in our state – schools that have defied the odds. They are blueprints for what can happen when at-risk schools become "no-risk" schools by implementing proven programs that help their students achieve in key areas, especially reading. They are schools with visionary leadership and tireless faculties and staff. They've shown us the way, and we need to follow their footsteps.

They are schools like Anderson Elementary in Reno. Under the leadership of principal Pete Hall, Anderson has gone from a school that did not make adequate yearly progress for two years to what it is today … "a high achieving school." Anderson teachers have given their students a great gift: the love of reading. These kids simply devour their books. Their school has added an additional 90 minutes of literacy instruction onto the already district-mandated 90 minutes, and they've made unbelievable achievement gains … gains that we can all be proud of. They are schools like Corbett Elementary in Reno. Corbett has a lower-income student population, with limited English proficiency. Yet under the leadership of principal Patricia Casarez, Corbett has met adequate yearly progress standards for the past two years.

We have great stories in Clark County as well, at schools such as Squires Elementary in North Las Vegas. With 90 percent minority enrollment and 70 percent Limited English Proficiency, Squires met all of its goals during the last school year. This great school has been honored nationally as one of two Nevada Distinguished Title I schools. Current Squires principal Marcie McDonald could not be here tonight. But we do have the outstanding leader who began these efforts, Carol Lark. As principal for six years at Squires, she laid a fantastic foundation for success. Please join me in recognizing Carol, Pete, and Patricia, who are here with us tonight. Thank you.

We want all of our schools to reach this level of success, and that is why we must be decisive. I am calling for a dedicated fund of $100 million for our troubled schools. I am also proposing the creation of a blue-ribbon commission, driven by leaders like the ones you've just met. The Governor's Commission on Excellence in Education will oversee this unprecedented influx of funding for public education. This investment in public education allows for the establishment of best practices for remediation programs at schools that most clearly need this funding, and could include special programs

such as all-day kindergarten, increased emphasis on literacy, the hiring of more bilingual teachers, and professional staff development. It will empower the parents, teachers, and principals who know what their children need.

I will mandate a system of checks and balances to ensure that this funding produces results for our children. To have any impact, we must fast-track this money to provide funding before school begins each year. So I am asking that we move quickly. We must rely less on spreadsheets and funding formulas and more on common sense. We must develop a system that is long on accountability and short on excuses. It must be a system that demands progress. And, if progress is not made, then we must require that leadership in these failing schools be changed. The future of our children depends on it. The future of our state depends on it.

I fully expect our schools to be successful with this additional investment of funds and a strong system of accountability. I am also asking for your support in establishing pay for performance salary incentives for the schools that are in trouble. Thanks to the cooperation of parents, teachers, and administrators tying salary incentives to the performance of our schools is already working in our state. I want to thank our principals and teachers who created this idea. In meeting with our school superintendents, they encouraged me to develop programs that would include special funding to help improve these at-risk schools. It is time to make performance salary incentives a statewide effort for our troubled schools.

And, while we're at it, our parents, our local school boards, our superintendents, and I urge you to extend the class-size flexibility program beyond our rural areas into our two largest school districts, Washoe and Clark. Last session, you built in the safeguards to make this program work. It's working. Let's better use the $260 million we spend on class-size reduction by empowering our local school boards to make the best decision on class-size flexibility.

Health care – we are all affected by health care in one way or another. I know personally what it means to have good health, because I am a cancer survivor. Many of you are in the same position. You've either had a major health care concern or have had a loved one facing this huge challenge. We all know how critical health care is to our family and friends. While I'm your Governor, I will not turn my back on people in need.

Affordable, high-quality health care will keep our families healthy, our businesses competitive, and our state strong. I've built a budget that protects the existing services that we've worked very hard to establish with funding of more than $1.6 billion in health and human services. This represents an infusion of more than $275 million of new money to support these crucial programs. I'd like to highlight just a few important ways that this money will be used to improve the lives of Nevadans.

I am continuing Nevada's effort as one of the nation's leaders in preventing our disabled population from being placed in institutions. My budget gives these Nevadans the resources they need to become an integral part of our communities. I am earmarking nearly $7 million for the state's personal assistance service for people with disabilities. I am pledging my continued support of the state's family preservation program, which helps people who are currently caring for profoundly disabled family members. This will keep families together and loved ones out of institutions.

And, I'm continuing my strong commitment to mental health care. This budget includes more than $100 million in new mental health spending. We are making an infusion of nearly $45 million, in addition to the $35 million previously budgeted for construction, to open and fully staff the new state mental health hospital in Las Vegas. This is $45 million that will help address the mental health crisis we are experiencing in Las Vegas, which has seen its emergency rooms overflow with mental health patients who have nowhere else to go. It will also increase the psychiatric medication and community services budgets to ensure these people can be cared for in their own community. I'm directing over $6 million in new funding into early intervention services for our children who suffer from developmental delays, and an additional $13.7 million for children who are in need of mental health care. This will be the first time in the state's history that families will have early access to these types of services. These initiatives will bring treatment and diagnosis much earlier in the lives of these children, and will give their families a fighting chance for the future.

Under my budget, the state will also be doing its part regarding health care coverage. The budget reflects the continued growth of Senior Rx, which is helping more than 9,000 low-income seniors receive the low-cost medications they need, as well as Nevada Check-Up, which provides health care coverage to nearly 27,000 Nevada children from working families. This helps reduce the number of uninsured children in our state. And, in the proposed budget, we will serve up to 30,000 uninsured children over the next two years. No eligible senior or child in Nevada should go without the medication or health care they need.

This budget also includes $8 million to expand health care coverage for pregnant women, and improve health care access for low-income families who work for small businesses. In addition, my budget makes a firm commitment to programs in suicide prevention and problem gambling.

Time will not allow me to tell you about all the great things we are doing for health care in this budget. But I want to tell you that I will be convening a summit with the Nevada Commission on Aging and AARP to talk about affordable prescription medications for our seniors and the disabled. For the first time in our nation's history, seniors and people with disabilities will be receiving a drug benefit offered by the federal government through Medicare. I believe it is the state's duty to educate our seniors and the disabled concerning this complex issue. They need to be fully informed of their options.

As you can tell from the programs and infusion of funding that I have listed, we will become a much healthier Nevada. Our state has evolved to a point where we can attract and develop cutting-edge programs in medical research. That is why I am excited about the beginnings of two historic partnerships. One partnership is between the Nevada Cancer Institute and the University of Nevada School of Medicine. I am particularly pleased because this commitment will help build a Nevada Cancer Institute facility on the northern Nevada campus of the School of Medicine, providing a critical northern link to the impressive work already being done by the cancer institute in southern Nevada. The other partnership is between the Lou Ruvo Center for Alzheimer's Care and Research and our School of Medicine. Each partnership will create joint research facilities combining our state's finest medical minds in the fight against cancer and Alzheimer's. I am pledging more than $11 million in support of these two partnerships.

These partnerships will provide cutting-edge research and health care. They will also bring exciting possibilities for economic development, technology transfer, and the promise of new, high-paying jobs. The Nevada Cancer Institute has created more momentum for cancer research in our state than any other project of its kind – they've raised more than $100 million in just a few short years. They are bringing some of the world's best doctors and cancer researchers to our state. In addition, the state's investment in staffing at the privately-funded, $20-million Ruvo Alzheimer's Center brings similar focus to

treatment and research of a devastating disease that will have a profound impact on our state's growing senior population.

And, finally, to ensure that our finest young medical minds remain in our state, my budget provides $4.5 million for the addition of 40 new positions to the residencies and fellowships program in our School of Medicine. Nevada needs them, and that's why we are going to train them.

As you can see, we must have a common, compelling vision if the best medical research, education, and treatment is to be available to our citizens. So that is why tonight I am announcing the creation of the Nevada State Commission on Medical Research and Health Care. This commission will provide advice on establishing common priorities and help our health care organizations benefit from each other's strengths.

I would like to introduce the people who have been instrumental in bringing about these partnerships: Heather Murren, President and CEO of the Nevada Cancer Institute; Larry Ruvo, founder of the Lou Ruvo Center for Alzheimer's Care and Research; Dr. John McDonald, dean of the University of Nevada School of Medicine; and Dan Van Epp, former president of the Howard Hughes Corporation and a distinguished Nevadan. Dan has agreed to serve as chairman of the commission.

Please join me in thanking these dedicated Nevadans.

I truly believe your efforts will stimulate new discoveries, forge new partnerships, save countless lives, and create a statewide blueprint for health care in Nevada for years to come.

Nevada needs to continue with its efforts to be one of the most business-friendly climates in the union. The Nevada Development Authority, led by Somer Hollingsworth, and the Economic Development Authority of Western Nevada, led by Chuck Alvey, have helped tell our great story at every turn. These private economic development organizations return hundreds of dollars to our state each year for every dollar invested in them. They often make the difference between a business relocating in Nevada or elsewhere, helping to bring quality businesses and high-paying jobs to our state each year. That's why I'm proposing that we provide $9 million in new grants to these private economic development efforts within our metropolitan areas, so we can continue the economic success that leads the nation.

While the bright lights of our metropolitan areas attract most of the attention, rural Nevada has an equally compelling story. Rural Nevadans deserve our support for economic independence as well. I have called upon Lt. Governor Lorraine Hunt to focus more of the attention of the Commissions on Economic Development and Tourism on rural Nevada. This budget invests an additional $1 million in grants so we can aggressively promote economic development and tourism in this important part of our state.

With prosperity comes the need to invest in our infrastructure. In the last two years, we've embarked on the single most ambitious transportation program in the state's history. I'm proud of the work being done by our Department of Transportation. A 2004 study ranked Nevada number one in the country for how well it maintains its roads, and ranked our Department of Transportation fourth in the country for its cost effectiveness. Our highways are now among the best in the country. But we have more work to do.

That's why I have outlined an investment of nearly a billion dollars to continue to build new highways, make our roadways safer, and attack the gridlock that plagues our growing cities. We are widening U.S. 95 in Las Vegas, we're building a much-needed interchange in Henderson, we're constructing a spectacular bypass bridge at Hoover Dam, and we're finishing the link between Reno and

Carson City. This work is on schedule and over the next two years, you will see projects like them moving forward throughout our state.

The budget before you calls for sufficient funding for the Department of Motor Vehicles for personnel and technology. As I promised, we're going to keep wait times under an hour and provide alternatives so you can do your DMV business from your home or office. Last year, 300,000 transactions were completed without anyone having to step into a DMV office. The slogan, "You're never more than a click away from being first in line at DMV," has never rung more true.

In the last election, the people of Clark County supported Sheriff Bill Young's efforts to place hundreds of new police officers on the streets. And the State of Nevada will do its part to support the fight against crime. This budget provides for new prison space and increases funding for law enforcement officers in the Departments of Public Safety and Corrections. These proposals are at the core of our obligations. Send me the legislation, and I'll sign it immediately.

We must also remember the contributions that teachers and state and university employees make toward improving our lives. I haven't forgotten the positive efforts you make each year. I appreciate your hard work, and I'm pleased to announce that we are providing you a well-deserved cost-of-living increase of two percent for each year of the biennium.

As Governor, I have been committed to the health and well being of state employees. Currently, state employees receive full payment for health care coverage every year after they retire. Just like all other health care costs, these costs have risen dramatically for the state. We can no longer expect taxpayers to pay for these benefits. The majority of them can never expect to receive this kind of coverage, no matter if they retire from a public or private employer.

Tonight, I am announcing a plan that's bold, that's plain, and is absolutely essential. This plan cuts the cost for retiree health benefits for any new state employee that we hire. No existing state employee or retiree will be impacted by this plan. But I propose that for all new hires, we discontinue this benefit. I will bring a plan before this Legislature that deals head-on with a liability that grows by the millions every year. Over the next thirty years, this plan will save taxpayers nearly $500 million.

I've talked about many things this evening of great importance to our citizens. But the picture of our state's future is not complete if we forget the dreams of our working men and women who hope to own their own home. There is something permanent, and something extremely profound, in owning a home. We are a prosperous state, and we are building more condominiums, apartments, and homes than at any other time in our history. Yet many working families are being squeezed out of the housing market.

I am proud to announce my plan to help these families become homeowners. As you know, the federal government manages approximately 87 percent of the land in Nevada. We have an opportunity to acquire some of this federal land for minimal cost. I want private developers, in conjunction with the state Housing Division, to make homes available on this land. This land, which would be placed into a permanent state trust, would not be included in the price of the home, resulting in a lower price for the homebuyer.

This innovative plan is something that no one else in the country has ever accomplished. It needs the support of many people, including our congressional delegation, the Bureau of Land Management, HUD, our local governments, financial institutions, and private homebuilders in this state who want to help us give something back to our citizens.

Senators Reid and Ensign have laid the groundwork for acquiring federal land by working to maximize the use of their Public Lands Act. I am grateful for their assistance. I need your help, too. I am asking this body to pass a resolution in support of this important program, and I am requesting city and county officials to work with our state Housing Division so that we can make this initiative possible. We must open this door of opportunity, because home ownership should never be an impossible dream for the working families of Nevada.

Over the last six years, we've accomplished great things. In this year as we celebrate the centennial of Las Vegas and Sparks, let me remind you that here in Nevada, we're a community of pioneers. We're a community where the word "first" is not uncommon. First in job growth … first in new business creation … together, we were the first state in the nation to privatize our workers' compensation system. We created a first-of-a-kind prescription drug program for senior citizens.

Together, we conducted the first fundamental review of our state government to analyze the expenditure side of our system before looking at the revenue side. Nevada has been first in many things, and we've traveled this difficult road together. And the quality of life of those who place their trust in us is better for it.

Tonight, I've laid out a blueprint for the future. Investing in our education, in medical research, and in economic development. Saving for a rainy day. Caring for those who need us most, and whose voices often go unheard. Building our physical infrastructure to handle the prosperity these investments will bring. Providing homes for our families. My plan for you tonight is not a series of programs but a roadmap for the future. Let this be the bold legacy, the rich inheritance of hope, we leave for all the people of Nevada.

As I look to the future, I am excited about what we can accomplish. We can make all the difference to the hardworking ranchers in rural Nevada … To the small business owners in all of our communities … To the high-tech companies of our growing cities … To the first-generation minority and women business owners … To the state's senior citizens … And, perhaps most important of all, to the kindergartner who raises her small hand to her heart and recites the Pledge of Allegiance for the first time in a Nevada classroom that is fully equipped, fully staffed, and ready to fully meet her educational needs.

For the fourth and final time, let me humbly repeat these words: I am proud to be your Governor. God bless America. And God bless the Great State of Nevada. Thank you, and good evening.

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